

PUBLIC GOVERNANCE FOR SUSTAINABLE DEVELOPMENT IN FLANDERS (Belgium)

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1 Context

This policy paper is an extensive summary of the working paper on ‘Linking Innovation Policy and Sustainable Development in Flanders’ that we prepared as a case study for the OECD, in the context a comparative research exercise in member states to learn more from the successes and failures in putting into practice horizontal innovation policies. The working paper can be obtained from www.iwt.be or from the authors.

We however believe that our analysis not only can contribute to the discussions at OECD level on horizontal innovation policy, but also to the discussion in Flanders on governance for sustainable development and in particular on the implementation of the Innovation Platform on Environmental Technology that was created by the Flemish Government in May 2004. For the latter purpose of stimulating the discussion in Flanders, we decided to prepare this extensive policy summary.

The framework of our analysis has been the issue of public governance for policy coherence, which we believe should be the main starting point for building a sustainable development policy in Flanders. Public governance, or the management of decision making in the policy domain, is also the bottleneck in the integration of innovation policy and environmental policy. The first section briefly explains what we mean by public governance and policy coherence in this paper. In the second section we describe and assess public governance for sustainable development in Flanders and at federal level. We conclude that ‘copy and paste’ the federal governance structure and regulations for sustainable development is probably not the best way to proceed for Flanders. The main concern is to take initiatives to better integrate economic, environmental and social goals within the mandate of each policy sector. This requires measures to build and strengthen a sound policy cycle in every individual policy sector, measures to improve the coordination of sectoral policies and measures to allow for the modulation of short term and long term objectives. An illustration of a possible way to advance this ‘integration agenda’ is the recent collaboration between environmental policy and innovation policy in Flanders we turn to in the third and last section.

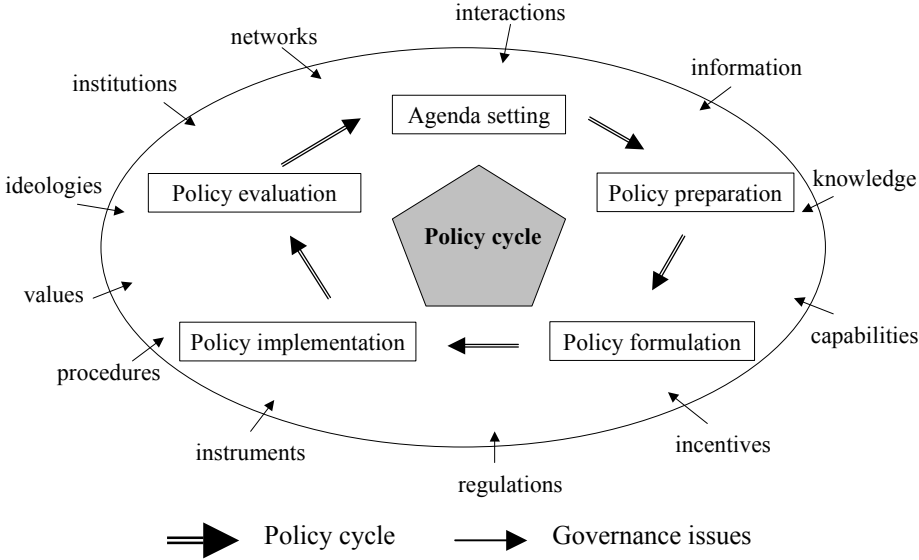
2 The general issue of governance

The key stages of a policy cycle, as depicted below, are a well-known reference for policy making. This policy cycle, from agenda setting to evaluation of the effectiveness of policies, is certainly a formalistic version, as the policy making process often does not follow such a linear model. The processes are interlinked and should be understood as elements of an interactive model of policy making. In such an interactive model, policies are the result of many complementary inputs and success conditions and outcome is determined by a lot of interactive players. In addition, policies impact each other. Therefore the consistency between the policy cycles in the different policy domains and between policy levels is an important issue as well. This leads to a broader view of policy as an institutionalized multi-actor and multi-dimensional process. Governments can hardly be viewed as one (rational) actor, pursuing clear objectives with full information and clear and consistent preferences. Rather, governments, and their policy systems act under great uncertainty with often less than optimal information and in-built contradictions and tensions.

Public governance concerns the ways in which the policy cycle is managed and influenced, both formal and informal. It typically concerns the systems and practices that governments use to set agendas, coordinate policies, cooperate with stakeholders and build-up collective capabilities for policy learning. The objective is to develop the capacities, instruments and institutional mechanisms that are required for effective and coherent policies. *Coherence* is defined here as the degree of correspondence between goals and instruments and between policy formulation and policy implementation in a particular policy domain itself (vertical coherence), the consistency between policies of different policy domains and the potential for integration (horizontal coherence) and the modulation in time of short term and long term objectives or the mutual fit of current policies and perceived challenges (temporal coherence). By *institutional capacities* we mean the ability of a country to mobilize and/or adapt its institutions to perform functions, solve problems and set and achieve objectives. Institutions are broadly defined here as sets of rules, processes and practices.

They not only include organisations, which are often called “institutions”, but also all formal or informal rules, processes and practices that exist within society.

The policy cycle and the issue of public governance



The governance structure of a country determines to a large extent its performance, including the ability to adopt new societal objectives. Improving governance deals with the typical mismatches between perceived policy challenges and employed policy mixes, due to weak political leadership, lack of decision support systems, fragmentation of policy formulation, inefficient interdepartmental coordination, competing rationalities and ideologies, short-termism in resource allocation, poor transparency and accountability, etc.

3 *Public governance for sustainable development in Flanders and at federal level*

3.1 **The Belgian institutional context**

The institutional context in Belgium is very complicated because of the division of competences between different governments. Apart from the Federal government there are three Community governments (the Flemish, the French and the German) and three regional governments (the Flemish, the Walloon and the Brussels). Many important issues are still decided at the federal level (such as taxation and social security), but a lot of policy issues have been regionalized (e.g. culture, education, environment, public works and transport, science and research policy, etc.). There is an exclusiveness of powers without hierarchy between federal laws and regional decrees. Because of its wide scope, Sustainable Development Policy is distributed between different federal and regional policy domains.

This complex institutional organization is an obvious barrier for building a coherent and integrated sustainable development strategy. But on the other hand it has the advantage of more possibilities for learning from each other and even for ‘institutional competition’.

3.2 **Sustainable Development policy governance in Flanders and at Federal level**

The *Federal government* created a legal and administrative framework for the coordination of the federal Sustainable Development Policy. A 1997 federal law describes a set of policy instruments for sustainable development. The interdepartmental *Commission* for Sustainable Development (*ICDO*) is responsible for preparing the four-year *Federal Plan* for Sustainable Development and an annual follow up report. ICDO is composed of Federal officials, each of them representing a member of the Federal government. More or less all the federal policy domains are represented. Every two years the *Federal Planning Bureau* prepares a *Federal Report* for Sustainable Development. The report provides an analysis of the current situation and an evaluation of the policies. It is used as an input for both the follow-up of the running plan and the elaboration of a new plan. Stakeholder participation is considered very important by the 1999 law. For example, there is a public inquiry on every new Plan, and a *Federal Council for Sustainable Development (FRDO)*, composed of a large number of representatives of economic, social and environmental organizations gives advice on proposed policies, plans and regulations. It can also prepare recommendation on its own initiative.

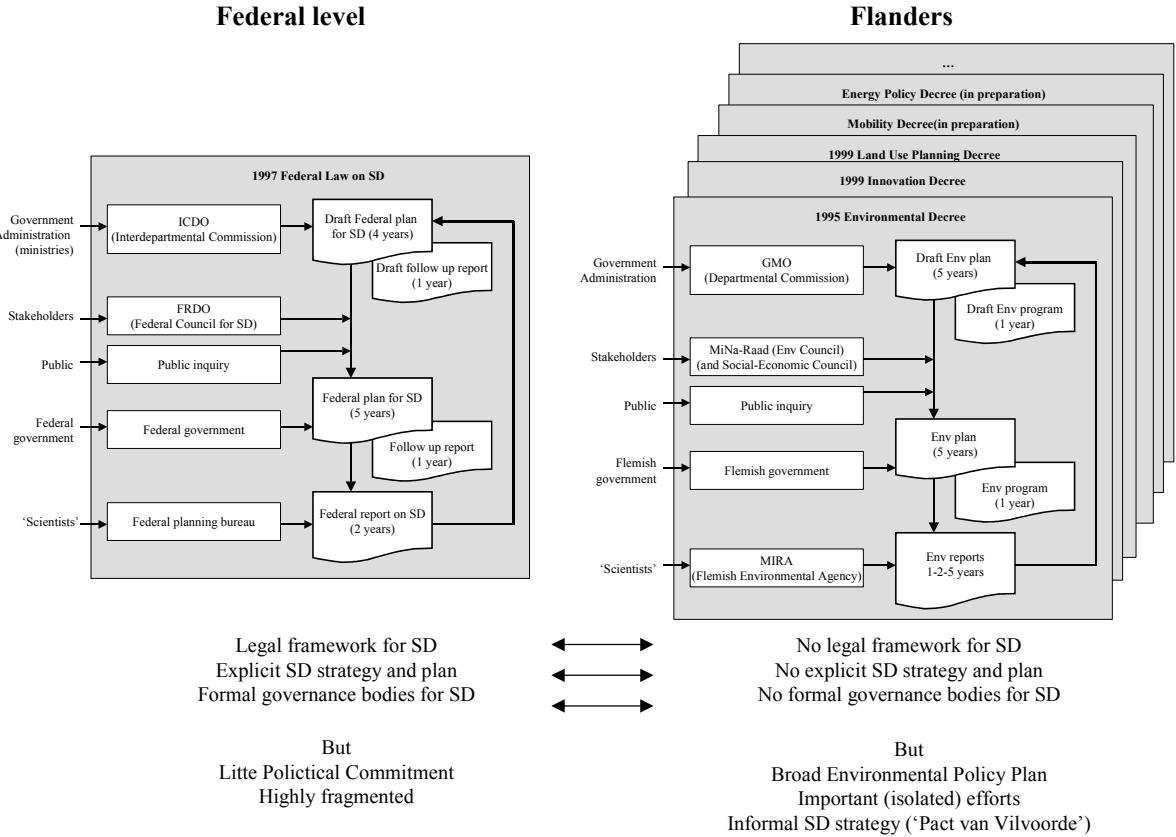
A legal framework is clearly not enough. Since sustainable development has not been a political priority, it has proven to be very difficult to implement the plan. There has also been a lack of human and financial resources. As a result, a lot of actions have been delayed. There are also important weaknesses in the plan itself. The content for example is highly fragmented. The plan is more a list of actions to tackle specific problems in a particular policy domain, rather than an integrated approach to tackle horizontal challenges in the global context of sustainable development. This fragmentation is also reflected in the way ICDO operates. For example, for the annual follow-up report, every member prepares a document for his or her own policy domain. Little interaction is taking place and there are no mechanisms to resolve conflicting interests.

Because the Federal government is the competent authority for only a limited number of policy issues, the federal plan cannot be considered as a *national* sustainable development strategy. For the purpose of drafting a national strategy it is clear that the ICDO is not the right instrument. The regions and communities with their vast range of powers with regard to sustainable development are only represented by one member each with a limited observer-status. Therefore the responsible federal minister very recently formed an intergovernmental working group to elaborate a draft National Sustainable Development Strategy. But linkages for policy cooperation remain weak. At this moment, there is no policy integration between the different governments on the level of a national strategy.

Flanders does not have a defined and overall Sustainable Development Policy. There is neither a legal framework for coordination of that policy. Environmental Policy clearly takes the lead in promoting sustainable development through a similar legal and institutional framework as for sustainable development on the Federal level, laid down in a 1995 environmental decree. In fact, the federal framework was inspired to a large extent by the Flemish example in environmental policy.

The Flemish government approves an *Environmental Policy Plan* each five years and *Environmental Program* each year. They are prepared by the *GMO*, a committee composed of personnel from the environment ministry and all three environmental agencies. The *Flemish environmental Agency* is also responsible for a series of *environmental reports* that describe the quality of the environment, forecast the state of the environment under different scenarios and evaluate Environmental Policy. According to the 1995 decree there is a public inquiry on every new Plan. Both the *Environmental Council* and the *Social-Economic Council* act as an advisory bodies. Some other policy domains in Flanders have a more or less comparable policy cycle framework. For example, the 1999 Innovation Decree introduced among other things a four year innovation policy plan, to be advised by the Council for Scientific Policy and the Social-Economic Council.

Sustainable Development policy governance at Federal level and in Flanders



Although there is no overall strategy or legal framework in Flanders, important efforts towards integration of policies for sustainable development have been made in some areas such as environment, energy, agriculture, economy, transport and innovation policy. But concrete measures and results remain isolated and dependent on the intentions of the minister in charge. There seems to be a strong need for a common strategy, not so much to comply with international agreements but to improve the policy performance of the Flemish government.

In this respect, the 2001 ‘Pact of Vilvoorde’ can be considered as a valuable effort to towards an integrated strategic policy in Flanders, inspired by sustainable development, because of its horizontal choice of goals and themes, and its longer term thinking (2010). It contains ‘21 objectives for the 21st century’ and was signed during a high level Conference by all ministers and by representatives of the social partners and the environmental organizations. Afterwards, a set of indicators was agreed upon, to follow up this Pact. Unfortunately the process was characterized by a lack of integrated thinking. The six vision groups who prepared the conference worked independently without any interaction. Objectives were not checked for consistency. They express a balancing of policy priorities of the different partners, not an integrated sustainable development strategy. This ‘governance by conferences’ furthermore has a limited impact since it is not combined with *institutional reforms* and

mechanisms to translate objectives into coherent policies. Without institutional reforms and mechanisms, it is not possible to raise awareness and maintain commitment both within and outside government where short-term economic considerations dominate the agenda.

3.3 Assessment of Sustainable Development policy governance in Flanders and at Federal level

Primarily driven by the formal obligation to comply with international treaties, the Federal government is clearly ahead of the regions in developing a more formal strategy and governance structure for Sustainable Development. Should Flanders follow the Federal example?

The traditional response to how to integrate an emerging issue in the policy debate has been to create new institutions and new laws and regulations. The same pattern is evident with respect to sustainable development, as can be seen in the federal example. However, it is clear that new institutions and regulations may be insufficient to respond to the challenges posed by sustainable development. In fact, a legal framework for sustainable development is not the most important issue in building a sustainable development policy. The example of regulatory management policy in Flanders and many other countries shows that it is possible to have all ingredients of strong policy without the legal mandate of a law. A legal framework moreover can easily stifle the dynamics and flexibility that is necessary for building a sustainable development policy. It is furthermore clear that the Federal context in 1997 is very different from the context in Flanders now, where strong departmental governance structures and mechanisms exist or are being set up as a result of the recent modernization of the Flemish administration (BBB).

Pursuing sustainable development therefore requires first en foremost specific initiatives by government to better integrate economic, environmental and social goals within the mandate of each existing institution. Achieving this greater policy coherence also demands sustained efforts to improve the coordination of sectoral policies and ensure policy integration across levels of government. The issue is how to advance this “integration agenda”. For Flanders, building separate institutions for sustainable development following the federal example is probably not the best way to proceed. More institutions, plans and regulations next and above all the existing would merely introduce yet another policy cycle that needs to be coordinated. Good governance and sound public management seem more important preconditions for the implementation of sustainable development policies than new institutions and regulations. Most important preconditions are political leadership, institutional mechanisms for policy coordination, transparency and knowledge management.

Political leadership

Clear commitment and leadership within government to sustainable development goals, and communication of this commitment, are essential to support the development of a concrete strategy and subsequent action. This commitment should come from the top, but developing leadership and capacity throughout the public sector is also essential. This is particularly challenging given the potential for conflict among various interests both in the public and private sectors. Strong political leadership is needed to shape the debate on how to take sustainable development forward. This leadership has, in turn, to address problems that result from ‘silo’ thinking, from a reluctance to cede decision-making authority, and from “short-termism”.

Political interest for sustainable development policy is rising at federal level as well as in Flanders. The discussion on environmental issues is now focusing more on integration of environmental and socio-economic objectives such as competitiveness and employment. This could become a danger to environmental objectives but, on the other hand, it can pull the sustainable development debate out of its environmental corner where its ownership has been for too long. Also, the mounting unrest about the overall perspectives of maintaining welfare in Flanders (jobs now, pensions in the future) might be translated in a growing demand for a long-term vision for sustainable growth. A particular promising development is that, following the regional elections of June 2004, the responsibility for coordinating sustainable development policy in Flanders has for the first time been assigned formally to a minister, notably the minister-president of the Flemish Government. Anyhow, it remains to be seen whether this will lead to a strengthened political leadership for sustainable development.

Preconditions	Current situation	Recent developments	Recommendations for Flanders
<i>Political leadership</i>	<ul style="list-style-type: none"> - Federal: Low, not a priority - Flanders: Low, not a priority 	<ul style="list-style-type: none"> - Federal: rising, new minister - secretary of state for SD - Flanders: ‘Pact of Vilvoorde’; Minister-president formally responsible for coordinating SD policy in Flanders 	<ul style="list-style-type: none"> - Strengthen political leadership - Better include SD in ‘social contracts’ and ‘pacts’ - ...
<i>Institutional mechanisms</i>	<ul style="list-style-type: none"> - Federal: ICDO and the SD Plan are weak and are not working properly - Flanders: lack of mechanisms for coordination of policies (BBB) 	<ul style="list-style-type: none"> - Federal: programmatic public service on Sustainable Development and Sustainable Development Impact Analysis - Flanders: interdepartmental working group for SD; promising regulatory management instruments (e.g. RIA) 	<ul style="list-style-type: none"> - Set up a central SD unit to act as a catalyst - Install evaluation and reporting mechanisms to support sustainability appraisal - Develop longer-term budgeting and sound regulatory management instruments - ...
<i>Transparency</i>	<ul style="list-style-type: none"> - Federal: public enquiries; Federal Council for Sustainable Development (FRDO) - Flanders: public enquiries; Environmental Council, Social-Economic Council, ... 	<ul style="list-style-type: none"> - Federal, Flanders: a lot of separate and often small scale initiatives and experiments such as focusgroups, test panels and forms of interactive policy making, developed by government administrations, at universities, by NGO’s, etc. 	<ul style="list-style-type: none"> - Ensure a more efficient and effective participation of citizens, stakeholders and advisory bodies - use new and more flexible consultation methods - Introduce "white papers" for earlier consultation - Introduce a regulatory agenda and “notice and comment” - develop clear guidelines and minimum standards for consultation - ...
<i>Knowledge management</i>	<ul style="list-style-type: none"> - Federal: Federal Planning Bureau - Flanders: Advisory Councils, MIRA, NARA, ... 	<ul style="list-style-type: none"> - Federal, Flanders: emerging use of scenario analysis and foresight at APS, VioTA, VRWB; establishment of scientific policy support points, departmental policy units in BBB, ... 	<ul style="list-style-type: none"> - Build strategic intelligence capabilities. - Strengthen analytical instruments such as foresight, scenario analysis, etc. and integrate them in the policy cycle - Build competences on process management, participative methods for coordination, policy instruments and policy mix, etc. - Develop forums for sharing experience and knowledge - ...

Institutional mechanisms

The need to ‘enforce’ and provide guidance on sustainable development strategies through an overarching ‘institution’ acting as a "catalyst" is particularly important. This catalyst should be located strategically within the government machinery (e.g. at the level of the Prime Minister’s Services). Such central unit has a role to play in monitoring the implementation of the sustainable development agenda, and mainstreaming it into the regular policy process. Longer-term budgeting and regulatory management instruments, for example, are important tools for integration. Evaluation and reporting mechanisms should be installed to support sustainability appraisal within the public sector (i.e. indicators of progress, cost/benefit analysis, economic, environmental and social impact assessment), etc. Within this framework, policy sectors should be mandated to develop their own sectoral strategies in conformity with overall objectives.

At Federal level, institutional mechanisms for sustainable development such as the ICDO and the Plan are weak and are not working properly. In Flanders, the situation is even worse since there is only an interdepartmental ‘working group on Sustainable Development’ starting up. In addition, a troubling weakness is the lack of mechanisms for integration and coordination of policies. In the recent modernization of the Flemish administration (BBB) the focus was on establishing or maintaining a clear distribution of responsibilities. Coordination of policies has been neglected. Only coordination on the political level (‘inter-cabinet’) has been formally recognized. Consequently political dynamics are determining coordination and segmented working methods prevail. This administrative reform in Flanders cannot succeed if the division of competences is put at the center of the debate instead of the process of interaction of all actors. But there are some encouraging developments. Notably, the new institutional mechanisms that have been introduced very recently such as the Programmatic Public Service on Sustainable Development and the Sustainable Development Impact Analysis at federal level and the new regulatory management instruments (e.g. Regulatory Impact Analysis) in Flanders

are promising tools to proceed on sustainable development strategies. They should be developed further to act as catalysts for improvement.

Transparency

Transparency is a central feature of sustainable development, but also a central instrument to establish credible policies that are supported by a wide range of actors and to protect against undue influence by special interests. Sustainable development policies need to be supported by effective systems for broad consultation and participation throughout policy processes (e.g. to ensure transparency, fairness, realistic timeframes, procedures for managing feedback, etc.). A careful review of the mechanisms for interacting with civil society requires the capacity to identify and use the best available instruments for managing this broad involvement.

Belgian values of consensus building are reflected in strongly institutionalized consultation practices. The Flemish as well as the federal government has a strong tradition with advisory councils and public enquiries. These are necessary but insufficient components of a full-fledged 'open' policy development process. More effort to enhance the transparency of the policy process is necessary, to allow more interaction between administrations as well as more stakeholders involvement. At present, there are several experiments with focusgroups, test panels, etc. and there is an increasing use of different forms of interactive policy making, developed by government administrations, at universities, by NGO's, etc. However, it often involves separate and small scale initiatives.

For Flanders, the priority is probably *not* to install a Flemish Council for Sustainable Development. Not so much because there are already several well-established advisory boards such as the Environmental Council (MiNa), the Social-Economic Council (SERV) and many others, and the space and resources for yet an additional council is limited (MiNa and SERV moreover recently decided to collaborate on the issue of sustainable development), but because such a council would again institutionalize consultation practices, tend to monopolize stakeholder involvement and hinder new participants and innovative consultation methods. The priority should therefore be to integrate sustainable development thinking in each and every advisory council, and more important, to ensure a more efficient and effective participation of citizens, stakeholders and advisory councils in important public policy decisions through the use of new and more flexible consultation methods (e.g. test panels, focus groups, interviews, surveys, ...), the establishment of "white papers" similar to those used by the European Commission to strengthen earlier consultation at the conceptual stage, before a measure is drafted, the introduction of a regulatory agenda and a "notice and comment" system, etc. To assure the quality and credibility of consultations government should develop clear guidelines and minimum standards. On these issues progress is slow both in Flanders and at Federal level.

Knowledge management

Scientific knowledge should be the basis for raising awareness. But the complexity and unpredictability of the long-term effects of most issues related to sustainable development imply that, for most policy decisions, conclusive scientific evidence is hardly ever available. Therefore, it is crucial to ensure that sufficient debate occurs to confront values, perceptions and views. Most importantly, perhaps, this requires a government that is prepared to judge its interventions in the policy debate appropriately. A limited capacity on the part of institutions to deal with a range of perspectives on the issue, as well to absorb complexity and to manage change, will be at odds with the need for a mutual understanding among the different disciplines, audiences or constituencies involved. Building strategic intelligence and managing knowledge for sustainable development is therefore extremely challenging.

At Federal level the Planning Bureau provides an important support in this set-up. In Flanders such kind of institute is not available, but advisory councils like SERV and MiNa in practice sometimes fulfill a comparable think thank function. Also instruments like MIRA (the system of environmental reporting and foresight) play an important role. There is moreover an emerging use of scenario analysis and foresight in Flanders (APS, ViwTA, VRWB, universities, ...), scientific policy support points have been established and departmental policy units are underway (BBB). But generally, the instruments for strategic intelligence to support the decision processes are not well developed, neither

at Federal level nor in Flanders. Initiatives with foresight, backcasting and other explorative techniques for policy development are scattered and not well linked to the actual policy cycle. Forums for sharing experience and knowledge are nearly inexistent. Knowledge management is a troubling gap.

3.4 Conclusions

The Federal level has proceeded with an explicit sustainable development strategy and formal governance bodies, but with little political commitment and results. The Flemish government did not elaborate an explicit strategy yet, but initiated several policy processes to implement sustainable development, without formal coordination. ‘Copy and paste’ the federal governance structure and regulations for sustainable development is probably not the best way to proceed for Flanders. The main concern is to take initiatives to better integrate economic, environmental and social goals within the mandate of each policy sector, not to comply with international agreements but to improve the policy performance of the government. This requires measures to build and strengthen a sound policy cycle in every individual policy sector (vertical coherence), measures to improve the coordination of sectoral policies (horizontal coherence) and measures to allow for the modulation of short term and long term objectives (temporal coherence). An illustration of a possible way to advance this ‘integration agenda’ is the recent collaboration between environmental policy and innovation policy in Flanders we now turn to.

4 Coordination of Innovation Policy and Environmental Policy in the context of sustainable development

4.1 The case for integration

The ‘discovery’ of a transition path to a sustainable development is a main challenge for present policy development. Making abstraction from disaster scenarios that may require disaster management, the evolutive strategies that societies are pursuing, are heavily depending on rebalancing the economic system on which our welfare is based. Technological ‘progress’ carries the high hopes of such a ecological modernization and is bringing innovation policies and environmental policies closer together.

Indeed, combining economic, social and environmental goals needs a *decoupling* of economic growth and environmental pressure. The inadequacy of present policies to realize the necessary factor 10 improvements or more in ‘eco-efficiency’ puts radical, systemic changes and technological, economic and social innovations at the center of sustainable development policy. Therefore, a close collaboration between Environmental Policy and Innovation Policy is urgent.

4.2 Emerging collaboration between Innovation- and Environmental Policy in Flanders

In environmental policy, the interest in the potential role of technological innovation in attaining environmental goals is very limited. And, vice versa, the consideration that is given in the innovation policy field to the promotion of environmental quality is very limited as well. There has been little contact between Innovation Policy and Environmental Policy, and a total lack of integration. Not only the two policies, but also their entire policy communities, including policy research, are too a large extent completely separated worlds.

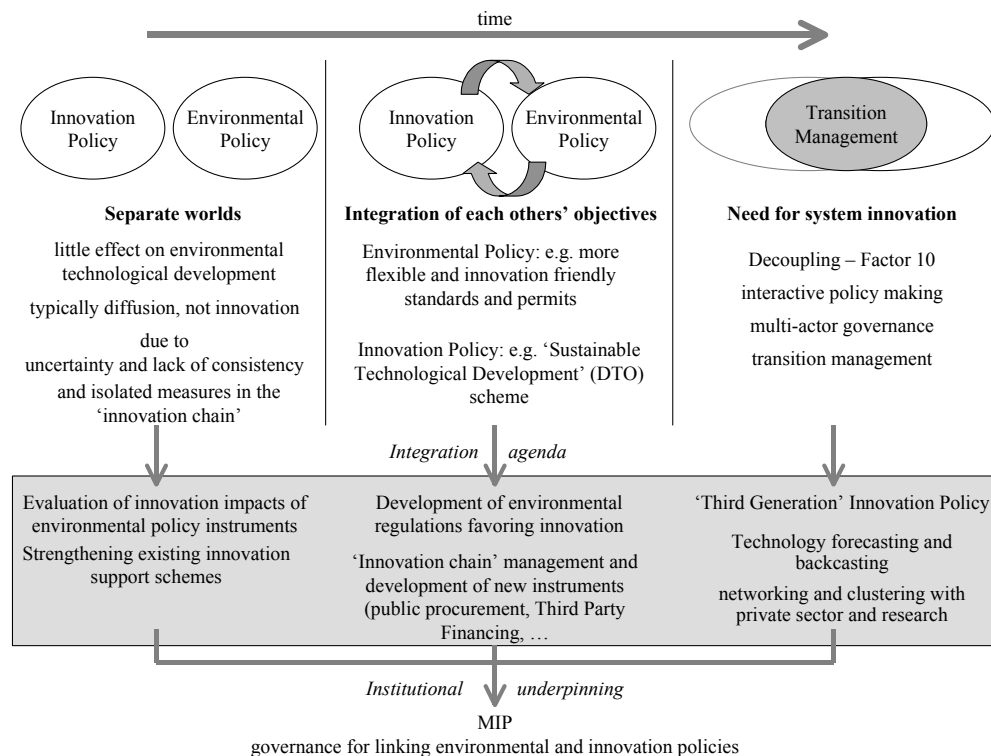
Not surprisingly, the traditional environmental and innovation policy instruments have had little effect on environmental technological development. On the part of environmental policy, the effect is typically diffusion of existing technologies, not innovation, and often, environmental policy is accused of being a barrier for technological innovation. This can be said for instruments such as traditional regulation by means of the best available technology, some types of covenants and even for economic instruments (subsidies, taxes, tradable certificates) that are being used in Flanders. The basic reason is that innovations tend to be incremental in a context of uncertainty or when the long-term framework is lacking, and clear goal setting, consistent goal keeping and practical and consistent environmental policies have frequently been absent in Flanders. Second, the traditional policy instruments cannot hope to achieve much more if they are isolated measures. The ‘innovation chain’ has to be reflected in the design of policy mixes that mutually reinforce each other in space and in time. This is the main reason why instruments such as technology impulse programs, R&D subsidies and demonstration projects often have failed.

Nevertheless, there are some promising examples of environmental and innovation policies starting to integrate each others’ objectives. The Flemish government recently has made explicit efforts to make regulative policies more flexible and innovation friendly. A decree adopted in 2004 stipulates that whenever possible, environmental standards and permits should formulate what environmental results are to be attained, and not how they should comply (“ends, not means”). If it is necessary to use technology standards, firms can always comply by using an alternative with the same environmental effectiveness. On the side of innovation policy, the Innovation Agency introduced a new subsidy mechanism in 2002 called ‘Sustainable Technological Development’ (DTO). It is not conceived as a particular support program (a “ghetto”) for environmental and energy technologies, but is integrated in all existing technological research and innovation support schemes as a bonus for R&D projects that have a significant impact on resource savings and environmental quality.

A new drive for the integration of environmental policy and innovation policy is coming from a mutual evolution towards a ‘system approach’ in the context of a broader perspective of policy, one in which structural change and interactive policy making are at the heart and environmental policy as well as innovation policy are developing into generic policy areas where a great number of ministries

are affected. Policy makers in Flanders, both in environmental policy and in innovation policy, have started to experiment with new concepts such as interactive policymaking, multi-actor governance and transition management. Especially transition management might serve as the ‘missing link’ between Innovation Policy and Environmental Policy in the years to come. Transition management consists of a deliberate attempt to bring about a structural transformation of the economic system, in an iterative (stepwise) and interactive manner, involving sequential and participatory decision-making. It is a collective learning process, facilitated by government who aims to shorten the desired transition and prevent the lock-in in disadvantageous and not-desirable development paths. Very recently, the Flemish environmental administration launched a project “Transition Management for Sustainable Building” to try to implement this philosophy.

Emerging collaboration between Innovation- and Environmental Policy in Flanders



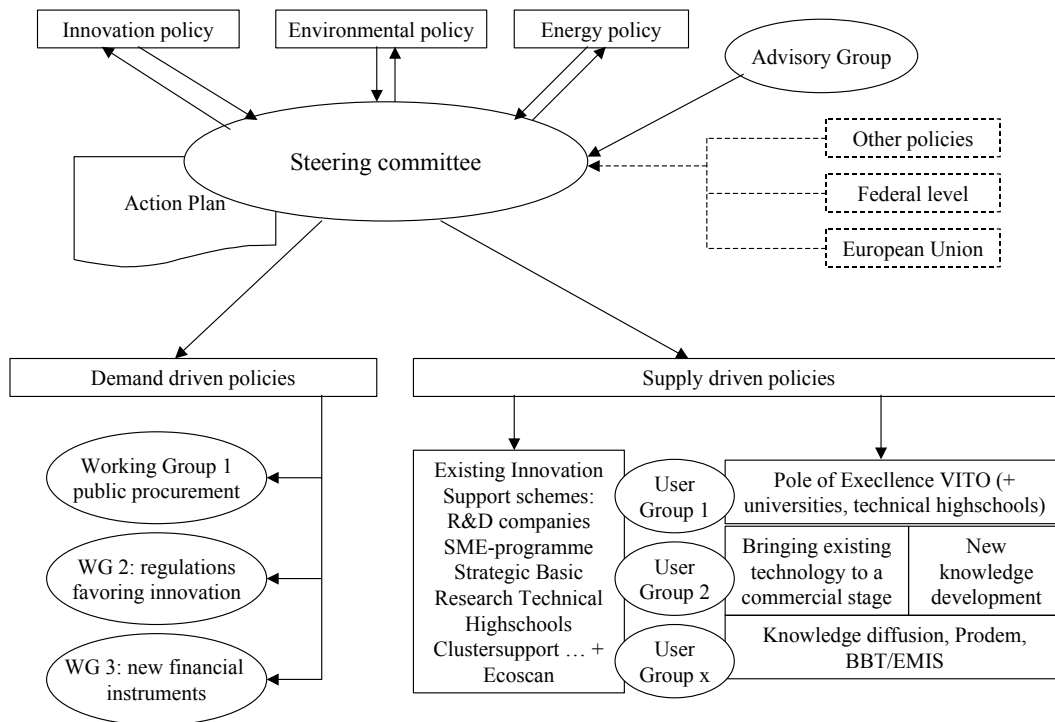
4.3 MIP: New public sector governance for linking environmental and innovation policies

From a public governance perspective, these initiatives need specific institutional underpinnings. More policy integration is not feasible without the strategic convergence of the policy agenda’s of these two domains that historically express different societal interests. The ‘horizontalisation’ of innovation policy therefore is not primarily a problem of administrative reorganization, but the expression of the construction of a new ‘social contract’ as it is shaped in policy development. The *Innovation Platform for Environmental Technologies (MIP)* could be an important opportunity to introduce and experiment with real horizontal integration of policies for innovation purposes, in line with an Innovation Policy of the "Third Generation".

MIP was created by the Flemish government in may 2004 as a new form of institutional cooperation, after the Social-Economic Council of Flanders had put the subject of an ‘Industrial Policy for the Environment’ explicitly on the policy agenda in 2003. The mission of the Platform is to activate innovation synergies between all relevant private and public actors. The new dimension is that the policy instruments of three ministerial domains will be “pooled” on a common goal. This is conceived in a “non hierarchical” way of networking of ministries and administrations. The structure of the platform is tailored to work closely with (semi) public companies and relevant firms and stakeholders and to encompass and coordinate supply- (DTO-scheme, User groups, Excellence Pole on

Environmental Technologies) as well as demand driven instruments (technology procurement, regulations favoring innovation, and new financial instruments). A central Steering Committee is coordinating all activities and will in addition draw up an Action Plan developing the key objectives for the necessary initiatives and pinpointing the synergies for the actors to be involved in the implementation of the Innovation Platform.

MIP-set up



4.4 Assessment of MIP

Whether MIP will meet these objectives, depends on a set of conditions that still have to be fulfilled. To assess MIP we focus on some key factors we consider of major importance for the governance of innovation for environmentally sustainable growth.

Political support and leadership

Political support and leadership in setting up and implementing the MIP is vital, as policy coordination cannot happen in a bottom up manner. The decision to create an Innovation Platform was taken at high level, by the Flemish Government, as a result of a commitment taken by Flemish public authorities, enterprise organizations and labor unions in the “Enterprise Conference”. So there seems to be a broad recognition for the need to coordinate innovation and environmental policies by new mechanisms and arrangements. However, this is not certain. Perhaps the MIP was nothing more than an elegant way to have a ‘green stamp’ on the outcome of the Enterprise Conference. Anyhow, the MIP was created ‘in a hurry’, in the last weeks of the previous government, without much debate. It is therefore possible or even probable that parties agreed to an environmental innovation platform without having a clear picture of its role and relevance.

Interactive policymaking and transparency

Decisions on the future shape of society or important sectors that involve different actor groups need to build consensus through adequate institutional arrangements. This requires much more than traditional interface structures as ‘management by conferences’ and traditional consultation of advisory bodies. Government, business, investors, consumers, researchers, NGO’s and educators all have important roles to play in redesigning the innovation system. At the level of MIP, this is the task of a central *Steering Committee*. However, it is unclear whether the composition of the Steering

Group and the relationship with an Advisory Group is the best way to go. The Steering Group is hybrid because it is composed of representatives of government and of only a few particular enterprise organizations. Involvement of other stakeholders will be organized through an Advisory Group, but it is unclear why some enterprise organizations are more involved than others, who will take part in the Advisory Group, how the participation of the Advisory Group will be organized, and what the relationship will be with the traditional consultation of advisory councils. Participation in drafting an Action Plan for Environmental Technologies seems unbalanced and transparency seems to be lacking.

Governance component	Importance	Assessment of MIP	Recommendations
<i>Political support and leadership</i>	Policy coordination and improved interaction between government and society in the context of a long-term view in policies cannot happen in a bottom-up manner. It requires political will at the highest level.	Outcome of the “Enterprise Conference”, so in principle broad support	Provide a clear picture of role and relevance of MIP
<i>Interactive policymaking and transparency</i>	Decisions on the future shape of society imply interactions with different actors to build consensus through adequate institutional arrangements.	Central <i>Steering Committee</i> , Advisory Group, User groups	Tackle the hybrid and unbalanced composition of the Steering Group; clarify the role and composition of the Advisory Group and User groups; provide adequate mechanisms for transparency
<i>Strategic intelligence</i>	Without strategic intelligence, there is a real danger that MIP will be captured by particular interest and lobbying to create just another ‘one stop shop’ for R&D subsidies and business support	No <i>analytical instruments</i> such as foresight, scenario analysis, technology assessment, etc. and no <i>competences</i> on process management, participative methods, policy instruments and policy mix, system innovation and transition management, etc.	Underpin MIP with a strong and intelligent secretariat or Task Force and institutionalize learning
<i>Policy portfolio and policy mix</i>	There is not one single best instrument or program for promoting environmental technological innovation	The basic propositions of MIP are sound and innovative	Do not limit the scope to the three potential instruments put forward, provide additional focus on programs for system innovation; create interfaces for developing tailor made policy mixes such as clusterplatforms
<i>Policy Style and Governance tools</i>	Integrating environmental and innovation policy or making environmental regulation more innovation oriented is not just a matter of technical fine-tuning of rules and regulations. Key issues are policy style and governance arrangements for policy integration.	Action Plan; participation of different ministries in the Steering Committee and in Working Groups	Create governance tools and arrangements for policy coordination, such as an innovation impact assessment tool; provide clear responsibilities and mandates, clear procedures for decision-making.

Strategic intelligence

To be able to tackle the high ambitions of MIP, it is important to underpin it with strategic intelligence capabilities. This involves *analytical instruments* such as foresight, scenario analysis, benchmarking, cost-benefit analysis, monitoring, technology assessment, etc. and *competences* on process management, participative methods for consultation and coordination, policy instruments and policy mix, system innovation and transition management, etc. to create a common mindset, provide a common framework of reference, rationalize the decision processes and help to implement the important choices that will have to be made. For example, MIP needs further domain exploration before programmatic choices can be made. Without strategic intelligence, there is a real danger that MIP will be captured by particular interest and lobbying to create just another ‘one stop shop’ for R&D subsidies and business support. But this issue has not been dealt with sufficiently yet. We recommend to underpin MIP with a strong and intelligent secretariat or Task Force. To allow for learning we recommend to *institutionalize learning* by requiring assessment, evaluation and adaptation as a regular feature of the MIP process.

Policy portfolio and policy mix

There is not one single best instrument or program for promoting environmental technological innovation. We need a mix of strategies. Here, the basic propositions of MIP are sound and innovative. The efforts will be concentrated on well-defined target areas. And there is a clear commitment, not only to strengthen the more classical policy instruments of innovation policy for the purpose of environmental innovation, but also to complement them with new instruments targeting on the demand side of environmental technologies and to work together across the traditional borders of environmental and innovation policy.

However, one should be cautious to limit the scope of the work in MIP to the three potential instruments that were put forward (smart technology procurement, modification of regulations for the case of innovation and introduction of new financial instruments). All three are no doubt important components of a good policy mix, but there are many other promising policy instruments that merit consideration. Again, this requires *strategic intelligence*. The question remains whether the necessary competence is available in Flanders and who will bring it into the activities of MIP at what level and moment in time. It is clear that the installation of thematic Working Groups, composed by members of the administration, (semi) public companies and relevant firms, to deal with policy instruments and policy mix will not suffice. A further remark is that in MIP a clear focus on programs for *system innovation* seems to be missing. We recommend more emphasis on the need to aim for simultaneous systemic change in technology, the wider infrastructure and surrounding institutions to promote the more radical eco-innovations. We also recommend that *learning* will be made an important objective in its own right, and that MIP would stimulate *experiments*.

Policy Style and Governance tools

An important part of the strategy to integrate environmental and innovation policy, recognized by the decision of the Flemish Government to install MIP, is to make environmental regulation more innovation oriented. However, making environmental regulation more innovation oriented is not just a matter of technical fine-tuning of rules and regulations. Key issues here are also policy style and governance arrangements for policy integration. Creating favorable conditions for a longer period is far more important than the revision of a particular piece of environmental regulation. For this we need policy styles oriented to innovation, based on dialogue and long-term goals. We also need governance tools and arrangements for policy integration. Despite the logical arguments for win-win opportunities that may result from more cooperation between environmental and innovation policy, 'cultural' differences pose potential barriers.

In MIP the only tools for the coordination of environmental and innovation policies are the Action Plan and the participation of different ministries in the Steering Committee and in Working Groups. These are important, but policy integration also requires clear responsibilities and mandates for the people involved in MIP, and clear procedures for decision making, evaluation and modification of MIP. It requires political backing, support and enabling governance instruments and procedures. In this context, the set of mechanisms for policy integration could be much broader. A concrete and promising example is the use of an innovation impact assessment tool, to be used by all policies when preparing new regulations. It could easily be integrated into the Regulatory Impact Analysis system that was recently adopted in Flanders.

4.5 Conclusions

Improving Innovation Policy governance and creating a more coherent horizontal Innovation Policy is a long-term process that is highly dependent upon policy learning. The MIP initiative offers the possibility for learning and can function as an 'experiment' of new governance. The conditions are gathered to make MIP a strong showcase of policy coordination and integration in the context of Sustainable Development, if the political will is there to give adequate implementation and continuity.