

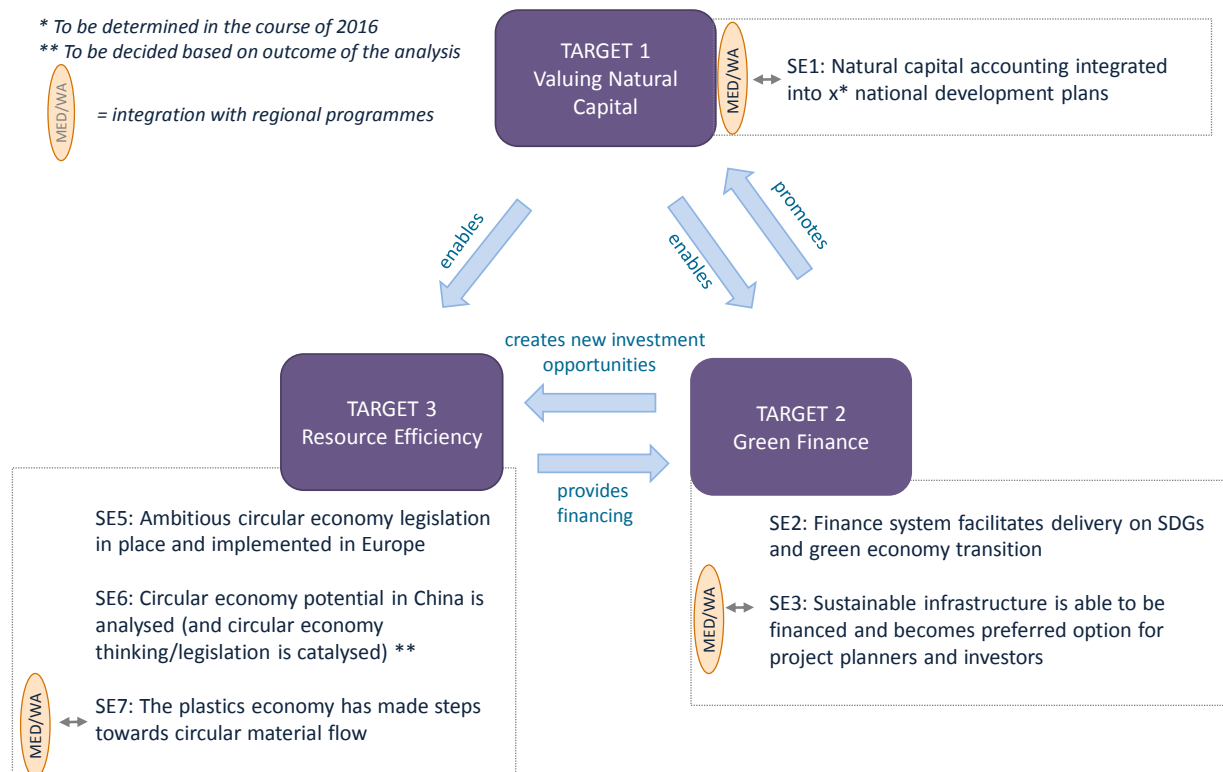
APPROVED BY THE BOARD 24/11/16



# SUSTAINABLE ECONOMY PROGRAMME STRATEGY 2016-2022

## Introduction

The last time we discussed the Sustainable Economy programme strategy with the board in March, we proposed a general structure with three targets – Valuing Natural Capital, Green Finance and Resource efficiency. We formulated 7 indicative outcomes related to these targets based on the state of our understanding at the time (See chart). In addition to this conceptual programme approach, we presented a list of projects to be funded in the course of the year in parallel to developing the programme in more detail. The rationale for funding these projects was that they would allow us and our partners to stay connected and engaged in the evolution of the issues of interest while at the same time allowing us to get some feedback on what kind of approaches can have impact and what not.



*Draft strategy presented in March 2016*

Since then we have developed and funded the proposed projects and conducted research and workshops to identify our opportunities for engagement under each of the proposed outcomes. Instead of increasing staff numbers to be able to organize and run the research and the consultative processes alone, we formed collaborations with selected and trusted organizations or individuals who work at the heart of the issues on a daily basis. Specifically, we joined forces with:

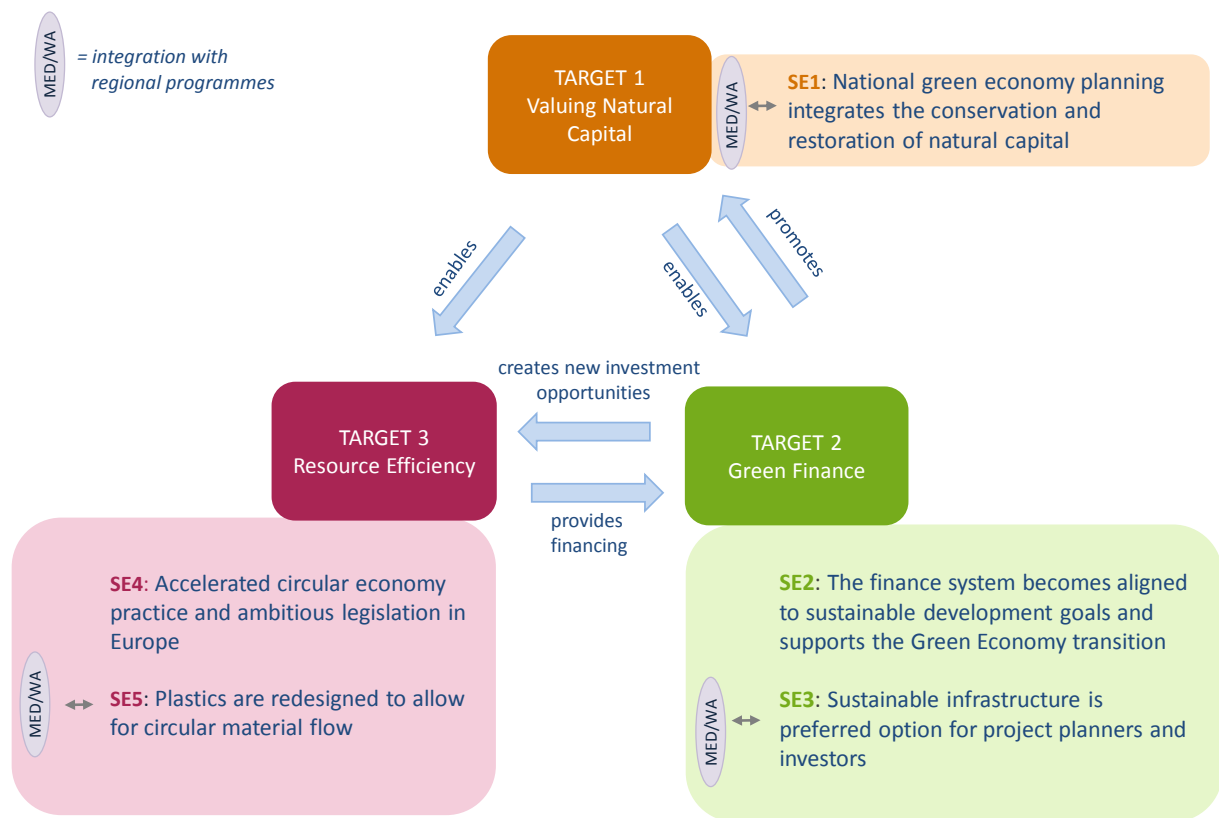
- **Green Economy Coalition** for outcome SE 1 “Integrating natural capital accounting into national development plans”
- **Simon Zadek (UNEP Inquiry)** for outcome SE 2 “Finance system facilitates delivery on SDGs and green economy (globally)”
- **IISD - (principally Mark Halle)** for outcome SE 2, specifically focused on the question of whether Switzerland could be positioned as a leader in Green Finance.

- **IISD** - Institute for International Sustainable Development for outcome SE 3 “Sustainable infrastructure is able to be financed and becomes preferred option for project planners and investors”
- **Ellen MacArthur Foundation** for outcomes SE 5 and SE 6 “circular economy in Europe” and “circular economy for plastics”
- We also participated in and drew insight from a donors and NGO collaborative to develop a global movement on plastics

All the research and consultative processes followed a similar principal format. The partner organisation prepared a first paper with a situation analysis and an initial set of ideas for a strategy. This paper was then discussed, further developed and re-focused in either a workshop setting or in bilateral interviews. A final strategy outline was again shared with a few selected persons for feedback.

The result of these processes is a strategy that retains the same overall structure with three targets but with only five definite outcomes, at least for the time being (see graph below). A few changes to note:

- For the part of SE 2 related to whether Switzerland could be a leader in Green Finance, after reviewing the initial paper commissions to investigate opportunity, we determined that there was not sufficient scope for making significant progress on this in our time-frame and that our funds could be better used elsewhere. This outcome now focusses only on the global aspect of green finance.
- For outcome SE 6 “circular economy China” we have, as agreed in March, funded a project to assess the circular economy potential in China concluding with a launch of the final report at a prominent economic event in China (September 2017). Together with the Ellen MacArthur Foundation, we replicated here their successful example of a Pan-European study and a launch at the World Economic Forum. Based on this report, together with a feasibility assessment as to what role MAVA could play in catalyzing circular economy in China, we will then decide whether or not we maintain this outcome.
- We dropped Outcome SE 4 “increased private and public investment for fish stock recovery and transition to sustainable fisheries” because we were not able to find a sensible point of engagement at this point. This might change over time because we have, as foreseen, funded a new piece of research called “FishTracker” that takes the Carbon Tracker approach – stranded assets based on carbon budget constraints - into the world of Fisheries and dwindling marine resources. We will remain alert for opportunities in this area.



Revised strategy proposed November 2016

### Rationale for the choice of targets

We believe that valuing **natural capital** in our societies and economies is the most fundamental shift that we need in order to enable further changes in finance and resource efficiency. The integration of natural capital into national development plans and business practice will build the economic foundation on which environmental risk in finance becomes material and resource intensive production costly and eventually uncompetitive.

Finance is the fuel of the economy, **Green Finance** must become the fuel for the transition to a green, resource efficient economy that is based on our common natural capital. Globally, the current finance system has lost contact to the real economy and its inability to deploy its resources to meet societal challenges and goals is widely recognised. Adjusting and thereby reconnecting finance to the real world and its natural limits is fundamental for a successful transition to a new economy within planetary boundaries.

With continuously increasing population and increasing numbers of people becoming eager consumers of goods and products, rendering these material demands more **resource efficient** will allow prosperity for many more people without depleting the planet and fuelling social conflict. Setting ourselves a new challenge to produce without waste and make our material flows circular will create new opportunities for economy, green finance and the restoration of natural capital.

**Approach**

A five step approach will guide our work across all targets. We will promote more holistic economic thinking with metrics and models that capture all externalities, positive and negative, gains and costs to society and natural capital. Applying these metrics and models will allow us to make the case that change is not only desirable but also possible. We then will strive to create real life examples that prove feasibility of concept together with support to existing and emerging leadership then followed by building a constituency for change comprised of enlightened politicians, progressive companies and societal demand.



Working and grant making in the sustainable economy space is somehow different to our work in the other programmes. The toolbox of sustainable economy contains only a few good examples and lacks recognised best practice. The path we are travelling on is at the forefront of societal innovation and new to everyone; new models and simulations shed a dim but hopeful light on what can lie ahead. Some ideas turn out to be unrewarding, others will catch on and are taken up by government or business and develop rapidly, thus allowing philanthropy to move to new areas. Other issues remain orphaned for quite some time while new opportunities can emerge unexpectedly. This means it is not only unrealistic to plan out our strategy in detail over the next 6 years, in doing so we would even risk to be absorbed into the mainstream or get stuck in a dead end. Therefore, our strategy defines broadly the direction of travel but we will have to continuously review or position and adjust our grant making so that we can stay ahead of the curve, address new obstacles and seize emerging opportunities. Consequently, this also means we will inform the board more frequently about the programme’s progress and eventual changes.

The following section will present in more detail the individual outcomes under each target. For each outcome we give a short outline of the context, a recapitulation of MAVA’s previous or ongoing engagement and a summary of the strategic approach. A chart shows graphically the link from target to outcomes to strategies. The section following the graph gives more detailed information on the principal activities under each strategy.

**Outcome SE 1: National green economy planning integrates the conservation and restoration of natural capital (CHF 2’000’000)**

**Context**

Natural capital is the collection of all ecosystems and geology that provide resources, renewable and nonrenewable, and environmental services such as air and clean water to society and economy. Much progress has been made in sensitizing business and government to their dependency on this natural capital in the last decade. The landmark report TEEB (The Economics of Ecosystems and Biodiversity) was the starting point for the creation of a series of initiative for business and governments to measure, value and integrate their natural capital dependency in their economic thinking. Globally, many payments for ecosystem services schemes have been successfully put in place and last year, the world community has agreed to make the protection of our terrestrial and marine ecosystems two specific global goals (SDGs) and integrate environmental consideration into all the others. On the ground

however, most conservation efforts remain and will remain piecemeal until natural capital protection is embedded with economic planning and strategies.

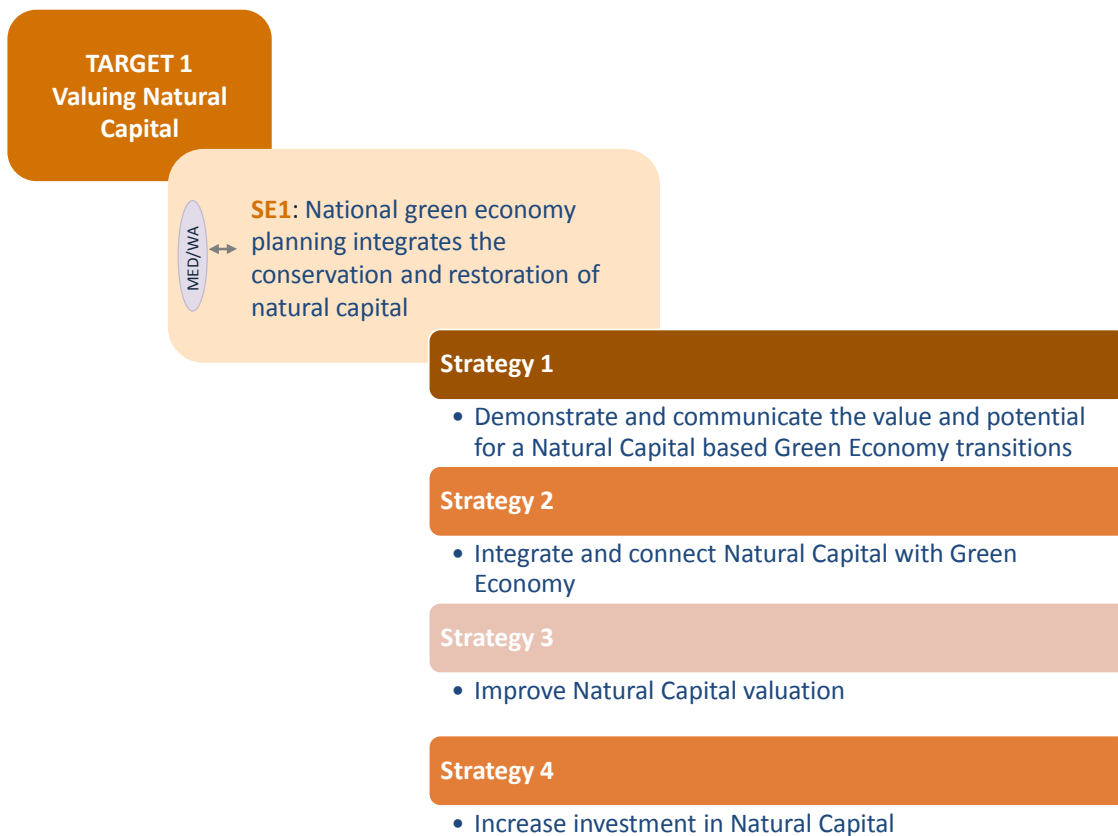
The global debate on climate change and SDGs allowed for the emergence of the concept of Green Economy which has opened up a political window that, for the first time, engages ministries of finance and planning in a debate on green growth. Global, recognized organization such as OECD, World Bank and Global Green Growth Institute are providing advice to currently 65 governments on green economic planning. With a few laudable exceptions, these planning processes are however strongly biased towards renewable energy production and creation of green jobs. The lack of any reference to national natural capital risks its further degradation for the sake of green development.

Over the past years we have invested in advancing natural capital science and policies with mixed results. The most impactful investment so far was our support to the Green Economy Coalition, a network that brings together some 50 NGOs with an interest and knowledge in Green Economy. Remarkably, it was the Green Economy Coalition that managed to bring together for the first time the big international green economy advisors that lead and dominate the green economy debate globally (OECD, Global Green Growth Institute, Green Growth Knowledge Platform, GIZ, UN Partnership for Green Economy). This institutional exchange has now developed into a structured institutional collaboration of which the Green Economy Coalition is an integral part.

### **Overall Strategy**

Our overall strategy is to develop a type of blueprint for good natural capital integration into national economic planning and to get some good examples working on the ground in leading countries, that can act as concrete examples for replication elsewhere.

Core to our strategy is the institutional collaboration between green economy advisors. By working with and through these partners, we get three important ingredients for success that otherwise would be not possible: 1) access to governmental planning processes, 2) enhanced credibility and 3) a global replication mechanism. For this potential to realize, it is indispensable that all of the collaborating institutions fully recognize natural capital as a cornerstone of green economy and integrate it into their economic advice. This translates into four strategies. We will demonstrate the relevance of natural capital in the green economy transitions to all stakeholders (strategy 1). Then we will integrate natural capital policies into the Green Economy transition – in theory and practice (strategy 2). Further, we have to make sure that natural capital policies and practices actually works with good valuation and accounting (strategy 3). Finally, we will work towards increased investment in natural capital (strategy 4).



**Strategy 1: Demonstrate and communicate the value and potential for a Natural Capital based Green Economy transitions (CHF 585'000)**

**Principal activities:**

**Communicate the need for and value of Natural Capital based Green Economy transitions to society**

Build effective communications around the importance of natural capital within a green economy transition. Focus on engagement of influential civil society and raising awareness amongst policy advisory and policy makers. We will capture and transmit messages, encouragement and argument from credible and critical dialogues to shape the emerging debate around natural capital. The Green Growth Knowledge Platform will play a central role in these activities.

**Create fora for exploration of Green economy and Natural Capital convergence**

Create spaces for advocates for natural capital approaches to engage with green economy/green growth practitioners. Curate a credible and structured debate so that disagreements can be clarified and practical compromise can be found as the best way forward. We have early agreement with the World Forum on Natural Capital to make their next forum about linking Natural Capital, SDGS and Green Economy.

**Develop Green Economy transition tracker**

Develop a 'transition tracker' product that can map the progress of natural capital integration into the green economy transition nationally and internationally. We seek to link and integrate this activity with ongoing effort to track green growth and green growth in general.

## **Strategy 2: Integrate and connect Natural Capital with Green Economy (CHF 500'000)**

### **Principal activities**

#### **Build intellectual and institutional ownership of Natural Capital as part of GE/GG agenda**

Engage key institutions within the research and policymaking community to recognize importance of natural capital within Green Economy/Green Growth policy space. Encourage incorporation within structural reform proposals and maybe even conditionality for assistance and support. The focus is on key international organizations with an interest in sustainable economies such as OECD, Global Green Growth Institute, International Labor Organisation.

#### **Expand understanding of the role of Natural Capital within Green Economy**

Consolidate research demonstrating dependencies and benefits of certain sectors on natural capital. We have preliminary agreement with the Green Growth Knowledge Platform to make natural capital a global research theme.

## **Strategy 3: Improve Natural Capital valuation (CHF 465'000)**

### **Principal activities**

#### **Consolidate lessons learned and best practice on Natural Capital**

Complete and complement ongoing stock take of existing best practice amongst nations and practitioners on natural capital. Clarify lessons learned for future uptake and compatibility with the green economy. Build on the institutional knowledge and recent work of IIED, Globe, WWF and World Bank.

#### **Address issues in economic theory that undermine natural capital conservation**

Broadly speaking, economic theory assumes that different forms of capital – natural, manufactured, financial etc. – are substitutable with each other. Where natural capital is taken into the equation, which is not always the case, this poses a real problem for natural capital protection. We envision to work with the International Integrated Reporting Council (IIRC) to do research into this problem of substitutability of capitals within conventional economic modelling and its compatibility with environmental limits, SDGs and natural capital dependencies.

#### **Develop research theme around Natural Capital markets that work**

Develop practical solutions to the problem of integrating natural capital valuation with existing capital markets. Our focus will be on practice that is replicable across different contexts of development and sustainability, but particularly high impact countries that develop green economy national plans. We will ensure that this research is backed by influential mainstream banking and advisory services.

## **Strategy 4: Increase investment in Natural Capital (CHF 450'000)**

### **Principal activity**

#### **Create finance reform proposal to support investment in Natural Capital**

Establish recommendations for finance reform that can channel investment toward natural capital. We shall also seek to encourage specific environmental fiscal reforms including positive and negative incentives for sustainable forestry and sustainable fisheries.



## Outcome SE 2: The finance system becomes aligned to sustainable development goals and supports the Green Economy transition (CHF 2'000'000)

### Context

There is not yet one commonly agreed definition of green finance, for some it describes a narrow part of finance that benefits the environment, for other it means a more fundamental shift towards finance that internalizes environmental costs and benefits into decision making. Our understanding at MAVA covers both of the above but we believe that the latter definition has to become reality for more substantial change in finance and to avoid that the traditional system only gets a thin green coating.

Green Finance has seen a remarkable development over the last two years. It moved from being a belittled idea to a serious debate at highest political level after China made it part of the G20 finance stream. In the wake of the rapidly growing green bond market we see the global finance centers compete to become the global center of green finance. The EU has recently started to develop a Green Finance strategy and the OECD has communicated to establish a green finance center.

The Green finance movement has to be seen in the context of changes happening in the wider financial system itself. These changes are resulting from the combined effects of 1) post-crisis reforms, 2) the increasing influence of emerging and developing countries, 3) the disruptive forces of technology across the financial system (Fintech) and 4) new social expectations as to role of finance in society.

Our investment in the green finance space goes back to one of our first grants that we made to the Carbon Tracker Initiative. Through our continued support we could help to move an initial, not widely accepted idea of a carbon budget to be taken serious by the highest level of the financial system. The research work that we funded in relation to the role of the Bank of International Settlements and the linkage of financial and environmental risk has been presented to the German Chancellors office in preparation for German's G20 presidency. Our latest grant to the UNEP finance inquiry allowed the development of a first framework for measuring alignment of the finance systems with the sustainable development goals. All of these grants have allowed the agenda to move forward and have thereby demonstrated that we can make a difference in the finance space.

### Overall strategy

Our overall strategy is to help reshape the financial system in a way that environmental impacts are more fully taken into account in financing decisions across banking and investment. We focus on aspects of the financial system that affect private finance because going forward, this will be the main source of finance that needs to be deployed to realize the global goals and the solutions to environmental challenges.

There are many areas in the system where changes have to occur. We focus on seizing emerging opportunities to eliminate concrete barriers. We will also engage in issues that are on the table and can be pushed to the next level or help forge coalitions that allow new and maybe controversial ideas to be put forward. In doing so, we see three main areas of work. 1) Measure and communicate the finance systems' alignment to sustainable development goals and push for mandatory reporting on climate related risk as a first step towards broader environmental reporting. 2) advocate for adjustments of the governing mandates and standards in finance, and 3) get a 'green foot' into the door of new disruptive developments in finance, specifically Fintech. 4) establish a mechanism for seeding new ideas and rapid response.

## TARGET 2 Green Finance

**SE2:** The finance system becomes aligned to sustainable development goals and supports the Green Economy transition

### Strategy 1

- Measuring and accelerating progress towards a Green Financial system

### Strategy 2

- Influence finance standards and finance governance to be more environmentally friendly

### Strategy 3

- Green Fintech – early engagement to create opportunities for financing the green transition

### Strategy 4

- Investigating emerging opportunities, seeding new ideas and rapid response

## Strategy 1: Measuring and accelerating progress towards a Green Financial system (CHF 800'000)

### Principal activities

**Measure the national financial systems alignment with Sustainable Development Goals and with particular attention to the goals related to the environment, sustainable infrastructure and consumption and production.**

Through our previous work with the UNEP Finance Inquiry, we have helped develop a solid framework that assesses financial systems but it lacked the data robustness to be published within UN context. Civil society organizations can work outside of diplomatic constraints and can take the measuring framework, complement it with an existing NGO scorecard approach, and produce the first comparative ranking of national financial systems against SDGs and climate change action. We want to run and test this ranking for two annual cycles.

### **Making climate related risk disclosure mandatory**

The opportunity comes with the ongoing work of the Financial Stability Board's task force on climate related risk with the publication of findings expected in early 2017. It is very likely that the recommendations will ask for voluntary, climate related risk disclosure. We think we have to move beyond voluntary to mandatory disclosure to accelerate progress. There is ongoing work of NGOs advocating for mandatory disclosure and we want to resource these NGOs as a coalition to push this forward in one or two geographies – ideally EU and US (the US might be less likely after the election if the US moves towards less regulation in finance).

### **Prevent undesired side effects that could become a major obstacle for progress in green finance.**

We know that the major global rating agencies are working on integrating climate risk into sovereign credit risk rating. This is a significant step towards more inclusive risk assessment beyond only economic criteria. It does however create undesired side effects where countries with higher risk ratings will find it costlier to raise the necessary finance for their sustainable development pathway and the transition to a green economy. Without mitigation measures for these side effects, we risk a strong political push back on climate (and environment) adjusted risk assessment. Here, we see the UNEP inquiry play a catalyzing role in bringing together a coalition of 3 rating agencies with three think tanks to work on a solution. One possible idea could be that the additional financing cost could be compensated by the international climate fund.

### **Strategy 2: Influence finance standards and finance governance to be more environmentally friendly (CHF 400'000)**

We want a financial system that supports achieving societal objectives, such as meeting the financing needs of the sustainable development goals and climate mitigation. For this to happen those who govern the finance have to see their mandate broader, either by formally adjusting this mandate or by a broader interpretation. Similarly, there is also the need to shift financial standards to the advantage (or at least not disadvantage) of environmentally friendly financing.

#### **Principal activities**

##### **Reducing capital requirements for green and sustainable investments**

We see an opportunity to build a coalition of (probably largely developing country) banking regulators to establish a green adjustment to capital requirements in the context of Basel III regulations.

##### **Adjusting governing mandates**

Advocating for shifts in mandates of governing institutions across the financial system is now a real option in the light of leading examples from developed countries (e.g. Bank of England, Dutch central bank) and developing countries (e.g. People's Bank of China, Kenyan Central Bank, Indonesian financial regulator). Ultimately, the result may be a combination of two related developments: (a) regulators and standard setters required to 'explain' how their work relates to environmental outcomes (e.g. Bank of England regarding climate change), (b) actual mandate shifts that formally integrate sustainable development as target consideration of regulators and standard setters.

### **Strategy 3: Greening Fintech – early engagement to create opportunities for financing the green transition. (CHF 400'000)**

Fintech is short for financial technology, an industry that uses advanced technology to provide financial services. It is believed that Fintech will cause major shifts in banking and finance as we see it today. It will change financial transaction and financial literacy in all constellations, business to business, business to customer and between individuals. We will see a much more diverse landscape of actors in credit and investment with new and more direct relationships and lower transaction costs. Decision making in Fintech is also heavily data driven and new startups have found clever new ways of assessing

risk and opportunity. With new actors and new ways of decision making, Fintech might offer solutions for integrating environmental risks and therefore new opportunities for directing finance into green innovation and the green transition. We don't really know yet how this will work out but we believe it is worth exploring at early stage.

#### **Principal activities**

##### **Making carbon footprint of financial transaction transparent**

Fintech, through advanced data analytics offers the potential to use financial transaction data to inform about the carbon or ecological footprint of consumption – for individuals and business. First examples exist in China where consumers' financial transaction data is converted in carbon footprint and linked to incentives to change towards low carbon purchases. With our investment this year the UN inquiry was able to establish the necessary contact with big global financial transaction platforms that are willing to research how finance algorithm can integrate environmental considerations.

##### **Researching new ways of financing the green economy transition for SMEs**

Small and Medium sized enterprises represent the bulk of the economic activities in industrialized countries and in many sectors they are the driver of innovation. SMEs find it difficult to finance investment for greening production, green innovation or more efficient material flows. We want to do initial research to see if and how Fintech, with new actors and new borrower and lender relationships could address this shortcoming. Research will be developed with Fintech companies or platforms.

#### **Strategy 4: Investigating emerging opportunities, seeding new ideas and rapid response (CHF 400'000)**

#### **Principal activities**

The green finance space is developing dynamically. New opportunities to accelerate progress or to eliminate obstacles can emerge quickly. Small investments can often provide valuable contribution to a better outcome. We want to test a small grant programme that can respond to this dynamic development. Funding would be allocated based on recommendation from the advisory group.

#### **Outcome SE 3: Sustainable infrastructure is the preferred option for project planners and investors (CHF 2'500'000)**

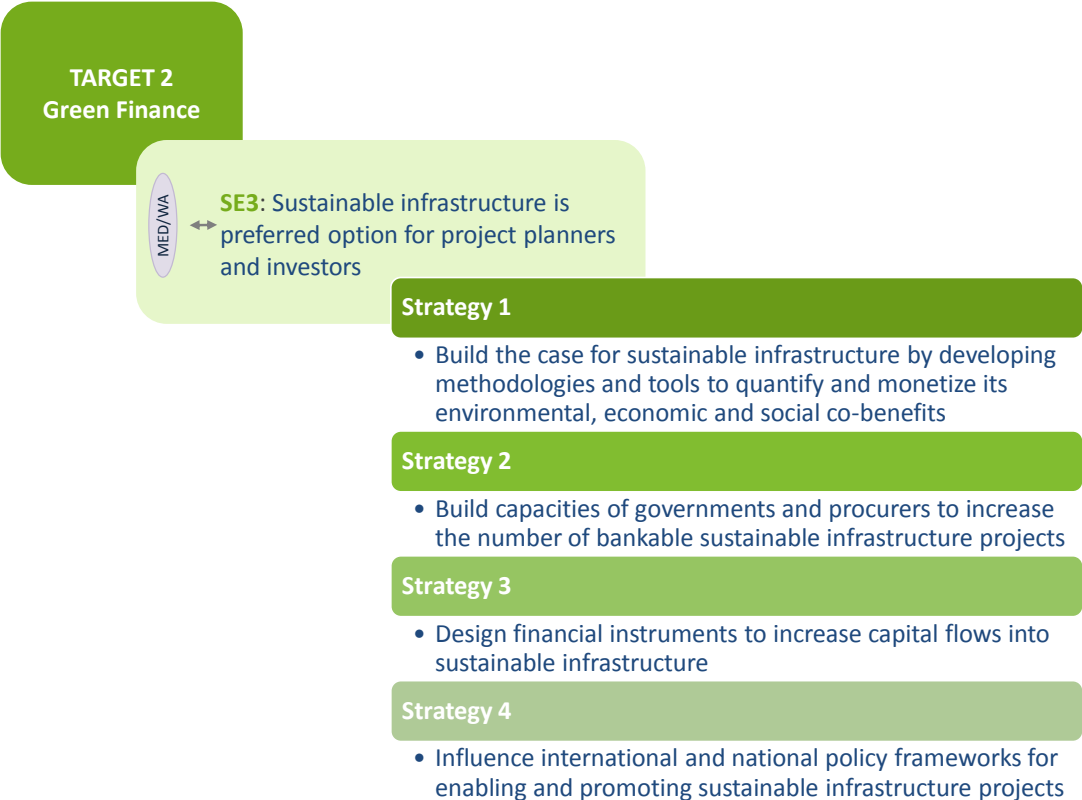
More than half of the infrastructure that we need in 2050 still has to be build, including infrastructure for energy, transportation, water supply and purification as well as climate change adaptation. The choice of a type of infrastructure does have long lasting and wide ranging consequences. It not only locks in a certain type or technology for decades it also promotes the associated markets for skills, technologies and services. For these reasons, infrastructure does have a very strong influence on the general development path of a country or region. With new global commitments to achieve sustainable development goals worldwide, we are entering an opportune moment to engage with countries in revising their infrastructure strategies as part of their green growth and green economic strategies.

With settlements and industrial activities now reaching some of the last pristine places on earth it has become urgent to deploy and finance infrastructure that is planned according to sustainability criteria – social, environmental and economic. However, sustainable infrastructure options are often not adopted because they are deemed to have lower rates of return due to higher construction cost and higher risk due to new and less tested technologies. We believe that both of these perceived barriers – high risk and low return – can be addressed so that sustainable infrastructure can become the preferred option for both governments and investors.

Over the past years we have been investing in the advancement of sustainable infrastructure in different ways. The Carbon Tracker Initiative demonstrated so far unappreciated risks in fossil fuel based infrastructure. In the Mekong region, we helped develop an energy pathway based on sustainable renewable energy sources. We also support the development of a standard for sustainable infrastructure that has support from private sector partners in insurance, investment and rating.

**Strategic approach**

The overall strategy is to make sustainable infrastructure the preferred option for both governments and investors globally but with particular interest in making it concrete in MAVA’s priority regions. We will achieve this with four interlinked strategies: we will 1) make a convincing business case for project planners and investors. 2) build capacity of actors along the entire procurement cycle of infrastructure, from the supply and demand side, so that the advantages of sustainable infrastructure are known. 3) innovate and adjust financial instruments to the specificities of sustainable infrastructure, and 4) influence international and national policy frameworks to become enabler for sustainable infrastructure.



**Strategy 1: Build the case for sustainable infrastructure by developing methodologies and tools to quantify and monetize its environmental, economic and social co-benefits (CHF 750'000)**

**Principal activities**

**Develop new tools and methodologies of quantifying and monetizing the environmental and social externalities of sustainable infrastructure projects**

The initial capital expenditure of sustainable infrastructure development might be higher, but when considering value for money across the lifecycle of the asset, the overall cost of the project is often lower compared to the cost of grey infrastructure. Even countries currently using lifecycle costing as part of their procurement process are ignoring the environmental and social benefits (and avoided costs) of sustainable projects because they do not have the means to accurately value them. We will support the development of valuation tools that enable stakeholders to monetize these externalities to make the real costs and benefits of sustainable infrastructure transparent. These tools and models will be used to build the business case to policy makers and procurement agencies.

**Demonstrate to investors why sustainable infrastructure has a lower risk**

Building on the output of the valuation tools (see above) we will demonstrate to institutional investors that by investing in sustainable infrastructure they will have lower project risks and therefore improve the long term risk-return profile of their asset. Even for investors with a mandate of maximizing financial return, the monetization of lower climate risk and environmental footprint can provide the necessary quantitative evidence to actively seek out and finance sustainable infrastructure. By demonstrating the business case, sustainable infrastructure should become the preferred investment choice for investors.

**Strategy 2: Build capacities of governments and procurers to increase the number of bankable sustainable infrastructure projects (CHF 500'000)**

**Principal Activities**

**Build capacities of public officials to buy sustainable infrastructure**

Trainings will be offered for procurement officials on how to prepare and realise infrastructure deals that are sustainable in an environmental, social, as well as in a financial sense. The course materials will provide solutions on how to address the barriers specific to *sustainable* infrastructure throughout the procurement cycle. The training will integrate the results of the tool developed under Strategy 1 and the financial instruments designed under Strategy 3. Training sessions will be delivered by partners in selected pilot countries such as Senegal before widening the training delivery through existing training channels such as global networks for cities (C40) and local governments (ICLEI)

**Offer advisory services at different stages of the procurement cycle**

As a way to complement the capacity building activities, we will support customized advisory services to assist governments and procurers to put the theory into practice. This activity will contribute to the implementation of sustainable projects and at the same time provide successful case studies for other countries considering to procure infrastructure in a more sustainable way.

### **Strategy 3: Design financial instruments to increase capital flows into sustainable infrastructure (CHF 750'000)**

#### **Principal activities**

##### **Customize existing financial instruments to the needs of sustainable infrastructure projects**

There are already some innovative financial solutions offered by multilateral development banks (MDBs) and some governments that make otherwise difficult-to-finance infrastructure projects attractive to investors. These solutions include for example partial credit guarantees, viability gap funding and project development funds. However, these are not specially designed to the needs of sustainable infrastructure projects. These instruments need to be tweaked to be more suitable and favorable for sustainable projects.

##### **Design innovative financial instruments to de-risk sustainable infrastructure**

While there are some financial instruments already available for de-risking infrastructure projects (see above), there is still a pressing need for additional innovation. With the support of MDBs and/or government agencies with sufficient financial capacities, a wide range of solutions can be designed to address specific areas of risk in sustainable infrastructure development. We will work together with institutional investors and MDBs to identify and address the gaps that pose a barrier to additional capital flows into sustainable infrastructure projects.

### **Strategy 4: Influence international and national policy frameworks for enabling and promoting sustainable infrastructure projects (CHF 500,000)**

#### **Principal activities**

##### **Raise awareness of key decision makers at the policy and government level about the importance and benefits of sustainable infrastructure**

There is a general lack of awareness and understanding at the different levels of government of sustainable infrastructure and its economic, environmental and social importance. Information and training events will ensure that there is sufficient political support for sustainable projects and that this is reflected accordingly in the national infrastructure development plans and priorities.

##### **Review the procurement regulations and any relevant national/regional frameworks to determine whether they enable and promote sustainable infrastructure development**

We will support comprehensive reviews at the national and regional level in the target country(s) to evaluate how much the existing procurement framework and policies support the purchasing of sustainable infrastructure. To address the gaps identified we will make proposals on how to integrate sustainability criteria in the relevant policies.

##### **Promote sustainable infrastructure development**

Through this activity we will leverage various international and national forums to promote sustainable infrastructure development and share the results of strategies 1 and 3.

## Outcome SE 4: Accelerated circular economy practice and ambitious legislation in Europe (CHF 2'200'000)

### Context

The current predominant economic model can be largely described as linear: we extract resources, produce goods for use and consumption and eventually dispose of them. While this model has driven much of our economic development since the industrial revolution, it is today reaching its limits in its ability to create prosperity for an increasing world population without severe negative impact on the planet's natural systems. The circular economy concept offers an attractive and viable alternative. It describes an economy that reduces waste to an absolute minimum by designing products differently from the very beginning so that they can be reused, remanufactured or recycled.

Over the last years, circular economy has moved onto the agenda of many businesses and policymakers. Small pockets of activities are emerging on the market, enabling policies dedicated to supporting the transition to a circular economy are being developed and research initiatives have outlined the importance of the transition and the benefits it could provide.

Despite increased questioning of the linear economic model, the momentum behind it remains strong. Circular economy initiatives face important challenges that prevent a scale up into the new normal. No single type of stakeholder can drive the transition: businesses' perspective is too narrow; policymakers cannot plan for all possible dynamic effects and the impact of research and education is most relevant in the long term. Only a systemic approach with collaboration across many stakeholders, across value chains and sectors can drive significant and lasting change.

Furthermore, material streams play a central role in circular economy, from design, reuse and treatment. Today's economies are built on highly complex stocks and flows of materials, poorly documented through disjointed and incomplete information. A few flows in particular play a disproportionate role in resource challenges globally, such as plastics, fabric or food waste. Cities in particular concentrate a large share of material flows on a small area. Given they also tend to be hotspots of technological and business innovation; they represent a specially interesting scope for collaborative initiatives.

Our investment in circular economy so far has been focused on advancing policies. We have been supporting organizations in advocating for ambitious targets within the European Union circular economy package. In addition, we funded work to develop a policy toolkit for creating enabling conditions for circular economy at the example of Denmark but also applicable in other EU countries.

### Overall Strategy

Our overall strategy is to catalyze and accelerate circular economy in practice on the level of companies and cities to encourage more far-reaching changes in policy and regulation. This translates into three strategies. The first looks at cities as center of material use that can become centers for new solutions and a new driver for legislative change on broader level. The second strategy is about creating catalytic platforms for innovation scouting and material and technology options. The third strategy addresses the enabling environment on policies that will eventually lead to large scale change.



**TARGET 3**  
Resource Efficiency

**SE4:** Accelerated circular economy practice and ambitious legislation in Europe

**Strategy 1**

- Increase cities engagement in circular economy

**Strategy 2**

- Create catalytic platforms in Europe

**Strategy 3**

- Advocate for ambitious EU circular economy package and associated policies

**Strategy 1: Increased cities engagement in circular economy (CHF 500'000)**

**Principal activities**

**Create circular economy examples and leadership in cities**

By 2050, 75% of the population will reside in cities. Such rapid growth puts an enormous pressure on urban resources, carrying capacities, and quality of life. Cities are also a major engine for economic growth, as about 85% of global GDP is generated within cities already today. All of these factors equip cities with a great catalytic power to drive the circular economy agenda forward, and make them among the greatest beneficiaries of such future transition. A few first cities have come together in a Circular Cities Network and some other have already announced their commitment to become 100% circular by 2050. We want to support city leaders who are rethinking the way their urban systems operate and identifying ways to reduce waste and allow materials to circulate. By doing so, we will improve our analytic understanding, stimulate new concrete action and create a widening network of engaged cities that lend weight to the circular economy movement.

**Strategy 2: Create catalytic platforms in Europe (CHF 1'200'000)**

**Principal activities**

**Innovation scouting programme**

The circular economy is still mainly a vision that will need a great amount of innovation and engagement from enterprise in order to make real progress towards fundamental change in the way we make our products and maintain material value. The innovation scouting programme has two objectives:

1) identifying emerging innovators and SME (small and medium size enterprise) solutions that present scaling potential across European cities. Help to promote and nurture those innovators and SMEs with training and information;

2) Drive the research agenda into circular economy by identifying key technology gaps and developing an action plan to attract research interest and funding towards them.

#### **Material and product information**

We will work towards a European wide, openly accessible database that provides information on best options for products, materials, technologies and infrastructure for reprocessing, repurposing and recycling. Such a 'positive list' will allow to do many things that aren't possible today. It can guide better procurement, enable better enforcement and setting of consistent financial incentives and policies. The database can be built by consolidating and completing existing datasets and will make use of big data analysis techniques. The initial focus is on plastics, electronics, fibers and biological materials but with the possibility to be broadened to include others. Eventually, the database has to be owned and maintained by a public institution, ideally the EU, and we seek the necessary collaborations from the very beginning.

### **Strategy 3: Advocate for ambitious EU circular economy package and associated policies (CHF 500'000).**

The circular economy package is currently under discussion in the EU. The EU Parliament has shown particular interest in advancing this issues in a positive way. There is also great interest from business association – for both, progress and status quo. We will build on our current work with civil society organizations and complement it with voices from cities and progressive business to advocate for ambitious legislation.

### **Outcome SE 5: Plastics are redesigned to allow for circular material flow (CHF 2'300'000)**

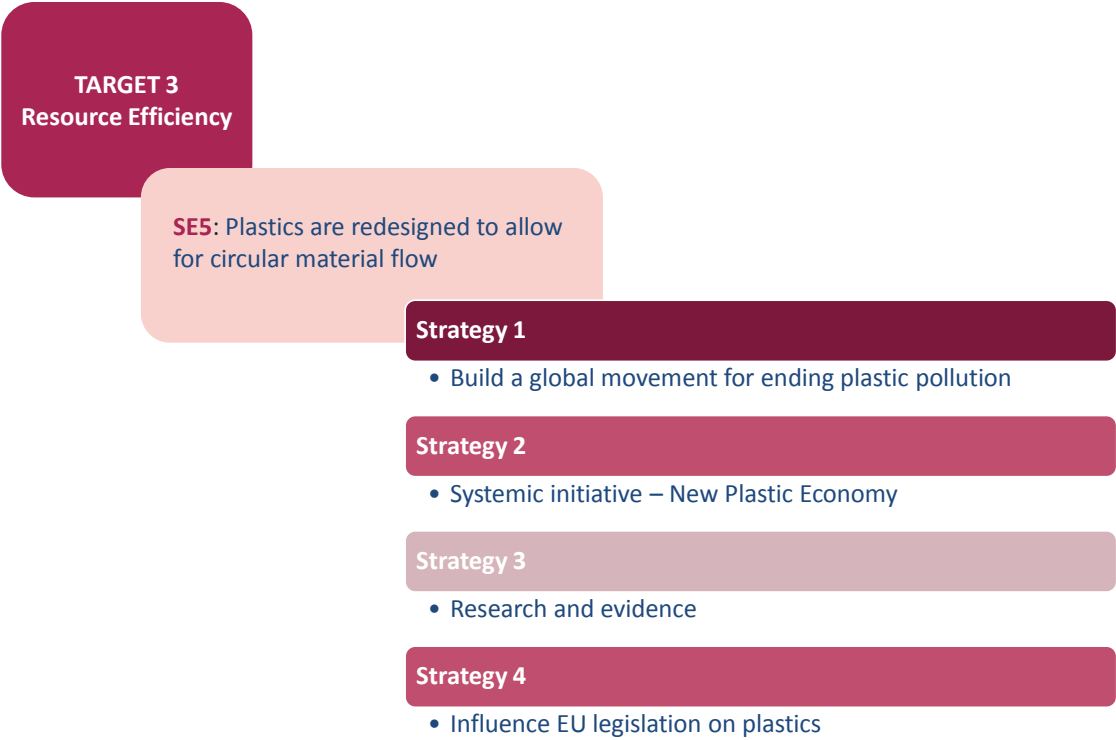
Plastic has become the most common material since the beginning of the 20th century. As the 'material workhorse' of the modern economy our everyday lives have become unthinkable without it. Unfortunately, what makes it so useful, such as its durability, light weight and low cost, also makes it problematic when it comes to its end of life phase. Plastics is the emblematic example of our increasingly dysfunctional linear economy. Made to last forever, we use it only once for a short time and then throw it away. The problem caused by plastics pollution in the oceans is well known; less known is that chemical additives, some of them endocrine disruptors, can migrate into body tissue and enter the food chain. There is increasing evidence regarding plastic pollution and plastic toxicity, leading to increased public concern.

Plastic, a material that is moldable, is too practical to live without. It will probably stay with us for quite a bit longer. This means in turn that we need to change the way we use it, produce it and retain it as a valuable material throughout its lifecycle. Most of the plastic that causes ocean plastic pollution and poses a risk to our health can be assigned to the category of fast moving consumer goods. The majority of the top consumer goods brands and plastic manufacturers who determine material design for plastics can be found in Europe and the United States. It is also in these two geographies where we have the most advanced separation and reprocessing technologies. Therefore, efforts to mobilise actors based in Europe and the US around innovation and material redesign can have a disproportionate effect on devising a New Plastics Economy on a global scale.

So far, MAVA has been investing in the plastics issue only through the Ellen MacArthur Foundation. The first project was the production and publication of a highly regarded report that outlines a global roadmap for a new plastics economy. The second and ongoing project is supporting the New Plastics Economy Initiative as the concrete implementation of the roadmap report.

**Overall strategy**

The overall strategy is to create pressure from the outside through a large civil society movement while engaging through other actors with the plastics sector in order to develop solutions. The core elements of this strategy are on the one hand a funders collaboration on plastic pollution that will contribute to a globally aligned movement of NGOs, and on the other hand the new plastics economy initiative that works across the plastic value chain with industry partners. This approach is complemented by additional research into toxicity issues and by advocacy work for policies on plastics within the European Union.



**Strategy 1: Build a global movement for ending plastic pollution (CHF 500'000)**

**Principal activity: Funders collaboration on plastic pollution**

We have been part in the development of a funders collaboration on plastics. Together with a large number of NGOs across the globe we share a vision of a world that is free of plastic pollution. A world where only truly necessary plastic products and packaging are produced; and even those are re-used, repaired, or, failing that, recycled, with toxic substances eliminated from their production. By working together, funders and NGOs, we will:

1. Peak plastic packaging and other single use disposable applications by 2025, as the first big step towards elimination of all non--essential uses by 2035;

2. Effect an immediate slowdown in plastic use and/or leakage in those countries most vulnerable to pollution; and
3. Support and build the foundations of the global movement to say no to plastic packaging waste, to embrace zero waste principles and stop the tide of plastic flowing into the ocean.

Having scrutinized the plastics industry carefully, from oil and gas extraction to the leakage into the ocean and everything in between, and having asked ourselves where, if we work in alignment across the movement, we can have the greatest transformational impact, we have agreed the following objectives:

*Within ten years:*

1. The global corporations responsible for the majority of plastic packaging and single use plastic waste are transforming their business in line with our vision;
2. Cities around the world, particularly in the Asia Pacific region where most of the plastic waste leaks into the environment have mainstreamed best practice solutions that reduce plastic pollution, benefit workers and communities, and move toward zero waste.

## **Strategy 2: Systemic initiative – New Plastic Economy (CHF 1'000'000)**

### **Principal activities.**

MAVA supports currently the Ellen MacArthur Foundation in pioneering the approach of systemic initiatives in the plastics material stream. Systemic initiatives build on the theory that change has to occur at different points in the systems in parallel in order to have lasting impact. Five building blocks for such systemic change have been identified.

- *Cross-value chain dialogue.* A global pre-competitive collaborative dialogue to close the knowledge gap on circular economy opportunities and to build capabilities across concerned industries.
- *Systems protocol.* Rethinking the whole system of a material stream, focusing on clean-sheet design and clear guidelines as a basis for innovation, in order to reinforce the movement beyond incremental, and fragmented material innovation efforts.
- *Innovation.* Ambitious innovation 'moon shots' is key to solve specific challenges related to material streams and how they are made, used, re-used and reprocessed. Innovation programmes are needed to enable and catalyse such initiatives.
- *Evidence base.* The evidence base is key to understand the characteristics of the current material streams and assess the economic potential of specific levers such as the convergence of existing fragmented systems or scaling up successful small-scale efforts.
- *Outreach.* Finally, communication activities are needed to engage external stakeholders, build and activate an informed community to participate in the system redesign and providing insights to policy makers to help inform decision making.

We will continue to support this initiative so that the theory can be tested and then transferred to other material streams such as textiles.

### **Strategy 3: Research and evidence (CHF 300'000)**

#### **Principal activities:**

Clarifying and outlining the environmental, societal and economic risks in plastics. This includes research and communication. On the research side, we will look into toxicity issues around identified substances of concern. The communication activities will inform the public and key stakeholders in order to enact change.

### **Strategy 4: Influence EU legislation on plastics (CHF 500'000)**

#### **Principal activities**

So far, there is no comprehensive policy response to the plastics challenges on EU level. Individual aspects are addressed in different pieces of legislation, like the Waste Framework Directive and the Packaging and Packaging Waste Directive but they are insufficient and incomplete to incentivize a rethinking of the plastics economy.

For 2017 we expect some important communication and legislative proposals from the EU concerning plastics. We will follow this development closely and will try to support an influential group of actors that can propose new and concrete legislation that incentivizes a plastics economy that is circular.

### **Implementation of the strategy**

Following the context of five outcomes closely enough to be on top of the latest developments is a big task. We think we can solve this challenge by continuing to collaborate closely with the partners that have already worked with us to develop the strategy. These organisations and individuals will now help us to roll out the programme by supporting us in engaging with the right partners to develop and co-create projects and portfolios. We picked these partners because we believe they are doing great work, which in turn makes them also potential grantees. This comes with the obvious risk that our thinking becomes biased by one organisation. In order to mitigate this downside, we have identified an advisory board for each outcome which will be consulted on individual projects or preferably on entire clusters of projects. With this structure, we believe that such a collaborative programme implementation can deliver most impactful grant-making while keeping our staff numbers low.

Over the last years we have seen increased interest by other foundations for the issue of sustainable economy. Unfortunately, this interest has not yet resulted in much concrete funding, except for climate change issues. By sharing our strategy and highlighting impact and success, we hope to be able to encourage others to turn their interest into engagement and funding. We will also invite other foundations to become co-funders of our programmes and projects but we are also willing to continue to fund alone, so that we can be a driving force and move towards our defined outcomes.