

Policy Brief on governing the green transition and building a new social contract through enhanced international co-operation

Key highlights

- The green transition can be an opportunity to renew the social contract in the region and to strengthen international partnerships. A new, “green social contract” that puts environmental sustainability at its heart is needed. A just, green, transition involves profound transformations, a shift of resources among economic sectors and political constituencies, deep institutional and policy changes, and inclusive dialogue among stakeholders to build supports for broad reforms.
- The green transition can be the binding element of a new social contract in Latin America and the Caribbean (LAC), where the citizens have shown a keen interest in environmental challenges. 68% of LAC citizens consider climate change to be a very serious threat to their country in the coming two decades, surpassing the concerns of other developing regions across the globe.
- Advancing the green transition will require involving and empowering groups particularly vulnerable to climate change throughout the environmental policy making. The private sector should also be included, in particular supporting compliance with environmentally-related Responsible Business Conduct instruments. Policy makers will have to work more strategically and achieve better co-ordination across sectors and levels of government, to balance economic, social, and environmental trade-offs.
- The global green transition generates new environmental norms and standards, with important effects on trade. LAC countries will need to assess the impact in the short and long term and invest additional resources to comply with - and embrace - the opportunities created by new standards. Early adoption of standards that comply with new international green regulations can put LAC countries at the forefront of sustainable production and due diligence processes.

What’s the issue?

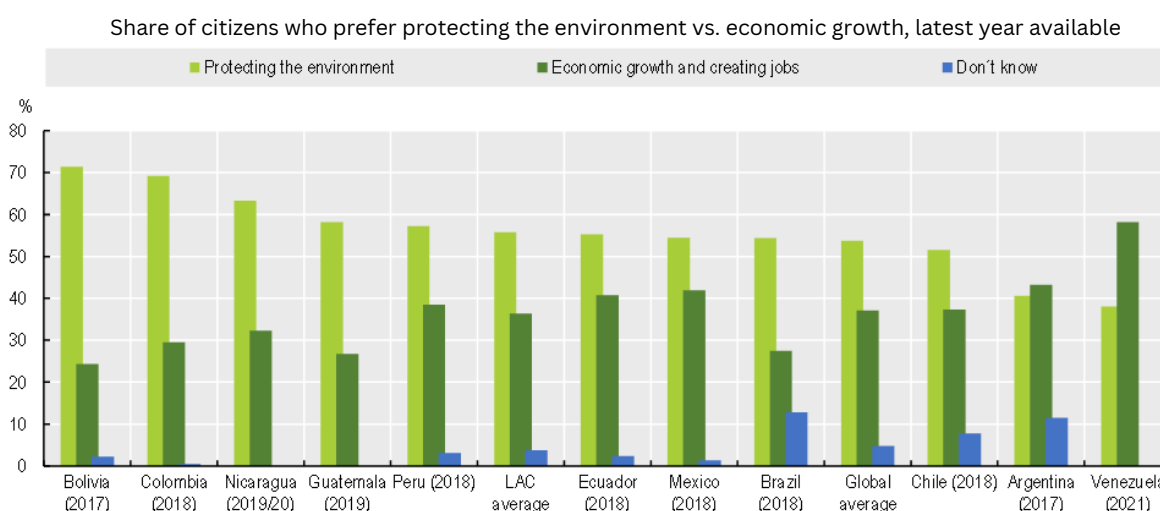
Support for the green agenda in LAC could serve as the binding element for a new social contract. As much as 68% of LAC citizens think that climate change is a very serious threat to their country in the next 20 years, a relatively high proportion compared to 56% in the OECD average, 47% in Africa, 41% in Asia and 33% in the MENA region. Similarly, the majority of LAC citizens are willing to make sacrifices to protect the environment. 55.8% of citizens in LAC think that the environment should be given priority, even if it causes slower economic growth and some loss of jobs, slightly above the global average of 53.8% (Figure 1).

The high concern about climate change and the support for tackling environmental issues among LAC citizens show that the green transition can be the binding element of a new social contract^[1] in the region (OECD et al., 2022). In this respect, the green transition should be considered as part of a comprehensive set of economic, social, and institutional policies to advance towards a more inclusive, just, and sustainable development agenda.

[1] The social contract can be defined, in broad terms, as the comprehensive yet intangible and implicit agreement that binds society together and exists within a certain set of formal and informal rules and institutions (OECD et al., 2021).

Policy Brief on governing the green transition and building a new social contract through enhanced international co-operation

Figure 1. A majority of LAC citizens think that the environment should be given priority, even if it causes slower economic growth and some loss of jobs



Note: Question: "Here are two statements people sometimes make when discussing the environment and economic growth. Which of them comes closer to your own point of view? A. Protecting the environment should be given priority, even if it causes slower economic growth and some loss of jobs; B. Economic growth and creating jobs should be the top priority, even if the environment suffers to some extent". Source: (Inglehart et al., 2022).

Moving the green agenda forward can create resistance, as green policies can have a strong and differentiated impact across socio-economic groups, territories, and generations. Likewise, the short-term costs of the green agenda could be more evident than their long-term benefits, at least for some socioeconomic groups. In view of this, governments will face important constraints, as there are vested interests which can derail policies to address these complex, longer-term challenges.

Among other considerations, it is important to identify and involve key stakeholders in the policy-making process from the beginning; to bring on board interest groups to avoid having them work against the climate action strategies; to understand the socio-political context to appropriately adjust the speed and scale of the transition; to devise a clear communication strategy, based on key outcomes, to shape the transition narrative; and to design a comprehensive set of policies to support people throughout the transition and avoid certain groups or sectors feeling disproportionately affected by it. These principles can be broadly summarised under four Cs: 1) concertation; 2) context; 3) communication; and 4) compensation.

While designing and implementing the necessary policies and programmes, it will be crucial to base the decisions on the concertation of the interests of all parties achieved through inclusive and participatory processes. Deliberative processes are useful instruments to build consensus around policy challenges that require complex trade-offs and a long-term vision. Protecting environmental defenders, local communities, and indigenous people is a prerequisite of any real participatory process. Social conflicts associated with natural resources are increasing, and social environmental defenders can be at risk of physical harm. Between 2012 and 2020, 1 540 land and environmental defenders were murdered around the world, with LAC accounting for over two-thirds, making it the region most affected by threats and attacks targeting human rights defenders and environmental activists (OECD et al., 2022).

Policy Brief on governing the green transition and building a new social contract through enhanced international co-operation

The LAC region now has the Escazú Agreement, the region's first treaty on environmental matters and the world's first to include provisions for human rights defenders in environmental matters. The Escazú Agreement is also an important tool to improve policy coherence and the transparency and accountability of national governance. The agreement aims to promote civic participation in environmental matters along three key dimensions: 1) access to environmental and climate information; 2) involvement in decision making; and 3) access to environmental justice.

Linking policy objectives with long-term plans is also key to ensuring consistent implementation over time of the green agenda, beyond short-term political cycles. Governments should articulate a long-term vision to align their actions. This can be done through frameworks such as national development plans (NDPs), nationally determined contributions (NDCs) coupled with climate strategies, and defined policies and regulations to underpin their pledges.

Seizing the opportunities and managing the impacts of new, green standards on trade in LAC

The global green transition generates new environmental norms and standards, with important effects on trade. For instance, the European Green Deal raises several policy issues on trade, development finance, and investment regulations (Sanahuja, 2021). Given the concentration of LAC exports to the EU in agricultural goods and raw materials, some policies derived from the EU's Green Deal will potentially have impacts for trade between both regions. For instance, firms will need to comply with standards in terms of agrochemicals, labelling, certifications, seals, packaging, and traceability.

LAC countries can take this as an opportunity to adopt more sustainable practices and due diligence processes in line with international green standards. To achieve this, EU and LAC can strengthen co-operation and capacity building in sustainable agriculture, the adoption of eco-friendly practices throughout the value chains and the transition to circular and resource-efficient production processes.

International co-operation can play a role in supporting countries in a global move towards sustainable food systems, implementation of animal welfare, reduction of the use of pesticides and deforestation. Moreover, assisting small-scale farmers and SMEs in meeting new environmental standards and accessing markets will be crucial for LAC to maintain a good trade balance with other regions. Coordination between LAC countries will also be important in adapting to new green standards and regulations.

Policy Brief on governing the green transition and building a new social contract through enhanced international co-operation

Examples of good practices in LAC and internationally

For delivering inclusive and participatory processes around green policy making

An interesting example is the 2019-20 French Citizens' Convention on Climate, which was set up as a direct response to social mobilisation in the country. Although less common in LAC, climate assemblies are a representative deliberative process dealing exclusively with environmental issues. They involve a group of randomly selected citizens who are statistically stratified to make up a microcosm of society that deliberate based on evidence and information to provide policy recommendations to public authorities. Examples have taken place in Spain, the UK, Finland, France and Denmark (OECD, 2020). In Brazil, a similar deliberative process took place in 2019 with the creation of the Citizen Council of Fortaleza, with 40 randomly selected residents deliberating on solid waste management (OECD et al., 2022).

For the design of National Determined Contribution[2] plans

NDCs allow countries to establish concrete medium and long targets, measures and policies allowing stakeholders from all sectors and institutions to contribute from their specific technical and budgetary capabilities and setting the basis for national climate action plans.

- Most of the countries of the region have submitted an update of their NDCs, primarily strengthening their targets and monitoring methodology.
- The Dominican Republic, Panama and Peru have proposed or developed a national monitoring system to track the effective implementation of their commitments. For instance, Panama's National Climate Transparency Platform aims to facilitate the collection, management and dissemination of climate-related data in a consultative and transparent manner.
- Costa Rica's 2020 NDC update is among the few that are rated 2°C compatible.
- Argentina, Brazil, Colombia, Costa Rica, and Panama established only unconditional targets, meaning that their commitments do not directly depend on the delivery of international funding.

For adapting national regulations to new international green norms and standards

New international green norms and standards such as those included in the European Green Deal will imply changes in the agri-food chain, with a direct impact in LAC countries. Adapting to this new scenario, both by advancing new legislation domestically and by engaging in further co-operation with other LAC countries and with the EU, will be fundamental.

- A bill advances in Colombia's national congress to combat deforestation by regulating the origin of meat with livestock traceability, that is, the constant monitoring of livestock to prevent it from coming from deforested areas in natural parks or indigenous reservations. The potential adoption of such law would put Colombia at the forefront of green regulations and would allow agrifood products to comply with EU requirements in the future.

[2] NDCs provide information regarding mitigation targets, adaptation actions and economic diversification plans, with the primary objective of reducing GHG emissions to limit global warming to below 2°C – preferably to below 1.5°C – compared to pre-industrial levels by 2030.

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Suggested policy actions

- Foster the participation of citizens, civil society, and local and indigenous communities in deliberations around all stages of the policy making process. This is essential to leverage the knowledge of these groups, to build support, and to develop inclusive and transparent policies with a special focus on sectors and population groups that have been historically excluded, as well as those more vulnerable to shocks.
- Include women and local indigenous communities in immediate response efforts and promote their participation in the decision-making process, to broaden the scope of dialogue and increase ownership of agreements achieved.
- Encourage businesses to ensure expectations relating to climate action are met and that environmental impacts are identified, addressed, and mitigated as part of supply chain due diligence processes.
- Provide further support and training to LAC firms to implement risk-based due diligence and OECD Responsible Business Conduct legal instruments.
- Align objectives across levels and sectors of government to promote a whole-of-government approach and ensure coherent implementation of the green agenda. Link policy instruments with long-term strategies, particularly National Development Plans, for consistent policy implementation over time.
- Promote international co-operation to support LAC countries in adapting to newly established international environmental standards and regulations. This could include tailored co-operation mechanisms to help mitigate the effects on sectors potentially affected; funding, technical assistance, and capacity building; and the inclusion in these new legal frameworks of transition periods to allow for smooth adjustments.

Policy Brief on governing the green transition and building a new social contract through enhanced international co-operation

Main references and further reading

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