

## **Interreg VB North SEA Region : CIRC NSR**



## **Circular economy and Governance**

## 0. Introduction

The transformation from a linear to a circular economy requires fundamental changes in different field, also in the field of process development and process management.

In the old days, the problems were unilateral defined and it was sufficient that a classic government stipulated the objectives and the targets within the framework of traditional legislation; Top-down was the way to go and the consumers and the industries had to comply.

Today, the problems are extremely complex and are cross-sectoral. The transition towards circular economy is an excellent example, whereby the way how products are produced and consumed, needs to be changed in a fundamental way. This involves a multi-actor approach.

No one can realise a circular project on his own. Governments depend on the industries, as well as on the civil society and research institutions. As every actor within this sphere has been used to work in silo's (even within the own organisation), it is a major challenge to set up new forms of cooperation, involving all these actors in order to set-up cross-sectoral exchanges and to realise circular projects.



# **1. Governance and Network governance**

## **a. Governance : definition**

Governance refers, therefore, to all processes of governing, whether undertaken by a government, market, or network, whether over a family, tribe, formal or informal organization, or territory, and whether through laws, norms, power or language. Governance differs from government in that it focuses less on the state and its institutions and more on social practices and activities (Mark Bevir, *Governance, a very short introduction*, Oxford University Press, 2012).

## **b. Network governance : definition overall**

Network governance involves a select, persistent, and structured set of autonomous companies and agencies, engaged in creating products or services based on implicit and open-ended contracts, in order to coordinate and safeguard ex-changes and the realisation of the agreed objectives. These contracts are socially binding (not legally) . As such, governance networks distinguish themselves from the hierarchical control of the state, and the competitive regulation of the market in at least three ways:

1. In terms of the relationship between the actors, governance networks can be described as a pluricentric system as opposed to the unicentric system. Governance networks involve a large number of interdependent actors who interact with each other in order to produce an outcome.
2. In terms of decision making, governance networks are based on negotiation rationality.
3. Compliance is ensured through trust and political obligation which, over time, becomes sustained by self-constituted rules and norms.

As a concept, Network Governance explains increased efficiency and reduced agency problems for organizations existing in highly turbulent environments. On the one hand, the efficiency is enhanced through distributed knowledge acquisition and decentralised problem solving; on the other, the effectiveness is improved through the emergence of collective solutions to global problems in different self-regulated sectors of activity (Scharpf, Fritz (1997), *"Actor-centered institutionalism"*, in Scharpf, Fritz (ed.), *Games real actors play actor-centered institutionalism in policy research*, Boulder, Colorado: Westview Press// Nielsen, Klaus; Pedersen, Ove K. (June 1998). *"The negotiated economy: ideal and history, Scandinavian Political Studies"*// Stone, Diane. *Knowledge actors and transnational governance: The private-public policy nexus in the global agora*. Palgrave Macmillan, 2013.





## **2. Network governance and circular economy**

### **a. Introduction**

Most societal problems of today, including the implementation of the principles of circular economy, are too complex to fit into the traditional and formal problem-solving structures of a government, although they still keep on pretending that they really do something. These problems have a cross-sectoral nature and can't be handled by administrations that are facing policy and legal boundaries. Top-down steering by governments or intergovernmental agencies alone can never address the challenges, related to the transition to the circular economy. A new governance model is needed in order to handle these issues. There is need for multi-actor networks that can empower goal-directed networks in order to realise context-specific transformative solutions.

### **b. Traditional management approach vs network governance approach**

Within the scope of the traditional approach, the problems are treated as follows:

- The focus is on the coordination within one bureaucracy
- The objective is to create uniform regulations, that are defined in function of equality and legality
- The enforceability is organised using hierarchical command and control tools
- The complexity of the problem is cut into elementary sub-issues , and each sub-issue is assigned to a specialised unit that working in a silo-format (Taylorism)

Within the scope of the network governance approach, the problems are treated as follows:

- Interorganisational focus ; interaction between different committed actors
- Development of inter-organisational coordination in order to improve the quality of the policy-making
- Using network management on different levels
- Goals are negotiated during interactive processes; the public administration is part of these processes
- Complexity of the issues is handled through interactions and network interdependencies in order to reach effective results.

The receptiveness to network governance is highly dependent on the socio-cultural and political context in which the circular initiatives are developed.





### c. How to build networks within the sphere of circular economy

According to the in depth research of professor Jacqueline Kramer (Building a circular future: 10 takeaways for global changemakers, Jacqueline Kramer, 2022) , several steps can be identified in order to prepare circular initiatives and to build engaged multi-actor networks:

- Joint identification of the sense of urgency
- Building up the joint business case and scaling up to a successful circular initiative, including the identification of the key actors
- Identification of the different tasks that need to be performed in circular initiatives
- Definition of an action plan
- Identification and analysis of the key system variables that might influence the path for the implementation of the circular initiative, and adaptation of the most appropriate innovation.

#### d. How to manage networks within the sphere of circular economy

In order to steer the process, professor Jacqueline Kramer has identified the following steps:

- Mapping of the key obstacles key preconditions and the key drivers in order to make progress in the implementation of the circular initiative
- Strengthening of the network with different kind of actors that can join forces and to create more performant cohesion; there are three kind of actors that can be identified: the prime actors, the complementary actors and the supportive actors. The prime actors are steering the transformational change in function of the defined goals.
- Development of adapted circular business models, whereby all network partners should benefit. This implies that the business models of each of the partners become interlinked and connected to the overall network business model.
- Identification of transition brokers who have a clear defined task in order to align the core stakeholders, as most of the network partners have a tradition to work in silo's; this is strengthened by the actual management schools, who promote the worshipping of the individualist shareholder and the public management doctrines, that consider each initiative from private and/or local partners as extremely suspicious.
- Commitment of the key network partners to the execution of the necessary activities in order to realise the circular initiatives; therefore it is important that a transparent and flexible division of labour has been fixed amongst these key network partners

Network governance needs to empower all the key network partners to make this transformational change from linear to circular economy. Nevertheless, there is no one recipe for success.

