

BUSINESS AND INDUSTRY MAJOR GROUP

INDUSTRIAL DEVELOPMENT TALKING POINTS for the IPM (26 Feb – 2 Mar 2007)

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While industrial development is just one distinct aspect of commercial activity, many sectors beyond manufacturing (such as agriculture, retail, services, energy, natural resources and others) depend on it, making it central to commercial activity and sustainable development. As such, industrial development is a critical contributor in the prosperity and progress of societies in developing and developed countries.

Through industrial development, business is:

- *Creating jobs and contributing to capacity-building*
- *Building and maintaining infrastructure (important for energy and water, among others)*
- *Growing new opportunities for economic growth at local and regional levels*
- *Promulgating accountable and transparent environmental and other management systems, cleaner production and eco-efficiency*
- *Generating resources needed to finance social needs, for example, tax revenues to public authorities*
- *Providing goods and services at competitive prices*
- *Sharing good practices and contributing to capacity building*
- *Engendering technological innovation and cooperation.*

The capacity and willingness of the private sector to advance sustainable development is immense. Yet ultimately, success will depend on the will of local and national governments to implement the appropriate policy and governance frameworks. Partnerships and voluntary initiatives should also be pursued by business, governments and other stakeholder groups in an effort to create maximum value and complement regulation. Building a sustainable future will require tapping and enabling the capabilities and resources of all to invent, manage, empower and cooperate.

The challenge ahead in the area of industrial development is what can be done to support and promote the growth of sustainable businesses, particularly in developing countries.

Industrial development makes its greatest contribution to sustainable development in the context of sound enforced regulation and good governance that relies to the extent possible on sound science, risk management, the market and voluntary approaches that supplement legal requirements. Creating an enabling environment within which enterprises of all sizes and sectors can develop, create jobs, and pursue technological innovation and cooperation, coupled with sound governance and policies to reduce barriers to international trade and FDI, traces a significant route out of poverty.

PROMOTING AN ENABLING ENVIRONMENT AT THE INTERNATIONAL AND NATIONAL LEVELS FOR INDUSTRIAL DEVELOPMENT

A successful and sustainable industrial base strengthens society. Many parts of the business community are engaged in the process of industrial development, and many more depend upon it. As such, industrial development is clearly an essential component of the activities of society as a whole. Industrial development's substantial contribution to economic growth helps create a large part of the resources needed to finance public sector environmental protection and social

development programmes, for example, through providing tax revenues to public authorities, and setting and enforcing scientific and risk-based regulations. Industrial development also contributes to the social and economic aspects of sustainable development through direct job creation and indirect employment effects via supply chain interactions with other sectors of the economy.

Three key areas of required domestic legal and regulatory frameworks to grow sustainable businesses are set out in a recent report of the Secretary-General on Strengthening the Role of the Private Sector and Entrepreneurship in Financing for Development, as having a strong impact on the business environment:

- Opening and closing a business—bureaucratic requirements to start up a business are excessive and time-consuming in many countries and laws and regulations often restrict the ability of enterprises to restructure or shut down.
- Property rights—in many developing countries a large part of land property is not formally registered, limiting access to credit and improved land values, especially for small enterprises and the informal sector; reducing the size of the informal sector should be a prime objective of public policy.
- Effective enforcement of contracts and protection of creditor rights, which needs a well functioning court system backed by effective enforcement.

Conducive enabling frameworks are critical both for local business communities and for foreign investment. Further, cooperation between business and governments, with understanding of their respective roles and responsibilities, is crucial. Industrial development will be slowed by the lack or poor condition of infrastructure in areas such as water, energy, telecommunications and road systems. Infrastructure development is a priority concrete area where public and private sectors can work together through public private sector partnerships. For such partnerships (PPPs) to succeed:

- The legal framework needs to enable the entrance and operation of private entities in what are often state-controlled industries;
- The coordination of preparatory measures for efficient PPP start-up and implementation is necessary;
- The allocation of risks through contractual agreements needs to be addressed. While considering measures to facilitate PPPs, it is important to note that project profitability is a vital prerequisite for private sector involvement, especially if the project requires long-term engagement.

STRENGTHENING CAPACITY-BUILDING SUPPORT TO DEVELOPING COUNTRIES TO DIVERSIFY EXPORTS, WITH PARTICULAR ATTENTION TO SMES

- Policies that hamper market access for products that are deemed not to satisfy arbitrary criteria for their production and components have a particularly negative impact on developing countries. These policies in the name of SCP penalize developing countries for their stage of development and different sustainability priorities.
- The business community's role in capacity building, technological cooperation and foreign direct investment (FDI) is critical in helping developing countries progress social and economic development, and improve environmental practices.
- Enhanced trade liberalization and the resulting general improvement to the economic welfare of countries, is an effective route to improving environmental protection.

Consideration of impacts on market access and terms of trade for developing countries is an essential part of assessing policies intended to promote more sustainable consumption and production. The imposition of trade restrictions, whether explicit or implicit, presents counter-productive hurdles to developing countries.

- Industrial development enables business-to-business and cross-sectoral cooperation for SMEs. The internationalization of industry through supply chain relations, joint ventures and FDI as well as through locally grown businesses offers new opportunities for SMEs in developing countries to participate in cross-border production networks and partnerships. In many cases, voluntary partnerships make good business sense, and business supports partnerships as constituting one of the most practical means of delivering sustainable development outcomes. Business and others should work to create long-term partnerships with SMEs for sustainable development, engaging respectfully and openly with communities around the world.
- The use of environmental management systems and other management tools is well under way in many companies. Waste minimization, pollution prevention and cleaner industrial production are key elements of continuous improvement and increased eco-efficiency in industrial operations. The supply-chain and value-chain linkages inherent in industrial development present many opportunities to promote technological cooperation and capacity building in environmental management systems and other good practices.

CHANGING UNSUSTAINABLE PATTERNS OF CONSUMPTION AND PRODUCTION

- A sustainable world is one with less poverty, less disease, less hunger, and greater access to education, safe water and sanitation, energy and a healthy environment. It is one that depends not just on well managed eco-systems, sound economic rules and international cooperation, but also on effective national governance based on democratic process and human rights protection. Sustainable development seeks to inspire improvement and innovation, and answer the aspirations of the world's citizens. Business is an integral part of that sustainable world.

To move consumption and production patterns in more sustainable directions, the international community should encourage policies that:

- Stimulate innovation through competition in the market place,
 - Provide consumers with information and choice,
 - Enable market access for developing countries.
- There is no inherent contradiction and many synergies between economic growth, trade liberalization, environmental protection and sustainable development. Economic growth and trade liberalization provide the conditions in which protection of the environment can best be achieved, and environmental protection, in balance with other human goals, is necessary to achieve growth that is sustainable. UNCSD has a key role in the context of UN efforts to support enabling conditions (democracy, protection of human rights, rule of law, free markets, protection of intellectual property, uniformly enforced regulations, infrastructure, education) that allow business to make its most effective contribution to sustainable development, creating wealth, jobs and technological innovation.
 - There are many definitions of globalization that evoke a wide range of reactions. At base, globalization simply means that we are becoming every day more aware of the growing interconnectedness of people, ideas, countries and societies as well as between people and

their natural environment. The question is how we can harness the power of such interconnections to achieve progress on environmental questions within the framework of sustainable development.

- There is a strong business case to undertake activities that preserve and restore ecosystem services, thus making business and industry key partners in addressing the challenges highlighted by the Millennium Ecosystem Assessment and other similar reports. Business and industry has compelling reasons to be concerned about continued ecosystem degradation because it can directly impact their core activities through scarcity of raw materials, higher operating costs, government restrictions and reduced flexibility, among others.
- Globalization should not be considered from a "top-down" standpoint alone. Implementation, institutions, enabling conditions, capacity, resources and governance at the local level are equally important to the effective achievement of environmental policy objectives. Clearly, improved implementation, capacity building and additional resources are required from the "bottom up" to respond to environmental and sustainability challenges in the context of globalization, and much of this is contributed by business and industry at the "grass roots" level of industrial development.

CLOSING THOUGHTS: WAYS FORWARD

Business views, expertise and engagement are essential in these discussions because of the business community's central economic, social and environmental roles in industrial development. CSD15 should recognize and support the enormous and extremely diverse contribution that business will continue to make to the development of new sustainable models for meeting global sustainable development challenges.

The international business community is deeply committed to supporting implementation of sustainable development: in our view, this encompasses carrying out actions from Agenda 21, the Johannesburg Plan of Implementation, decisions of the Commission on Sustainable Development, the United Nations Millennium Declaration and the Monterrey Consensus of the International Conference on Financing for Development.

Implementation of these commitments by all sectors of society is essential, and although they are ambitious, making significant progress is attainable with the right priorities, adequate resources and framework conditions. Business is a key partner in these undertakings and has made progress in implementing environmental and sustainability policies and practices, and providing more efficient and sustainable processes, products and services.

In many industrial development-related settings, voluntary initiatives and partnerships make good business sense. Business and industry supports partnerships as one of the most practical means of delivering sustainable development outcomes. Business engages in partnerships where there is a sound business case and potential to deliver benefits for all partners. Such partnerships are more likely to be sustainable and achieve tangible results.

The true measure of the business contribution to partnerships is the results achieved on the ground. The immense value of *local partnerships* and their contribution to achieving sustainable development in communities around the world should be recognised. All business operations are ultimately 'local' - with local markets and customers, employees and managers, communities and neighbours.