



**Global
Challenges
Foundation**

Five Levers to Move the World

Author

Ann Florini

The submission proposes five mutually reinforcing levers that can shift global systems, rather than a new organizational structure. At the foundation is a shared set of fundamental principles. To strengthen formal structures, selection processes of IGO leaders must focus on best candidates, not purely political criteria. To move beyond ad hoc experiments in cross-sector collaboration requires systematic training for practitioners, improved funding, and accountability. The emerging “fourth sector” of mission-driven businesses needs legal frameworks to enable it to scale. Creating a fit-for-purpose financial system requires a global conversation aimed at reconfiguring finance to move trillions to invest in humanity’s future. Together, these levers empower humanity to improve today’s global governance and nurture the green shoots of tomorrow’s.





1. Abstract

“Give me a lever long enough and a fulcrum on which to place it, and I shall move the world.” – Archimedes

We use the wrong metaphor for global governance when we talk about “architecture.” In the absence of a world government or any legitimate single point of planning, the metaphor does not hold. There is no architect. And as the world has become more diverse, there is little chance of a like-minded architectural committee agreeing on a coherent new blueprint for a structure that could actually get built.

If the architecture metaphor fails us, what works better? It may be more useful to think in terms of levers long enough to move the world. The anarchical state system remains the fulcrum for the foreseeable future – states are the ultimate approvers and legitimisers for the five levers proposed here. But they are far from the only actors that matter.

Given that what is needed is systemic transformation of the global economy and society, we should think in terms of key levers that have the potential to tip us into a better state of being. Together, these levers could enable humanity to move past the current gridlock in global governance and grapple with the existential threats posed by climate change, other environmental threats, and the injustice and inequity humanity wreaks upon itself. And applying these levers at scale requires cooperation across states, as well as dedicated action within countries and across transnational networks.

Those levers need to be available to an enormous range of people and institutions. The systemic transformation needed to stave off environmental catastrophe, and to provide meaningful opportunities to everyone in a world closing in on nine billion people, requires deep engagement from a much broader range of organisations and individuals than just those in central national governments. We cannot govern at that scale using conventional thinking about making and enforcing binding rules in a one-size-fits-all coercive system patterned on national governments. Instead, governance should focus on changing incentives and norms and creating the right kinds of opportunities that people everywhere can seize in accordance with their own local conditions.

This proposal calls for the development of five mutually reinforcing levers of change – unlike Archimedes, we cannot move the world with just one. Five is a small enough number to allow for focus, but individually and especially collectively they will have big impact. All already exist at least in nascent form and represent ambitious but pragmatic progress rather than an idealised but unachievable new design.

1. FOCUS ON RIGHTS

At the core of global governance must be a broadly shared set of fundamental principles on which to base action, and goals around which action can converge. The 1966 UN Covenants on Civil and Political Rights and on Economic, Social, and Cultural Rights provide many but not all of the necessary fundamental principles. Given the depth of the environmental crisis and the degree to which it is ignored in current policymaking, we need to add the proposed Pact for the Environment,



which spells out the rights of all to a healthy environment.

2. IMPROVE THE LEADERSHIP

The methods by which member states of most inter-governmental organizations have selected and constrained the leaders and staff of those organizations constitutes political malpractice that must be changed. An improved selection process, like that used to choose the new UN Secretary General, for leaders of inter-governmental organisations will empower them to better lead and manage those organisations in their crucial convening and operational roles

3. EXPAND AND DEEPEN THE PRACTICE OF CROSS-SECTOR COLLABORATION

Given the expectations in the Sustainable Development Goals, the Paris climate accord, and much else that collaborations across government, business, and society are key to progress, it is striking that cross-sector collaboration remains so poorly developed. The grab bag of ad hoc experiments can be transformed into a much improved systematic approach to the achievement of broad societal goals with attention to the training, funding, and accountability of its practitioners.

4. CREATE THE ECOSYSTEM FOR THE FOURTH SECTOR

Social enterprises and other mission-driven, for-profit firms have demonstrated that business can consider social and environmental needs while still earning healthy financial returns. This emerging “fourth sector” desperately needs its own “Companies Law,” with specific regulatory, tax, metrics and accountability arrangements that recognize and foster its unique contributions.

5. ALIGN FINANCE WITH THE NEEDS OF HUMANITY

Such initiatives as the UNEP Inquiry in the Design of a Sustainable Financial System and the G20 study group on greening the financial system, among others, have laid the foundation for a global conversation on aligning the private finance sector with the SDGs and other social/environmental goals. It is time to accelerate that conversation, using the UN’s planned finance summit in September 2018 as a key step.

These five levers focus not just on structure but also on agency – both the opportunities that people can seize to make things better and their capacity to do so. The levers reinforce one another: empowered international organizations are better able to convene global conversations, Fourth Sector businesses make ideal participants in cross-sector collaborations, and shared principles and goals give everyone a set of focal points around which action can converge. This is not a static architecture. It is instead a dynamic plan for moving the world to a better future.

2. Description of the model

OVERVIEW

We know the stakes: the next few decades could see the world flourish or fall apart depending on whether we solve the conundrums of global governance. We need to identify key levers that can shift the world from its current inequitable and self-destructive condition to a different state. Those levers include some that accept the world as it is, divided into inherently competitive territorial entities focused on churning out ever more economic activity, and make incremental but essential improvements in existing global governance structures. Other levers aim at



systemic transformation, nurturing the green shoots of a web of institutions better suited to support a more sustainable prosperity.

Bolstering the existing order is a relatively straightforward task. Immediate changes in the formal inter-governmental organisations (IGOs) should focus on empowering existing institutions, and especially their hobbled or inadequate secretariats. The longstanding calls for changes in memberships and voting structures are legitimate but currently unlikely and should not prevent more feasible steps. It is not possible to force the world's governments to make harmonious music together – especially at a time when the longstanding conductor of the cooperative liberal international order is walking off the stage. We have enough formal inter-governmental organizations (IGOs) and summit processes such as the G20 to provide structures through which governments can communicate and cooperate when they choose to do so.

Although we will continue to have to patch up the inter-governmental order based on sovereign states for some decades, we can simultaneously build on the glorious profusion of innovations already underway in global governance to create a more resilient and more just world. This requires the fostering of an ecosystem encompassing a much more diverse array of governance mechanisms structured to address the complex nature of 21st century challenges, incorporating all sectors of society. It also requires a transformation of the mindset and legal structure of the business community, particularly but not only the financial sector. Business has gone so far astray in its pursuit of short-term financial profit that its negative impacts on society are beginning to overwhelm its positive value.

The UN's Agenda 2030 and the Sustainable Development Goals provide useful and broadly legitimated guidance on the initial steps to a healthy system, set in the context of an awareness of planetary boundaries that define the safe operating space for humanity (1). Thanks to the SDGs, humanity now has a shared global framework of objectives that are intended to build a world of greater well-being and resilience. The 17 goals and their multitudinous targets and indicators have already provided a common vocabulary that is reaching beyond the usual development circles to bring in business and a wide range of other actors whose contributions are desperately needed (2).

To reform and reformulate global governance in service of the SDGs and beyond requires five steps:

Governments should adopt the Pact for the Environment recently proposed at the UN. Governments should overhaul the appointments processes for leaders and senior staff of inter-governmental organizations, drawing on the model of the most recent selection of the UN Secretary General, to ensure greater merit and legitimacy. Practitioners, donors, and scholars should expand and deepen the practice of cross-sector collaboration through three key steps: generating widespread professional training in the practices of partnership; creating a global philanthropic network in support of collaborative platforms; and developing an accountability mechanism based on a system of external review. Governments, regulators, civil society, and the private sector should transform business practices by creating an ecosystem that supports large-scale mission-driven for-profit business: the "Fourth Sector". This ecosystem must include a strong accountability mechanism. With support from donors, scholars, and practitioners, governments



should agree on and adopt shared regulatory standards and metrics appropriate for this sector. Governments, regulators, civil society, and the private sector should transform the financial sector with new regulations and incentives based on a vigorous global conversation on the appropriate shape and scope of this vital sector.

EXPANDING RIGHTS

Conventional thinking about global governance focuses on states and favors the architecture metaphor: global governance is something to be designed by an all-seeing designer and then built according to a blueprint. Using this metaphor, national governments have designed a plethora of international organizations, rules, and practices to facilitate cross-border flows and grease the wheels of interstate interaction. As a result, the world abounds in forums for national governments to come together to address key issues, from peace to prosperity to sustainability. The most important results have been 1) the establishment of a set of broadly shared norms about the rights all people should enjoy irrespective of citizenship, and 2) the creation of operational capacities extending beyond individual countries. On both fronts, more is needed.

Only governments working together currently have the legitimacy to define rights that apply to everyone. They have already done so with regard to political, social, economic, and cultural rights in the 1966 UN Covenants on Civil and Political Rights and Economic, Social and Cultural Rights. A new and much-needed movement is now underway to add the missing piece: the right to a healthy environment.

In September 2017, French President Macron, with the support of a number of other national leaders, introduced at the United Nations a draft Pact for the Environment establishing the right of every person “to live in an ecologically sound environment adequate for their health, well-being, dignity, culture, and fulfillment.” The Pact goes on to elucidate broad duties and responsibilities as well as rights for access to information, public participation, access to (environmental) justice, and relevant education – the same principles that should frame all of global governance (3).

Such principles matter beyond their potential legal impact. In their absence, the plethora of international agreements meant to address desperate crises of collapsing ecosystems and a poisoned planet languish largely unimplemented. But agreement on broadly accepted shared principles can foster decentralized but powerful action – a framework of shared vision and empowered execution that has worked in everything from business to unconventional warfare to the process that resulted in the Paris climate accord (4).

Although the current geopolitical atmosphere does not engender optimism about the chances for quick adoption of the Pact, a few more environmental catastrophes affecting the likely hold-outs could change that calculation overnight. Thus, both national governments and the whole array of supporting actors, from the international community of jurists to business leaders to environmental activists, should pursue a dedicated international campaign in support of the Pact, to lay the groundwork so that the moment can be seized when the inevitable crises come.



IMPROVING THE QUALITY OF INTER-GOVERNMENTAL ORGANISATIONS

Beyond this, however, what we currently have in terms of big international agreements and formal global governance structures is what we will have for the foreseeable future. Now is not the time for a new singular World Order of the type created at the end of World War II. The regional rivalries and great power politics that have long blocked obviously meritorious structural changes show no sign of improving. The US leadership that provided a key foundation to the postwar liberal order has collapsed under a virulently nationalist administration, and the US is not alone. Many countries are turning inward in response to public unrest amid the overwhelming challenges of a deeply interconnected and rapidly changing world. After decades of calls for such obviously reasonable reforms as changing the membership of the Security Council and eliminating the veto, revamping the voting structures of the Bretton Woods institutions, and so on, there remains no politically plausible path to those desirable outcomes. Enhanced inter-governmental institutions with powers resembling anything like a world government are even less feasible.

But we can and must make what we have work much better. The IGOs remain indispensable, not just as fora for states but as operational entities. IGOs provide mechanisms for preventing and managing conflicts (such as the UN Secretary General's good offices and UN peacekeeping), assisting refugees (the UN High Commission for Refugees), fostering development and alleviating poverty (everything from the UN Development Program to the swathe of multilateral development banks), facilitating action on environmental challenges (UN Environment, the secretariat of the UN Framework Convention on Climate Change), and even some effort to tackle the population growth that underlies pressures on the planet (UN Population Fund). Along with these are myriad technical agencies that grease the wheels of all kinds of global flows.

That many IGOs do these things inadequately or badly is no surprise. The tasks are enormously challenging, and the organizations are often crippled from the start by a level of politicization and micromanaging that leave them far from fully functional. At the United Nations, for example, the Secretary General has little authority to assign, reassign, or fire staff. Many positions – including sometimes the heads of agencies – are essentially “owned” by various member states who send nationals to fill those slots without much attention to expertise or competence (5).

This longstanding political malpractice can be overcome, and the UN provides a recent example. The 2016 selection of the current UN Secretary General was, for the first time, largely open, transparent, and merit-based. Under the UN charter, all countries that are members of the General Assembly – virtually all the world's countries – are entitled to vote on this appointment, acting on the recommendation of the Security Council. Before this, virtually every Secretary-General was chosen by opaque deal mongering among the Security Council permanent five members, with the UN General Assembly allowed only to rubberstamp a single candidate. But spurred in part by a powerful “1 for 7 billion” campaign by non-governmental activists determined to reform this inequitable and unproductive process, as well as the dissatisfaction of most member states with business as usual, in 2015 the General Assembly adopted a new approach. Despite objections from some of the Perm Five, the new process worked. All 13 candidates submitted CVs and vision statements, took part in informal



hearings that were webcast, answered questions from the media, and in general for the first time had to publicly defend their vision for the future. The general consensus is that the best candidate won (6).

It is hard to imagine a defensible argument for continuing to select the leaders of other IGOs in any other way. With more legitimate and capable leaders enjoying broader support from member states, IGOs may finally find those member states willing to undertake other key management reforms, provide a bit more resources to go with their extensive mandates, and imbue those leaders with the moral authority to speak more effectively for the global public interest. It is crucial that all such organizations adopt the meritocratic and broad-based processes used last year to select the United Nations Secretary-General. Only then will these organisations enjoy broad legitimacy, empowering their leaders to better play their vital roles in proposing agendas, providing key global services such as the Secretary General's vital role in peacemaking and conflict prevention, and providing disinterested advice to the accountable political processes.

These changes, akin to unclogging the plumbing rather than constructing whole new buildings, will enable IGOs to do much better at key operational responsibilities in development, disaster relief, technical assistance, policy advice, and so on, thus enhancing via efficacy the legitimacy of multilateral institutions. That enhanced legitimacy will in turn support a growing role for IGOs: convening networks of disparate parties whose interactions can generate innovative solutions. The United Nations has unmatched convening power. Currently, member states jealously guard their prerogatives and give non-state actors such as business and NGOs only limited access to the official forums of global governance. More capable IGOs with more broadly legitimate leaders may have better standing to speak for a global public interest and include a broader array of actors as global governance moves from cooperation across governments to include collaboration across all sectors.

FOSTERING CROSS-SECTOR PARTNERSHIPS

Multi-stakeholder partnership is the mantra of the Sustainable Development Goals. Goal 17 tells us that to implement the other 16 goals we must “enhance the global partnership for sustainable development, complemented by multi-stakeholder partnerships that mobilise and share knowledge, expertise, technology and financial resources...” (Goal 17.16). Specifically, we must “encourage and promote effective public, public-private, and civil society partnerships, building on the experience and resourcing strategies of partnerships.” Goal 17.17).

This call for collaboration builds on a decades-old trend toward involving diverse actors in large-scale initiatives to solve large-scale social problems by engaging multiple actors from many sectors to align around a common development goal. Thousands of such partnerships exist, addressing everything from health to energy to security (7). These processes are deemed better able to deal with complex, silo-busting, interdisciplinary issues than the slow formal negotiations of the interstate system. They can be flexible, open, innovative, and can combine the legitimacy and coercive power of government with the resources and managerial acumen of the private sector and the expertise and local access of civil society to solve problems that no sector can manage on its own.



But as practitioners have long known and academics are beginning to investigate, making this approach to global governance work is no easy task.

Tomes have been written and conferences convened about the promise and challenges of what is variously called tri-sector collaboration (8), poly-governance models (9), multi-stakeholder governance (10), co-operative multi-stakeholder action (11), global action networks (12), global public policy networks (13), multi-stakeholder initiatives, public-private partnerships (14), collaborative governance (15), and more.

It is now time to move from all this analysis to action. Making cross sector collaboration work at scale for the good of society (and avoid regressing into crony capitalism) requires transforming what have been ad hoc experiments into a professionalized practice supported by funders other than the wealthier participants, with external reviews to provide accountability.

Training: It is possible to succeed in business without ever taking a business course, and possible to succeed in government with no public policy training. But practitioners nonetheless regularly turn to business and policy schools, finding that frameworks, specific skills training, and the formal distillation of experience can help a lot. Partnership practitioners are equally in need of training to develop the distinct skills and knowledge appropriate to leading change from the middle (16): bringing together diverse actors and facilitating effective shared action in the absence of formal authority. One reason that cross-sector collaborations continue to struggle, with many failing outright and most falling short of their potential, is that partnership has been treated as something anyone can do just by convening stakeholders, with processes and governing arrangements often devised on the fly. In reality, reaching across sectors is a challenging undertaking, requiring skills and knowledge that differ from what is taught in most business and public policy schools.

If cross-sector partnership is to be a major means by which the world comes together to address its most pressing issues, as SDG 17 proposes, it needs well-trained and capable partnership brokers, facilitators, and managers. That training includes but should go well beyond facilitation skills. In addition to issue-specific expertise, members of this emerging profession need to understand the global context and global environmental, social, technological and political trends; how to analyze and manage complexity (17); how to apply appropriate metrics and accountability systems for a given collaboration; how to use sophisticated techniques such as scenario-building and forecasting to create a shared vision for a diverse and often mutually distrustful group; and how to understand and bridge the very different mindsets of the public, private, and civil society sectors.

A variety of executive training programs and a few individual college courses aim to foster the development of relevant skills. These are useful, indeed crucial, but limited in the depth and breadth of the material they can convey.

One dedicated Masters degree program currently puts cross-sector partnership on a level equivalent to post-graduate business or public policy degrees. The Masters of Tri-Sector Collaboration, launched in 2014 at Singapore Management University, provides a model that should be replicated widely (18). The MTSC is based on the premise that the world needs a new generation of leaders equipped



to create a more sustainable and equitable world by bridging the three sectors. Its curriculum covers all the substance and skills described above, with a particular focus on Asia and that region's unique circumstances. Universities elsewhere should develop equivalents to ensure that all parts of the world can engage in widespread successful cross sector collaboration, and governments should agree on accreditation standards..

Funding: Enduring and effective collaborations need resources, both human and financial. Their success depend heavily on the existence of secretariats or platforms that broker partnership agreements, bear the transactions costs, facilitate partner interactions and ensure continuity as the personnel of the various partner organisations come and go. Often, funding comes from the partners themselves. This can work, but it constrains the spread and scope of the collaborative approach. It also leaves the partnership vulnerable to the preferences of the wealthier partners who usually provide the bulk of the funding. The growing numbers of global philanthropists looking for ways to leverage their charitable funds could help to overcome these constraints. With relatively small amounts of money, cross sector collaborations can hire partnership professionals and organise ongoing interactions that brings to bear the full range of capacities needed to solve large-scale problems and advance progress to the sustainable development goals.

Accountability: A major weakness in the collaborative governance approach has been the lack of accountability, both internally among the collaborators themselves and externally to the range of stakeholders the collaboration claims to benefit. To create accountability, collaborations should subject themselves to external reviews of the kind that universities do routinely. In academia, external panels review the performance of departments, schools, and the university as a whole every several years, with access to internal documents and staff. The reviews are taken seriously because continuing accreditation and funding can depend on their results, and because they provide useful feedback that can form the basis of ongoing strategic planning. In the absence of an accreditation function for cross sector collaborations, the review process should result in a public report to ensure that it serves the function of external accountability.

The review committees would need two types of expertise: knowledge of the substantive issue addressed by the collaboration, and expertise in the processes of collaborative governance. The latter can draw from existing academic networks such as the Cross-Sector Social Innovation group and the Global Research Network on Multi-Stakeholder Initiatives, along with a number of scholar-practitioners. To avoid the equivalent of regulatory capture, these individuals would commit themselves never to accept jobs, consulting arrangements, or other forms of compensation with the organizations involved in the collaboration they are reviewing. Over time, the pool of people available to serve in this role can grow, leading to the rise of a professional association of assessors of collaborative governance that can set high professional standards and cultivate good practices in this quasi-regulatory role.

TRANSFORMING BUSINESS: THE RISE OF THE FOURTH SECTOR (19)

The importance of cross-sector collaboration leads to a reassessment of one of the collaborating sectors: business. At present, business participants in these collaborations are primarily focused on how the collaboration can enhance their



bottom line, rather than the mission behind the collaboration. This limits what collaborations can do, but it is unsurprising: The model taught in business schools and ingrained in legal structures pushes private corporations to pay attention to financial profits alone, with a strong focus on returns in just a few years or even months. That is not a model of business that is compatible with the well-being of society. Nor is it the only model of business that works.

Although some people seem to be motivated solely to making as much money as possible, the vast majority of humanity has broader purposes in life. Those broader purposes were the original basis of the social license for business to operate. It is a mechanism for providing goods and services and solving problems in a decentralised way. Corporations in particular were originally entities commissioned by the state to accomplish in a specific purpose, which could range from constructing a canal to colonising India. They were not undying organisations entitled to make money in any way the law would allow. We have allowed the means – financial profits – to warp the ends: the social good. And the ideology of the self-correcting invisible hand – a distortion of Adam Smith’s point – is now so embedded that most people in business cannot imagine another way.

But there *is* another way, one that is evolving bottom-up but now needs to be fostered and encouraged on a much larger scale. Like the multi-stakeholder initiatives described above, it has a morass of names and forms: social enterprises, for-benefit corporations, community development corporations, social businesses, and many others. Some of these represent an evolution from the for-profit sector, which has been exploring the compatibility of profit-driven forms with social responsibility, sustainability reporting, environmental social and governance (ESG) frameworks, and the triple bottom line. The nonprofit sector, anxious to ensure its financial sustainability, along with a philanthropic and financial sector looking for new ways of doing good, have come up with venture philanthropy, impact investing, social impact bonds, and so on. They are converging on a new way of doing business and good at the same time: The fourth sector.

The defining characteristic of a true fourth sector organisation is its purpose. It is driven by a social/environmental mission, but uses profits to sustain itself. That distinguishes it from concepts like responsible business, which merely aims to limit the harm that business does in its ultimate pursuit of maximum financial returns. In a world already exceeding key planetary boundaries and struggling with explosions of rage at rampant inequality, limiting harm is no longer good enough.

But at present this nascent sector is struggling with legal structures, mindsets, and established practices meant for older models. Almost everywhere, organisations must register themselves as either for-profit or non-profit, with significant consequences for how they can raise funds, what taxes they pay, and how they are allowed to function in society. Even where legislation exists (such as in most American states) to allow incorporation as a for-benefit business, the rules are too loose to ensure primacy of mission or accountability.

A global network, with a key hub at the Fourth Sector Group and another at the World Economic Forum’s Fourth Sector Development Initiative, is rapidly emerging to foster the creation of a new organizational ecosystem supportive of business that serves interests beyond maximization of short-term financial



returns. Fostering that ecosystem now requires several key steps from IGOs, regulators, the private sector, and academia:

expanding the many experiments in capital allocation (such as blended finance and venture philanthropy) into substantial capital markets that serve social ends; development of laws and regulations support of fourth sector entities, including tax policies that recognise the social value of for-benefit firms; transformation of business education and training to empower a wide range of entrepreneurs to take forth sector businesses to scale.

Metrics and Accountability: Most important is the development of metrics that accurately measure social and environmental value creation, along with protocols to ensure that fourth sector enterprises are accountable to all stakeholders (20). Those metrics must be sufficiently clear and simple that regulators can readily assess whether companies are living up to their mission commitments. They must also allow comparison across companies so that investors and consumers can reward social and environmental as well as financial performance should they choose to do so.

Currently, there is no shortage of relevant metrics on corporate environmental and social (i.e., non-financial) performance. Stock exchanges around the world are now requiring listed companies to report against these metrics, so they are being used. It is widely recognized, however, that there are far too many competing standards, none of which is yet good enough to allow for meaningful regulation or comparison.

But progress may be imminent through a variety of cross-sector collaborations. The Corporate Reporting Dialogue now brings together many of the most prominent non-financial reporting standards to drive for “greater coherence, consistency and comparability” across them and provides a handy mapping tool (21). The Global Reporting Initiative, a widely used but clumsy non-financial reporting standard, has recently teamed up with the similarly prominent UN Global Compact, which uses a set of 10 standards drawn from widely agreed international treaties to help thousands of member companies to self-assess and improve their performance against those standards. The new World Benchmarking Alliance, itself a major high-level cross-sector collaboration, is working on methodologies for assessing business contributions to the SDGs. Thus, the metrics component for the Fourth Sector is developing.

Transforming Finance

One economic sector needs special treatment even before the Fourth Sector has a chance to spread. In recent decades the financial sector has come to dominate the global economy out of proportion to its useful role in channelling capital to its best uses. And the incentive and regulatory structures with which we have surrounded the financial sector have insured that its definition of “best uses” of capital have been warped to mean short-term self-enrichment rather than the long term good of society. Inadequate and inappropriate regulation and disempowered regulators have deprived the global economic ecosystem of the apex predators that should have kept the financial species in check. Too much money is not serving anyone’s interests: The inability of the private financial sector to put money to good use has some \$9 trillion invested in negative-earning assets – a guarantee of making losses. And finance professionals still assume that investing for social/environmental impact requires compromising on returns, despite evidence to the contrary.



To fix this, we need a broad and inclusive global conversation about the purposes and appropriate shape of the financial sector (22). This Financial Conversation needs to happen now, rather than awaiting the next crisis. In crisis times, we may see government coming together quickly in what looks like a good example of global governance, as we saw with the G20 in 2008 and 2009. Although the G20 response was certainly better than the alternative of a global collapse into a new great depression, it put Band-Aids on deep structural wounds that continue to fester.

Good financial regulation needs to do more than ensure fair competition among lenders, protect consumers, and maintain systemic stability. Credit allocation must be not only efficient, but appropriate and effective in serving the long-term goals of society. Although the world is awash in liquidity, public funds are trillions of dollars short of the investments needed to achieve the SDGs and bring us safely within planetary boundaries. Getting private finance where society needs it requires governments to agree on and implement regulations that change the incentives the financial sector faces from short-term returns to longer-term social welfare. Private finance is currently structured primarily for the short term, which makes little sense for societies that plan to be around for more than the next 3-5 years.

UN Environment (UNEP), through its Inquiry into the Design of a Sustainable Financial System, has helped to spark the crucial first steps for this global conversation by demonstrating that countries around the world are already experimenting with green bonds, non-financial disclosure requirements, green credit guidelines, and many other steps toward the transformation of the financial sector (23). Its early reports attracted the attention of China, which incorporated a study group on Green Finance into the Finance Ministers track of the 2016 G20, co-chaired by China and the UK with the UNEP team serving as secretariat. UNEP and the World Bank are now collaborating on a wide-ranging consultative process to develop a global “Roadmap for a Sustainable Financial System.” (24)

Progress is already detectable on many financial fronts. Green bonds issuance, for example, is predicted to reach \$135 billion in 2017, up sharply from \$100 billion the year before and a mere \$50 billion in 2015 (25). But much more is needed, both to move from billions of aid dollars to trillions of investment dollars in support of the SDGs and to divert private finance away from lucrative but socially harmful practices.

In September 2017, the UN Secretary General announced that he would “champion key international initiatives that can harness large-scale changes in financing and financial system development, such as in the fields of digitalization and climate finance and in cooperating with major investment initiatives.” (26) And in September 2018, the SG will host a Finance Summit to follow up – the logical next step in the global conversation on rethinking finance, and one that deserves the support and deep engagement of all sectors.

WEAVING THE WEB: CONNECTING THE ELEMENTS OF THE NEW GLOBAL GOVERNANCE

Imagine living in the wonderful world of 2050. The gutwrenching poverty that left half the world eking out a bare existence at the turn of the millennium has become little more than an unpleasant memory. Millennials and their successors responded with glee to the “Fourth Sector” incentives that empowered them to create a wave of socially and sustainably minded businesses able to compete



effectively with the old financially minded business paradigm, ushering in a new era of sustainable prosperity for virtually everyone. Population has grown far more slowly than predicted, with birthrates dropping dramatically in a demographic transition that reflects the world's improved standard of living. New environmentally sustainable technologies, from transport to agriculture to energy, received plentiful financing and are now so widely adopted that Mother Nature smiles benignly on her 8 billion children. Thanks to the emergence of a widespread and resilient network of effective collaborative problem-solving institutions bound together by shared principles and goals, citizens everywhere have multiple means of participating in effective governance, reducing the frustrations and outrage that had led so many to turn to violence in earlier eras. The new benchmarks and metrics hold both the old governmental and intergovernmental governments and the new networks and Fourth Sector firms to account (27).

To get to this sunny state from here is feasible:

The shared vision set by the SDGs, supported by conventions spelling out basic human rights, gives everyone focal points around which to converge. Improvement in the capacity of key IGOs begins with their leadership. A flourishing system of voluntary cross-sector partnerships can thrive with a professionalized human capacity, targeted funding, and external reviews that can credibly assess whether the collaborators are being true to one another and to their agreed mission. A supportive ecosystem of laws, regulations, and funding will transform what is already an explosion of mission-driven for-profits into a widespread new Fourth Sector that empowers purpose with the capacities of business. A reconfigured financial regulatory system, building on the global conversation already in its early stages, will move trillions from unproductive profit-chasing to investment in humanity's future.

Despite its ambition, this is a feasible set of mutually supporting proposals that can lead to systemic change. Both the bolstered formal inter-government mechanisms of global governance and the more free-flowing networks and partnerships involving all types of social actors are essential. Indeed, each needs the other. Only the state-based mechanisms have a broad reach and convening power and the legitimacy to set the fundamental principles and ultimate goals. But only the networks have the flexibility and adaptive capacity to build on those principles and innovate toward those goals.

This focus on empowered individuals in a highly decentralized system contrasts sharply with most global governance approaches that look to single organizations or decision structures to address global-scale issues. Such simplified structures are not just politically infeasible, they are downright dangerous. As the lessons of the 20th century made painfully clear, excessively centralized governance forces large-scale diversity into simplified patterns for ease of control, destroying resilience and creativity and disempowering local communities (28).

By contrast, this proposal creates a system that both immediately improves the quality and functioning of the existing IGO system and lays the groundwork to empower vast numbers to contribute to the broad social good, by creating norms, structures, and incentives that make it easier for them to do so. Social science gives reason for optimism that empowering bottom-up problem-solving will bring out the best in us: most people are both cooperative and selfish, following one path or the other depending on the systems, norms, and structures that surround them (29).

What happens then is up to each of us.



3. Motivation

CORE VALUES

The global governance system described in this proposal emerges from a deep consideration of the core value of equitable empowerment. What does it really mean to afford all people everywhere equal respect and equal opportunity in a realistic way in a world where most people do not live in wealthy democracies?

That core question quickly leads to a focus on human rights principles that can apply to all. Many of the key rights are already codified (recognising that much work remains to effectively implement them), but as the consequences of exceeding so many planetary boundaries weigh ever more heavily across the world, it becomes clear that the rights that remain most urgently to be spelt out are those dealing with a healthy environment – hence the Pact for the Environment is a crucial step.

Beyond that, however, the focus on human equality requires us to move beyond sole reliance on state-centric mechanisms, which are just not good enough to protect or empower people equally. Even if sovereign equality were an empirical reality rather than a legal fiction, purely multilateral mechanisms do not suffice. When decision-making reaches the rarefied level of multilateral rulemaking, the threads of democratic accountability can be stretched very thin – a problem compounded by the lack of effective democratic accountability mechanisms even within countries. It is often hard to see multilateral decision-making systems as means by which the people of the world, through the instrument of their national governments, resolve common problems.

By looking for ways to implement broadly accepted global goals by means of an extensively decentralised system of implementation, relying on properly selected global leaders, improved cross sector collaboration, and a reconfigured business and financial system, the system opens global problem solving to participation by a much wider swath of humanity. And by insisting on building widespread human capacity to participate in these systems, it insures that such participation will be meaningful.

DECISION-MAKING CAPACITY

Decision-making happens at two levels: in the formal, state-centric, intergovernmental system, and across the global web of firms, NGOs, governments at all levels from local to national, religious groups, industry associations, and all the other actors on the global stage whose choices and actions have effects far beyond their immediate sphere. Decision-making has to work in both levels, but in different ways that reflect the different natures of these interlocking systems.

At the interstate level, the capacity for decision-making depends in part on the effort national governments are willing to bring to bear, something determined in substantial part by domestic considerations that are beyond the scope of a global governance structure. But it also depends on the capacity of the secretariats and staff of the organisations and treaties structures governments have created. That capacity has often been inadequate, and the first step to solving that problem is to change the processes by which the leadership of these organisations is selected – the second lever.



This model of global governance calls on governments to agree on a number of standards, such as accreditation for professional education in cross-sector collaboration, reporting metrics for Fourth Sector businesses. The development and implementation of these standards is best delegated to cross-border professional associations. These could be modelled perhaps on the International Organisation of Securities Commissions that sets standards for the financial securities sector. Its core membership is national securities regulate commissions, but it also includes Associate Members who are from other parts of governments or IGOs, as well as a range of non-governmental Affiliate Members such as self-regulator organisations, stock exchanges, and other bodies with an interest in securities regulation. The metrics for Fourth Sector regulation are at such an early stage that it is not yet clear who specifically the appropriate members of a cross-border organisation would be. The various organisations listed in the Description of the Model, along with government agencies involved in business regulation, would be a good starting point.

EFFICACY

Long and painful experience shows that are left to their own devices, the world's national governments are far more likely to set global goals than to try hard to achieve them. The anarchical nature of the system of sovereign states does not lend itself readily to formal intergovernmental structures that can enforce state action in a broader global public interest. Improving the quality of the various organisations and processes that states have devised in the multilateral system to facilitate cooperation will help states to see where they have enlightened self interests in common. But the challenge is to find feasible systems to solve large-scale collective action problems, not to wish that national governments would decide to start behaving differently.

Thus, much of the proposed shape of global governance comes from a focus on global networks and all the actors beyond governments – the web rather than the (state-centric) chessboard, in Anne Marie Slaughter's evocative phrase (30). Taken together, the levers create an enabling environment that allows for meaningful subsidiarity – the idea that decisions should be taken at the lowest possible level, by people who best understand their own unique circumstances.

The emphasis on cross sector collaboration and on the emergence of a different way of doing business (levers three and four) hold much more promise than the conventional roles of the government and the private sector. In public policy schools we are taught to think about how government rules and regulations should be set and implemented. In business schools we learn how to maximise profits within the constraints of market competition and government regulation. Neither of these is a good reflection of how large-scale problem are actually solved. Everything from arms control to the success of the Montréal protocol on ozone pollution to the reconstruction of societies after civil or international wars has involved networks of actors, extending well beyond governments and with no one obviously in charge. Given time and a shared interest, as Elinor Ostrom and colleagues have shown, communities can develop ways of managing their social and environmental ecosystems in the absence of external “governing” controls and without assigning private property rights.



RESOURCES AND FINANCING

The five levers focus heavily on the human capacity that is the most essential resource for any system of global governance. Lever two emphasises the selection of capable leaders and senior staff for the inter-governmental organisations on which much of global governance depends – a step that would be a significant change from past practice. But this model of global governance also asks much from people who are not IGO staff or governmental officials, and thus pays equal attention to their capacitation. To that end, lever three makes detailed suggestions for significant changes in professional training and education, building on models already in practice. And in endorsing the Pact for the Environment, lever one also supports the Pact’s call for widespread availability of the environmental education and training so badly needed to support widespread change in support of environmental protection (Article 12).

This proposal addresses the question of financial resources in two ways. First, because it focuses on steps that can leverage big changes, it does not require large upfront investment of financial resources. Thus, the funding available from the philanthropic community is sufficient to support the initial steps such as the professionalisation of the practice of cross-sector collaboration (lever two). Second, it proposes to have very large-scale financial impact by shifting the norms, incentives, and practices of the private finance sector through an enhanced global conversation that is already getting underway (lever five). That conversation primarily involves regulatory and disclosure practices that also includes elements of the financial community as well. If successful, this will leverage financing in support of the goals of global governance far beyond any plausible public or philanthropic financial contributions.

TRUST AND INSIGHT

All five of the levers increase the transparency of governance processes and afford widespread insight into the decision-making processes:

A. The specific principles in the Pact for the Environment draw on decades of progress in understanding the necessity for access to information, participation, and justice in all issue areas. The Pact specifies that citizens have access to environmental information held by public authorities (Article 9); the right to participate meaningfully in public plans and actions that may have a significant effect on the environment (Article 10); and access to effective and affordable administrative and judicial redress and remedies when either public authorities or private persons contravene environmental law (Article 11).

B. The open selection process for the leaders of multilateral organisations is an explicit increase in transparency and insight compared to the opaque, secretive political horse-trading processes used to date.

C. The external review process for cross-sector collaborations would transform what is now a generally opaque and poorly understood set of partnerships into a much more transparent phenomenon.

D. A business sector motivated and measured by its social and environmental contributions, rather than only its financial returns, is inherently more transparent.



E. An accelerated global conversation about appropriate regulation of the global financial sector would shine a bright light on an opaque regulatory system riddled with self interest.

FLEXIBILITY

This proposal is designed for maximum flexibility. Rather than building formal structures and assigning roles to countries, as the post-war order did, it looks to create enabling conditions that provide appropriate norms and incentives for a huge range of actors, who then choose for themselves how best to proceed. The only inflexible part of the system is found in the insistence on core principles, based on rights that accrue to all. The focus on broadly legitimate shared goals, such as the Sustainable Development Goals, builds on the model of the Paris climate accord, itself designed to ensure coherence around an ultimate goal while affording considerable flexibility for specific action.

PROTECTION AGAINST THE ABUSE OF POWER

Open selection of leaders of intergovernmental organisations means they will not be beholden to political patrons, alleviating what has been a significant abuse of power in the international system.

The five levers model does not afford decision makers much in the way of “power over” that can be abused. Instead, the focus is on “power with.” It provides an enabling environment that encourages but does not force changes. For example, the creation of a new ecosystem in support of the kinds of truly responsible businesses represented in the Fourth Sector does not force anyone to stop doing business as usual. It merely makes business for good able to compete on reasonable terms with business that does not care about the costs it imposes on society. The expectation is that as Fourth Sector businesses gain a foothold, investors will be attracted by the lower risks such businesses incur, and at least some consumers will invest in learning enough about the providers of various goods and services to choose among them in part on the basis of their socially and environmentally superior practices.

ACCOUNTABILITY

These levers of change were selected in part because they could be made accountable. That accountability does not necessarily resemble standard performance appraisal types of accountability. Instead, it is more creative, using the power of public revelation to encourage actors to hew to core principles and work towards agreed goals. For example, the system includes accountability measures for cross sector collaborations in the form of an explicit process of formal external review, with results made public (giving appropriate deference to proprietary information).

Ensuring accountability in a meaningful sense to broad human rights principles is particularly challenging. One way in which the proposed system would do so would be to use the UN principles on business and human rights as one of the metrics used to evaluate fourth sector businesses. With the proposed addition of environmental rights, implementation of the UN principles on business in human rights as in metric would ensure that fourth sector businesses would be held accountable for respecting the key social and environmental rights.



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