Institutional capacity to progress sustainable development in New Zealand: What will it take?

A background paper prepared for:
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September 2006
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Executive summary

The need for institutional change to progress sustainable development has been known for nearly two decades, yet the failure to progress sustainable development is attributed to insufficient institutional change. In New Zealand there has been little commentary on, or analysis of attempts, to structure institutional arrangements to better support sustainable development. Sustainable development is challenging from an institutional perspective for a number of reasons, including: organisations need to work collectively and collaboratively; the long-term nature of issues, decisions and policy is often in conflict with electoral cycles; and, policy-making needs to be flexible and adaptive in order to respond to the unforeseen or unknown. Institutional arrangements will need to adapt and change over time.

New Zealand is currently experimenting with institutional arrangements to progress sustainable development. An example of this is the Auckland Sustainable Cities whose focus was on strengthening the relationship between local and central government in order to work better together. This is considered a first step, however there needs to be much more focus on institutional capacity if New Zealand is to progress sustainable development. It is not enough to be able to define a sustainable future, we need to include capacity building as an explicit focus of policy development and implementation.
1.0 What is the issue and why should we be concerned?

“The real world of interlocked economic and ecological systems will not change; the policies and institutions concerned must”

The World Commission on Environment and Development, 1987, p9

The need for institutional change to progress sustainable development is not a new idea; it was identified by the World Commission on Environment and Development in their seminal report titled “Our Common Future” in 1987. However, at the Johannesburg World Summit on Sustainable Development in 2002 it was suggested that the failure to progress sustainable development to the extent envisaged after the Rio conference in 1992 was due to the lack of focus on institutional arrangements, as well as the inadequacy of governance tools (OECD 2002a). But why are institutional arrangements and governance such critical elements in progressing sustainable development?

It is commonly accepted that no one organisation can be responsible for progressing sustainable development. Sustainable development requires, amongst other things, the capacity for collective action (Healey et al, 2002) as the impacts cross disciplinary, organizational, sectoral, geographical and even country boundaries. It requires a collective effort from bottom-up grassroots community action right through to top-down legislative changes. Our institutional arrangements and governance mechanisms will need to adapt and respond to the unique challenge of progressing sustainable development.

The focus of this paper is on understanding how our systems of central and local government (top-down) are going to effectively contribute to progressing sustainable development. While community action is critical, there needs to be changes at the institutional level if we are to make progress in a meaningful way. There is a growing body of literature around understanding the institutional challenges to progressing sustainable development, as well as some suggested responses for building institutional capacity. This provides a useful lens through which to review New Zealand’s approach to progressing sustainable development.

In New Zealand we have been experimenting with institutional arrangements through programmes such as the Urban Form, Design and Development (UFDD) work strand of the Auckland Sustainable Cities Programme (ASCP). The ASCP was a collaboration, primarily between central and local government, that was focused on learning how to work together. While this is an important first step in strengthening institutional arrangements much more needs to be done if New Zealand is committed to sustainable development as a guiding principle for public policy.

The purpose of this background paper is to explore the institutional challenges to progressing sustainable development, present the institutional capacity framework as a way of determining how to strengthen institutional arrangements, critique the UFDD work strand against the institutional capacity framework, and suggest how New Zealand could build institutional capacity to progress sustainable development.
2.0 Clarifying concepts

This paper is structured around the concepts of institutions, institutional capacity and institutional arrangements in the context of progressing sustainable development. Each is defined as follows:

The system in which sustainable development is to be progressed is defined as an institution. Institutions have informal as well as formal elements. Institutions are the norms and routines of working practice, as well as the administrative processes that structure that practice. Institutions are most simply described as the rules of the game (Department for Institutional Development, 2003). Sustainable development needs to become the rules of the game, and as all collective actions are mediated through institutions (Dovers 2001), then the building of institutional capacity becomes itself an important implementation task.

Institutional capacity embraces human resource development, organizational development and institutional development (Wakely 1997). Building institutional capacity can generate consensus on what kind of collective game we play, and it offers trust and collaboration to respond flexibly to new situations (Healey 1998). Capacity building is often too limited in its approach, equipping individuals with knowledge and skills to operationalise sustainability. Wakely (1997) and Brown (2004) suggest that organizational and broader institutional context presents as great an impediment to the sustainable development as the inability of individuals to operationalise sustainable development.

Institutional arrangements are the ways we structure ourselves in order to play the game. A key issue on which the empirical research agrees is that the task of progressing sustainable development will require collective action and this will place challenges on current institutional and governance arrangements. The arrangements are going to have to operate in a system where complexity, adaptation and flexibility will be key elements. The institutional capacity will need to be able to support such a system.

3.0 The institutional dimension of sustainable development

Much of the debate around sustainable development has been focused on its definition. Many authors suggest that this focus may have contributed to the lack of progress with sustainable development, so seek to move the discussion to understanding sustainable development as a process rather than an issue. For example, Innes and Booher (2003) are of the opinion that sustainability is a process and it must be maintained by what they call a ‘distributed intelligence’. According to Ayre & Callway (2005) sustainable development is a ‘method of structuring our thinking, our decisions and our actions’ and it defines how we do good governance. And PRISM & Knight (2000) suggest that sustainable development involves ‘a new way of doing things, a way that recognizes linkages and reflects a set of values that are participatory and inclusive’. More recently in New Zealand, the Department of Prime Minister and Cabinet suggested that achieving sustainable development will involve a different way of thinking and working (DPMC, 2003).
The United Nations Commission for Sustainable Development in 1995 identified the fourth dimension of sustainable development as being the institutional (Spangenberg, 2002). The institutional dimension refers to human interaction and the rules by which they are guided (Valentin and Spangenberg, 2000). The institutional dimension has informal as well as formal elements; it includes the norms and routines of working practice, as well as the administrative processes that structure the practice. But why is sustainable development such a challenge for institutions?

### 4.0 The institutional challenges to progressing sustainable development

The institutional challenges to progressing sustainable development include the ability of stakeholders to work collectively and to collaborate, the ability to set policy and made decisions for the long term, the ability to be flexible and adaptive in policy making to be able to respond to the unforeseen or unknown, and for integrative thinking to be the norm. But why is the task of implementing sustainable development policy different from any other policy implementation task? Lafferty (2004) has identified five key characteristics of sustainable development that highlight the demanding, comprehensive and challenging nature of the implementation task:

1. An ‘outside-in’ programme. The agreements are made at international conferences and need to be brought home for implementation.
2. A trans-border, supra-national programme. The language of sustainable development is focused on multi-level governance that challenges existing institutions of governance.
3. A transformative programme. It involves significant changes in economic, social and cultural institutions that has radical implications for business-as-usual.
4. A holistic, interdependent and contingent programme. This requires a transition that is interactive and contextually adaptable.
5. A normative long-term programme. This requires sustainable development to be the basis of the ‘rules of the game’.

All these characteristics require institutional responses, yet progress with implementation has been slower than anticipated and the OECD (2002a) suggests this is because:

- Institutional adjustments come up against short-term considerations
- Government procedures for addressing cross-sectoral and inter-generational issues display a deficit of coherence
- Stakeholders have differing perceptions which can be a barrier to policy integration
- Managing the amount of knowledge generated is very challenging

In addition there are issues around complexity, uncertainty, and adaptability that challenge the institutional responses. These three issues can be illustrated in the context of the long-term effects of most issues related to sustainable development. For most
policy decisions to be made, conclusive evidence is not always available. Most decisions will therefore involve stakeholders with different backgrounds and objectives. A limited capacity on the part of institutions to deal with the range of perspectives on the issue, as well as an inability to absorb complexity and to manage change, will be at odds with the need for a mutual understanding among the different disciplines, audiences and constituencies involved (OECD 2002a).

These issues all suggest some kind of institutional change is necessary to progress sustainable development. Many authors (including Wakely 1997, Brown 2004, Connor & Dovers 2004, Low 2005) acknowledge that the implementation of sustainable development will require institutional change and transformation. So what does this mean in terms of institutional capacity to progress sustainable development?

### 5.0 Building institutional capacity to progress sustainable development

The issue of capacity building is key to securing long-term change to process sustainable development (de Magalhaes 2004). The integrated nature of sustainable development calls for new capacities within the governance machinery to achieve specific priorities and targets under a common umbrella (OECD 2002b). Building institutional capacity can generate consensus on ‘what kind of collective game we play’ and how to play it, and it offers trust and collaboration to respond flexibly to new situations (Healey 1998).

Wakely (1997) believes that adequate institutional capacity and institutional arrangements to cope with the challenges of an increasingly integrated world economy is a dimension of development to which policy makers are turning their attention. To be effective, capacity building must embrace all three aspects: human resource development, organizational development and institutional development.

- **Human resource development** – the process of equipping people with the understanding and skills, and access to information and knowledge to perform effectively. To achieve this the organizational environment must be dynamic and responsive.

- **Organizational development** – the process by which things get done collectively within an organisation. The increasing demand for more flexible and responsive management styles calls for new and very different organisational structures and relationships, particularly within local government. It also calls for new relationships between different organisations who have a role of sustainable development. These changes need to be supported by institutional development as it is beyond the capacity of any single organisation or network of organisations.

- **Institutional development** – the legal and regulatory changes that have to be made in order to enable organisations and agencies at all levels and in all sectors to enhance their capacities. Such institutional issues generally need the political and legislative authority of national government to bring about effective change (Wakely 1997). Brown et al (2005) refer to this area of
capacity as **external institutional rules and incentives**, and this is how it is referred to in this paper.

Current attempts at assessing institutional capacity and the associated intervention needs, such as legislative frameworks, are often too limited in their approach. A holistic and integrated view of institutional capacity is needed if we are to progress towards sustainable development.

The experience to date, both internationally and nationally, with progressing sustainable development suggest the following as key areas where capacity needs to be built:

<table>
<thead>
<tr>
<th>Human resource capacity</th>
<th>There needs to greater emphasis on the <strong>process-related and ‘soft’ skills</strong> of stakeholder involvement, partnership formation, leadership development, institutional capacity development and knowledge creation and learning (de Magalhaes 2004). According to Innes and Booher (2003) the collaborative nature of the implementation task suggest that personal skills and knowledge have to be developed, including how to communicate, cooperate, resolve conflicts and respect others, and how to build coalition infrastructure. How to treat knowledge and skills issues needs to become a key policy concern. In the New Zealand context, Larner and Craig (2005) support the strengthening of soft skills and see an emerging role of the <strong>strategic broker</strong>. They suggest that these strategic brokers advocate for more relational forms of practice. They have technical and sectoral expertise and knowledge of government and community networks, and spend a great deal of time building and maintaining relationships.</th>
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<tbody>
<tr>
<td>Organisational capacity</td>
<td>Having strong <strong>leadership</strong> is an essential element in progressing sustainable development. This leadership often comes from individuals but also needs to be shown by organisations. Both local and central government need to lead by example in order to build up trust and credibility (ICLEI, 2004). The credible leader needs to be able to communicate about the long-term nature of sustainable development in order to mobilize change. ICLEI (2004) suggest that <strong>creative people</strong> within and outside government are key to answering new challenges and success in implementing sustainable development is dependent on innovation. There needs to be a climate of self-confidence so that new ideas are not perceived as threatening the usual way of doing things.</td>
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<tr>
<td>Networks</td>
<td><strong>Networks</strong> are being recognised as a useful tool to address issues that are uncertain, complex and where the solutions are not always known. According to Taylor (2002) rather than the networks being formal structures there is an argument for process rather than for procedures and structures, and for informality rather than for formality. Cars et al (2002) support this view and suggest the networks need to be based on trust and reciprocity and rely on informal opportunities for cooperation and joint ventures. The collective action nature of sustainable development sends a clear signal that <strong>collaboration</strong> is a key principle. According to Berke and Conroy (2000) in an ideal collaborative approach there</td>
</tr>
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</table>
is a genuine exchange of needs, ideas, responsibilities and control. Sherlock et al (2004) suggest that there is a need to provide incentives for collaborative and partnership working, developing inter-organisational trust and providing organizational support. Another critical element of the collaborative process is to allow for the recognition of tangible and intangible products from the process. Innes and Booher (1999) define tangible as those that can be easily pointed to and recognised – including legislation, plans, policies. Intangible includes new or stronger professional relationships, built up trust, shared intellectual capital.

Developing a shared understanding of what it will take to progress sustainable development will require improved communication between all stakeholders. Falkena et al (2002) suggest that when people see the positive results of communication and participation they are more likely to look for cooperation in the future.

ICLEI (2004) also suggest that within a knowledge-based society, communication is central to raising awareness of the changes in behaviour that sustainable development demands. Initiatives are worth little if they are not communicated properly.

Sustainable development requires stakeholders to be engaged in an ongoing learning process. According to van Bueren and ten Heuvelhof (2005) actors from different background and networks need to be able to engage in a process of exchanging perceptions.

**External institutional rules and incentives**

While sustainable development is becoming embedded into national legislation in New Zealand, such as the Building Act, Local Government Act and Land Transport Act, many governments are also responding to sustainable development through the development of longer-term sustainable policies or strategies which focus specifically on progressing sustainable development.

In addition to strategies, the external rules and incentives will need to change to support the human resource and organizational capacity issues highlighted above.

We then need to consider the institutional arrangements to progress sustainable development. The OECD (2002a) suggests that the traditional response to integrating an emerging issue in the policy debate is to create a new organisation, and this pattern is evident for sustainable development. However, new organisations may be insufficient to respond to the challenges posed to public management systems by sustainable development as these organisations tend to be independent and fragmented. Implementation of sustainable development requires specific initiatives by government to better integrate social, economic and environmental goals within the mandate of each existing organisation.

This view of utilizing existing structures is supported by the WHAT governance programme (2001), Connor and Dovers (2004) and Low et al (2005). WHAT (2001) acknowledges that in order to maximize its chances of success, the reform of governance should be based on existing structures and above all, strengthen them. Connor and Dovers (2004) believe that the long-term nature of sustainable development and the required institutional change needs to recognise that it is impossible to design
organisations afresh – they are already there. They need to be reshaped in the direction of sustainability. This is a difficult, long-term process that means changing the procedures and routines, norms and beliefs and conventions that construct the landscape (Low et al 2005).

In summary, individuals and organisations are going to have to develop the knowledge and skills to operate in different ways. Individuals will need more ‘soft’ skills and organisations will need to recognise and reward these skills. Organisations will have to better understand the nature of partnering and collaborating. The legislative context will need to not only be supportive of sustainable development, but of the processes required to progress sustainable development, such as collaboration and shared decision-making. The policy process is going to have to better respond to creativity and innovation in the policy-making process, as well as recognizing that building capacity to progress sustainable development needs to be a key policy process in itself. So what has the New Zealand response been to building capacity to progress sustainable development?

6.0 Building capacity to progress sustainable development in New Zealand: The UFDD case study

The Sustainable Development for New Zealand Programme of Action (Department of Prime Minister and Cabinet 2003) focuses on the New Zealand government’s contribution to sustainable development. According to the Programme of Action ‘the partnership approach that government has taken means more open relationships based on trust and understanding’, and a recognition that there must always be ‘a process for dialogue and co-operation’ (Department of Prime Minister and Cabinet 2003).

One of the pilot projects set up under the Programme of Action was the Auckland Sustainable Cities Programme (ASCP). A critical part of the project was to strengthen the relationship between central government and local government in Auckland, and to determine ways of working together. The project ran for three years until the end of June 2006.

One of the work strands of the ASCP was Urban Form, Design and Development (UFDD). The objective of UFDD was to encourage, promote and guide more sustainable urban form, design and development in the Auckland region, including building design, location and construction. The four components of sustainable development were incorporated in the work strand’s definition of urban form, design and development:

> Urban form, design and development encompasses the physical form and functions of a city – how the layout of buildings, roads, open spaces, and physical and social infrastructure including transport can be best devised to maximize economic opportunity, social wellbeing, cultural diversity and environmental health. (UFDD, 2005a)

And the work programme of UFDD was developed into four thematic areas of work:

- Sustainable standards
- Sustainable practice
Applying research

Encouraging uptake

UFDD included representatives from a range of central government and local government agencies, as well as research organisations.

From the beginning of UFDD there was a recognition that one of the factors that might hinder the project are the complex and embedded process of urban form, design and development, and the long-term challenge to effect any substantial change. They also acknowledged that it is a challenge to work in such a rapidly evolving field as urban form, design and development (UFDD, 2005a).

The UFDD work strand is an interesting case study in which to explore what it might mean to progress sustainable development. A recent independent evaluation of UFDD highlighted the successes in building capacity (Heslop, 2006), as well as challenges for the future.

6.1 The successes of UFDD in building capacity

The networking aspect of UFDD was focused on networking between organisations involved in UFDD, primarily local and central government agencies. As stated above this was considered by UFDD participants as being one of the most useful successful aspects of the work strand. Participants felt that this networking strengthened their individual knowledge and they were more aware of what information was available and who contact for information. However, there was general acknowledgement from participants that they were less effective in networking within their own organisations. This was seen as limiting the potential effectiveness of the project. The other concern was the potential effect on the strength of the network if key individuals left their organisations.

Co-ordination in the UFDD project was focused on understanding more about the projects each organisation was already doing, projects that they could influence (Building Code review, and social impacts of intensification) and commissioning work in areas that were not currently being addressed (sustainable public buildings, connecting research and practice workshops). As such UFDD participants developed a thorough understanding of what was happening in their area of interest and were able to access information and people as necessary.

UFDD was considered successful in getting participants to think more holistically about how they fit in the bigger picture of sustainable development. While the meaning of sustainable development is often contested, some participants felt there was little discussion of what sustainable urban form, design and development meant to those involved in UFDD. The fact that no-one disagreed about the projects included is an indication of their value and contribution to progressing sustainable urban form, design and development. However, some felt that the projects did not stretch participating organizations enough.

Building awareness is a key part of capacity building and this is an area in which UFDD was considered successful. However what needs to be considered here is the extent to which UFDD merely got people ‘up to speed’ on the issues around sustainable development rather than making progress with effecting change. The short-term nature
of the project means this is a difficult aspect to assess. This raises an important issue for projects such as UFDD. While it was established as a pilot project there were clear benefits to participants and many wanted the forum to continue. This would take resourcing and funding and there was little discussion of how this project could be supported over the longer term.

A key part of the institutional arrangement of UFDD was the use of a **strategic broker** to facilitate the work strand – the role of this person was to provide networking opportunities, facilitate the exchange of information, look for opportunities to progress initiatives collaboratively, and to manage relationships in order to meet the objectives of the work strand. Having someone with these skills meant that the work strand was able to make good progress with its objectives.

An important **institutional arrangement** was that the work strand worked with existing organizational decision-making processes, so was not a decision-making body in itself.

Finally, the **capacity building** aspect of UFDD clearly incorporated both human resource development capacity as well as organizational capacity. UFDD was also successful in addressing some of the external institutional rules and incentives around sustainable urban form, design and development, including provisions of the Building Act and the Unit Titles Act. A concern for many UFDD participants was the slowness of the processes associated with changing these two important pieces of legislation.

It is clear that UFDD has gone some way to building institutional capacity to progress sustainable development. The most valuable contributions it made were in terms of providing opportunities for networking and knowledge sharing – two vital elements in order to progress sustainable development. Networks, as a kind of institutional arrangement, are increasingly being seen as valuable tools for progressing collective issues such as sustainable development.

### 6.2 The on-going challenges in building institutional capacity

Progressing sustainable development is a process through which knowledge and value, rules and procedures are actively mobilized and transformed to produce new knowledge and value, and rules and procedures. While many would argue that the three-year programme for the Urban Form, Design and Development work strand was not long enough to change the embedded processes of urban development, it did impact on how the participants worked together. Many saw great value in being part of the UFDD ‘collective’. There is a better understanding of what it means to work together but also some clear lessons from participation in UFDD that will inform future sustainable development initiatives, including:

- **Communication** – the lack of communication about the wider ASCP and the UFDD work strand to politicians, communities, businesses, non-governmental organisations and even internally within participating organisations was seen as limiting their potential success. Communication will not only assist in getting political support and the support from participating organisations but building the understanding of communities of the need for change. Not only do individuals need the skills of communication but intra- and inter-organisational processes need to support effective communication.
• **Collaboration** – it takes time! If New Zealand wants to take a truly collaborative approach it will need to be more explicit on what collaboration means and ensure the collaborative approaches selected are appropriate for the context. We will also need to develop ways to recognise the value of collaboration and allow for it to happen. This will require focusing on the external rules and incentives part of the institutional capacity model – and considering how to support the shared decision-making processes that are part of true collaboration.

• **Risk** – participants in UFDD suggest that the risk-averse nature of local and central government is a potential impediment to progressing sustainable development. The institutional arrangements will need to be able to support more ‘risk-taking’.

• **Driver of change** – paradigms need to change but UFDD participants suggested that there is a lack of urgency in New Zealand to really push for change. Thought needs to be given to how this change might be ‘driven’.

• **Intra-organisational culture** – this is considered to be an ongoing challenge but is recognised as being vital in order to progress sustainable development. While many UFDD participants felt they were collectively more empowered to effect change, this was often not supported by the organisations they represented. For collaboration to be successful it needs to become part of the organizational culture and have a structure supporting it.

• **Adaptable processes** – current regulatory processes around sustainable urban form, design and development are seen as unresponsive to change in the short-term. Our ability to adapt is key to a sustainable future so we need to develop adaptive tools that can respond to emerging information, and adaptive processes that can handle new and innovative ideas and support creativity in the policy process. We might also need to think more creatively about how to use the tools available to us under the Resource Management Act.

• **Resilience** – in order to progress sustainable development at the pace necessary to address the issues facing Auckland there needs to be an embedding of key ideas so that the process is not so impacted by political or staff changes. This is the fundamental challenge of making sustainable development ‘the rules of the game’.

• **Knowledge management** – participants in UFDD felt there was an overwhelming amount of information on the subject of urban form, design and development. While the strategic broker was able to manage the information well during the process there were concerns expressed about ongoing knowledge management. There needs to be processes developed to manage information and make it accessible to those who want to access it. This will continue to be a challenge particularly in the area of sustainable urban form, design and development that is considered to be rapidly evolving.

New Zealand’s experience with implementing sustainable development is in line with the experience of other countries. The challenge now is to build institutional capacity to progress sustainable development and to design institutional arrangements best suited to the New Zealand context.
8.0 What this means for New Zealand

Building institutional capacity to progress sustainable development needs to be recognised as a key implementation task. It needs to be included as an explicit process when considering policy and projects. We often hear about implementation deficit, where strategies are developed but not implemented effectively. The Auckland Sustainable Cities Programme was a good first start in recognizing the need to build capacity to support the implementation of sustainable development, particularly in the area of partnering and working together, but much more needs to be done if we are to head towards a more sustainable future.

The UFDD work strand highlighted not only the importance of networking, and the development of institutional arrangements to foster networks, but the importance of supporting them with adequate resources. The funding of a strategic broker clearly demonstrates an understanding of this, but there was little thought given to providing participants with a clear path for follow up once the ASCP officially ended. Networks needed to be nurtured and actively fed in order to survive. The intangible outcomes of networking also need to be better recognised. Too often the focus of evaluation is on the outputs from projects, such as reports and meetings, which are often not as enduring as the intangible aspects, such as the strength of relationships and the building of knowledge networks. The work of UFDD needs to be more widely supported by participating organisations with more individuals involved so its strength is not put at risk by individuals moving on. As discussed earlier in this paper the building of ‘distributed intelligence’ is an important aspect in progressing sustainable development.

As Innes and Booher (2003) suggest ‘in a society with capacity, instead of bureaucracies in silos we would have information flowing freely through a network of players, each of whom is capable of acting autonomously in response to events and information, and in this process the system can respond more quickly and intelligently’. This is a key outcome we should be seeking in progressing sustainable development.
Acknowledgements

Many thanks to Megan Howell, Auckland Regional Council, and Bob Frame, Landcare Research, for peer reviewing this paper.

Bibliography


