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INDUSTRY AND SUSTAINABLE DEVELOPMENT

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INDUSTRY and SUSTAINABLE DEVELOPMENT

United Nations Environment Programme (UNEP)¹

I. INTRODUCTION

1. Given its ability to generate both problems and to develop solutions, it is important to understand the relationship between industry², its use of environmental and social resources and economic drivers. Regional priorities and agendas also shape how industry operates. By understanding these dynamics we are better able to identify how industry can contribute to sustainability.

II. INDUSTRY AS A PARTNER FOR SUSTAINABLE DEVELOPMENT

Industry at the Global Level

2. As a contribution to the World Summit on Sustainable Development (WSSD), the United Nations Environment Programme (UNEP) is facilitating the production of global, industry sector reports. The aim of this process is to encourage industry to take a critical look at its performance to date and to outline what it sees as the future challenges. The role partnerships can play in assisting industry to meet these challenges is a key issue to be addressed.

3. This is an industry-driven initiative with each report based on a common framework developed by UNEP, in consultation with stakeholders. Each draft report will undergo stakeholder consultation with the final reports being presented at Fourth Summit Preparatory Committee (PrepCom IV) in Indonesia.

4. UNEP will also write its own report that looks at how industry as a whole has contributed to the implementation of Agenda 21 and further steps it should take to advance the sustainability agenda. Specifically, this report will highlight what UNEP sees as the remaining challenges facing industry as well as presenting recommendations for the consideration of both industry and national governments.

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² For simplicity, industry and business sectors are represented collectively by the term “industry” in this paper.

Industry at the Regional Level

5. In complement to the global, industry reports, UNEP also facilitated regional industry consultations. These consultations, organised in co-operation with United Nations Industrial Development Organization (UNIDO), aimed to identify how industry can push forward the sustainability agenda at the regional level. These workshops fed into the Regional PrepCom meetings, which assessed overall progress since the implementation of Agenda 21 and identified ways forward.

6. The objective of these small (approx. 30 person) workshops was to ensure that regional industry and environment issues were addressed in the outcome of each regional PrepCom. Invited participants represented the major industry sectors in the region, including both small and medium-sized enterprises, national and multi-national companies, as well as being geographically representative. Reports outlining industry activity in the region and highlighting the key associated environmental issues were written to help frame the discussion. The reports also provided guidance to workshop participants in the generation of recommendations. These recommendations were then presented at the relevant Regional PrepCom.

7. Recommendations from the various regions included the following:

- *Africa*

- i. The promotion of industrial development on a sustainable basis remains a high priority in the quest to alleviate poverty.
- ii. Increased investment in industrial development and the resultant increase in employment and wealth are necessary to improve capacity and environmental improvement.

- *Asia and Pacific*

- i. SMEs play a decisive role in the region; they need be to involved more directly.
- ii. Unequal opportunities, e.g. for men and women, violation of basic labour rights, e.g. child labour, neglecting health and safety, and disregard of the local cultural values are all counter-acting sustainable development. Stringent enforcement of relevant legislation and transparency of operating conditions are needed to address these issues.

- *Europe and North America*

- i. Industry desires clear and consistent targets in the effort to advance sustainability.
- ii. New business models are needed for promoting sustainable development, in particular those that: introduce cleaner technologies, products and practices; implement new work and employment systems; and create effective partnership structures.

- *Latin America and the Caribbean*
 - i. The finance sector needs to be involved more closely in efforts to enhance innovative financing for sustainable development.
 - ii. Internal markets that promote the manufacturing of value-added products need to be developed. Modernisation and expansion of these operations are also needed in order to improve competition on the international market.
- *West Asia*
 - i. The region must develop more small-scale, new industries to counter the dominance of established, large-scale industries.
 - ii. With the increase of private sector development and the shrinking of government bureaucracy, the private sector must not form monopolies or cause shortages that deprive people of their essential needs.

Industry and Sustainable Development

8. The objective of these three, inter-related initiatives is to present a comprehensive overview of how industry is contributing to sustainable development from the industry, international and regional perspectives. Ultimately what UNEP hopes to bring to the table is a better sense of how business partnerships can contribute to the goal of sustainability.

9. This document presents the first part of UNEP's initiative - the regional industry consultations. The Executive Summary from each regional report and the associated recommendations are provided. Complete documents can be found on UNEP DTIE's website at: www.uneptie.org/wssd/regional.htm.

AFRICA

Regional Industrial Review - Executive Summary

Industrial activity is a major contributor to many of the environmental and social problems facing society today. Industrial activity has, however, the potential to make a strong contribution to achieving a sustainable society. It has been recognised that a key determinant of success for sustainable development is the strong linking of trade and environment. Rapid globalisation, initiated in part by advances in communication technology, has facilitated the integration of national systems of production and finance, resulting in the growth of cross-border flows of goods, services and capital. The concepts and systems of manufacture have rapidly changed. This has negative and positive consequences for sustainability and has led to disagreements between and within developed and developing countries. There are increased tensions between trade and environmental policies and issues. As environmental issues becomes global certain actions and impacts in one region are now well recognised as having global impacts. This then results in environmental issues becoming increasingly part of trade issues.

Poverty and the lack of capacity in many African countries, is a major cause of environmental degradation. Increased investment in industrial development and the resulting increase in employment and wealth could be the route to environmental improvement and sustainability.

Africa has undergone major social, economic and political transformations. At the turn of the 20th century, the total population was estimated at only 118 million, 7.4 per cent of the world population. In the following 50 years, the population grew slowly, as high fertility rates were offset by high death rates due to poor health conditions, infectious diseases, and civil wars. When mortality rates began to decline sharply from the 1950s onwards, due to improved health conditions associated with economic development, there was a dramatic population increase. By 1997, the population was estimated at 778.5 million, more than 13 per cent of the world population (United Nations Population Division, 1996). It is projected that by 2025, the population in Africa will almost double to 1,453 million, representing about 18 per cent of the projected world population (United Nations Population Division, 1996).

Only a small proportion of Africa's population is employed in the formal manufacturing sector. The most common industries relate to agro-industrial activities (food, textiles, leather and beverage production). Africa is richly endowed with minerals. Mining operations and oil and gas exploitation provide a significant employment opportunity and a major source of foreign exchange. The sector attracts a substantial flow of foreign investment.

The exploitation of minerals and oil has environmental impacts ranging from dioxide (or similar) emissions to acid mine drainage and concomitant heavy metal contamination.

Water pollution (eutrophication) is a major problem for large river systems, lakes and dams. This is brought about by industrial activity and wastes from human settlements.

There have been many environmental initiatives undertaken by industry in Africa. Some have been funded and driven by international donor organisations, while others have been the result of local initiatives.

Industry Recommendations

Presented to the African Regional PrepCom - Nairobi, Kenya, 15-18 October 2001

Representatives of business and industry with other civil society and international organisations including UNIDO, UNDP and ECA, considered a report, that will be refined and expanded to become part of the record on the African industry contribution to sustainable development since 1992. They concluded that although some progress had been made towards the achievement of the goals of Agenda 21, much remains to be done.

In deliberating on the actions that should be taken to reverse the current trend of increasing marginalisation of Africa, participants identified the achievement of peace and security and partnerships amongst stakeholders as two of the major priorities. Participants recognised that dealing with both the opportunities and threats posed by globalisation presented one of the greatest challenges to Africa.

Participants identified a range of gaps in the current approach to sustainable development and recommend that the following issues are incorporated into the agenda of the World Summit on Sustainable Development:

- Increased sustainable use and beneficiation of African resources
- Extension of basic services to all people
- Increased debt relief linked to sustainable development, good governance and poverty reduction
- Creation of enabling environments for increased investment
- Formation of partnerships amongst all stakeholders
- Technology transfer

Participants emphasised that the promotion of industrial development on a sustainable basis would make a significant contribution to reduction of poverty and improved natural resource management and that the Summit presents an opportunity for the special needs of Africa in this regard to be addressed. Participants recognised that sound corporate governance in the public and private sector and the achievement of political and social stability were prerequisites for the successful implementation of any Summit decisions.

A number of issues were identified for governments to consider as input to the Summit agenda so that the outcome of the Summit includes a clear action plan and commitment from all stakeholders to its implementation. Government action to engage with industry stakeholders with a view to preparing an African industry action plan for presentation to the

Summit in Johannesburg would be one way that governments could support the initial efforts of the regional workshop.

Overall Recommendations

Social

- Provision of cost effective energy services in rural areas including renewables
- Bridging the digital divide
- Reversal of the current brain drain from Africa, e.g. retain the skills by creating viable local education and training, economic activity base
- Food security
- Alleviating the effect and avoidance of natural disasters
- Communicable diseases, e.g. HIV/AIDS, malaria, TB
- Education levels
- Technological skills to sustain industrial development
- Occupational health and safety of workers

Economic

- Creation of an enabling environment, including a platform for partnerships by forming National councils that comprise multi-stakeholders for collaborative discussions to promote the right incentives for sustainable development etc.
- Development of research and development facilities in Africa
- Promotion of intra-African co-operation, use of local knowledge;
- Strengthening industrial and trade associations and linkages amongst them at national, regional and international level
- Improve the efficiency of the agricultural sector
- Improve infrastructure and communication
- Establish appropriate institutional framework for sustainable industrial development
- Technological skills to sustain industrial development
- Corporate governance in public and private sector
- A range of financial and economic instruments to promote sustainable industrial development including :
 - Local budgetary provision for cleaner production initiatives
 - Establishment of revolving fund to promote cleaner production

- Use a portion of central bank reserves to fund environmental initiatives
- Establish sustainable development treasury bond
- Link poverty reduction and debt relief to cleaner production
- Financial liability for environmental degradation
- Preferential exchange allocations for environmental equipment
- Promotion of SME's and small-scale mining
- Support for the informal sector

Environmental

- Need to address emerging environmental issues, e.g. GHG including carbon sinks, water, marine pollution, pollution reduction etc.
- Working in partnerships with other stakeholders
- Establishment of appropriate institutions and policies to improve environmental performance including:
 - Resources for meeting environmental standards
 - environmental policies at national/regional/by governments levels
 - Regional/national environmental agencies
 - Create awards (environmental and consumer) which become incentives for promoting environmental improvements
 - Promote the use of renewable energy sources
 - Raising the environmental awareness of financial institutions
 - Create specialist advisory services
- Promote recycling and reuse of waste
- Promotion of indigenous technologies

ASIA AND THE PACIFIC

Regional Industrial Review - Executive Summary

The purpose of this document is to articulate the Asian and Pacific regional position to the World Summit on Sustainable Development to be held in Johannesburg, South Africa in 2002. The Asian and Pacific region is the home to over half of the world's population and about two-thirds of the world's poor. This together with its distinguishing economic environmental and social features make the region an important and complex ground for fighting the global battle for achieving sustainable development. During the past decade the region made notable progress in economic growth, poverty reduction, environmental policy, legislation and institution building, social infrastructure development and promoting partnership and participation among the governments, local communities, non-governmental organisations and civil society. Unfortunately, such progress has been marred from time to time by financial crisis, natural disasters and other events and much more remains to be done. In terms of future actions, the Ministerial Conference on Environment and Development in Asia and the Pacific adopted a regional action program (RAP). Subsequently for implementing the RAP, several initiatives were identified in environmental, socio-economic and crosscutting areas through five sub-regional. (Central Asia, Northeast Asia, South Asia, Southeast Asia and South Pacific) and other fora; seven major Asia-Pacific initiatives have been identified to promote sustainable development: (i) capacity building; (ii) poverty reduction (iii) cleaner production and sustainable energy development, (iv) biodiversity and natural resources conservation; (v) freshwater resources; and (vi) ocean and marine resources. Following the International Development Goal (IDG), the regional goals for 2012 have been set up in economic, environmental and social fronts. A review of progress made to date reveals that except for a few cases, the goals for 2012 would be achieved, if the regional platform received national support as well as global resources and co-operation of all stakeholders.

Industry Recommendations

Presented to the Regional PrepCom for Asia and the Pacific - Phnom Penh, Cambodia,
27 - 29 November 2001

As part of the preparations for the World Summit on Sustainable Development the United Nations Environment Programme and the United Nations Industrial Development Programme undertook a review of the context, achievements and current position of industry in Asia and the Pacific in relation to sustainable development. The review was carried out in consultation with more than 300 industry organisations in the region and the findings were finally reviewed at the Regional Industry WSSD Seminar, organised in Bangkok, Thailand on 22 November 2001. This Industry Statement is the consolidated message from the above review process.

Industry is an integrated part of society and provides means for progress in all tiers of the sustainable development process, including economic, environmental and social factors. At the same time industry also has a large potential for counteracting sustainable development

through depletion of natural resources, inadequate management practices and lack of co-ordination of industrial development with other sectors in society. Industry recognises its role and responsibility as a key stakeholder in achieving sustainable development in society at large.

The conditions for industrial operations vary considerably between different parts of the region, between different industry sectors, and even within sectors and countries. Keeping this in mind, the following general recommendations are hereby provided as means to support and enhance industry's ability to support and move towards sustainable development:

- I. Industry operates primarily according to economic parameters. The ability for industry to respond to sustainable development issues is closely linked to whether such responses can be justified in economic terms. **It is therefore important that governments' policies and strategies vis-à-vis industry are in accordance with the economic conditions in the market.** Market conditions supporting sustainable development investments can be established by governments through economic instruments such as pricing of natural resources, removal of counteracting subsidies, provision of subsidised funding for sustainable development investments. In a world where globalisation is a main force affecting industry, **it is important that the economic instruments aimed at supporting sustainable development do not create an unfair competitive situation for industry in the international context.** Industry calls upon governments to ensure that sustainable development strategies and policies are supported by the economic conditions in the market and that these conditions are set to provide a level playing field, nationally as well as internationally.
- II. **Considering the large numbers of small and medium sized enterprises** in the region, and their impact on all aspects of development, **it is essential that efforts to integrate them into the programmes and activities aimed at sustainable development be enhanced.** Industry, through supply chains, governments through legislation and support programmes, and non-governmental organisations through participatory efforts should all increase their activities to this aim.
- III. Access to financing for investments in sustainable development need to be enhanced through institutional capacity building in industry as well as in the financing community. Official Development Assistance (ODA) and Foreign Direct Investments (FDI) constitute major funding sources for any kind of investments in several developing countries in the region. This kind of financing furthermore provides good opportunities for developed-developing country partnerships, including transfer of best management practices and environmentally sound technologies. **Industry and financing institutions are recommended to develop their capacities to facilitate access to funding for sustainable development.** This may include removal of protective interest rates and simplified screening procedures for loans. Governments in developed as well as developing countries should seek to increase the level of ODA and FDI by reviewing and streamlining the conditions and procedures for ODA/FDI.

- IV. Climate change is recognised by some of the key industry sectors as an issue that has a large potential impact on its business. The potential impact and concerns are almost opposite in different industry sectors (e.g. the tourism and insurance sectors stand to be negatively affected by the climate change effects, while, e.g. the energy-, chemical-, steel- and transportation- sectors are more concerned with the impact of remedial measures). Industry impact is furthermore affected by the kind of response the governments are adopting. **Even with these disparate views, industry commonly agrees that responses to climate change needs to be worked out in partnership between industry, governments and civil society.** For some of the above mentioned industry sectors the need to improve their energy efficiency (and to receive assistance to this end) is emphasised by the climate change discussions.
- V. Waste generation, air- and water pollution, as well as the depletion of natural resources are basic aspects of the same problem: Wasteful production and consumption. **Cleaner production, application of reduce/reuse/recycle waste management strategy, and improved consumer awareness** are important means of addressing these problems. These ends **can be met by institutional capacity building, revision of governmental policies and legislation, transfer of technologies and outreach programmes to consumers.** All sectors of society have roles to play in this regard and should be initiated by public-private sector partnerships as exemplified by the Global Compact.
- VI. **Public awareness, life styles and consumer's behaviour are basic factors influencing the demand for the products and services provided by industry.** Improved education and information to the public on sustainable development issues are basic requirements to create sustainable development markets. Governments, non-governmental organisations and industry share a responsibility for providing such education and information. Supporting tools, such ISO standards and Occupational Health and Safety Management Systems, as well as eco-labelling, greening of supply chains, and social responsibility, should be further integrated in standard business management systems of the industry, supporting Agenda 21 in Asia-Pacific.
- VII. **Human resources constitute a key asset for sustainable development. Unequal opportunities,** e.g. for men and women, violation of basic labour rights, e.g. child labour, neglecting health and safety, and disregard of the local cultural values, are **all counteracting sustainable development.** Stringent enforcement of relevant legislation, including labour rights, in combination with codes of conduct, transparency of operating conditions within the industry, and enlightened leadership by local community leaders and CEO's of the industry, are needed to address these issues. Educational programmes regarding skills development for workers by enterprises, as well as poverty alleviation, are other responsibilities of governments and industries.
- VIII. **The framework provided by governments for developing industrial activities needs to be well defined, reflected in realistic legislation and division of responsibilities among authorities and ministries, and integrated with the**

planning of other sectors in society, e.g. environment, agriculture, infrastructure. To minimise graft and corruption, transparent decision-making and accountability of decision-makers at all levels should be supported.

Industry in Asia and the Pacific does not speak with one voice. The commitment to sustainable development expressed in the above recommendations is not endorsed by all companies. However, as the review process leading up to this statement has demonstrated, there is a significant part of industry that is committed. The first priority for this segment of industry is to show leadership towards other parts of industry, so as to achieve a wider industry participation in society's move towards sustainable development.

LATIN AMERICA AND THE CARIBBEAN

Regional Industrial Review - Executive Summary

This paper presents a general analysis of the progress attained by the industrial sector in Latin America and the Caribbean during the start-up period of Agenda 21 and in keeping with the terms set forth in the Rio Declaration. This analysis has been exceptionally complex, as there is no single model that can be applied to the 33 countries of the Region. The social, economic and environmental backgrounds are presented in general terms, as well as the causes that have favoured development in each one of these fields. In addition, reasons have been identified that explain why sustainable growth has not yet been achieved.

Lastly, a series of recommendations to achieve sustainable industrial development in the region are proposed. Among the recommendations are:

- Promote competitiveness in industry in keeping with the principles of sustainable development and making rational use of natural resources and energy.
- Ensure the proactive participation of the industrial sector with the governments and with non-governmental organisations to develop and perfect regulations and environmental standards in both national and international regulations.
- Promote technical training and encourage the acquisition of and/or development of new technologies with the objective of reducing or eliminating adverse impact on health and the environment.
- Foster tourism that is in harmony with nature so as to reduce the environmental impact that has been on the rise, as well as the most serious threats that are related to the modification and destruction of habitat.
- Develop the internal market of each country.
- Promote manufacturing of high value-added products.
- Promote and incorporate the SMEs as key elements for sustainable industrial development.
- Develop and use a common model of assessment and monitoring indicators for the industrial sector of the region.

Industry Recommendations

Presented to the Regional PrepCom for Latin America and the Caribbean - Rio de Janeiro, Brazil,
23-24 October, 2001

The participants of the Regional Industry Consultation of the Latin American and Caribbean (LAC) region, meeting in Rio de Janeiro on 18-19 October 2001, having assessed the endeavours of industrial developments in the Region since the Rio Earth Summit in 1992 recognise the following:

1. The Industry sector has an important role to play in improving people's lives today and for generations to come and at the same time in preserving our natural resource base and the environment. This brings significant responsibilities for the industry sector to ensure it understands and meets the diverse needs both in the products and services it provides and the way in which it operates;
2. The increasing contribution of the Industrial sector to the overall Gross National Product (GNP) in the Region and the need to expand the region industrial capacities based on the sustainability concept, separate economic growth from pollution and the exhaustive use of natural resources.
3. The continuous effort to create more employment opportunities in the industrial sector, which requires focussed attention on education, applied research and training;
4. The sector has on-going opportunities for improving its resource productivity and decrease its waste intensity (life cycle management and cleaner production are tools to be used in this context). Encouragement to do this is required from leading business partners and governments. Effective and fair application of the polluter-pays principle, reliance on precautionary approaches and the implementation of existing international framework agreements are central to this;
5. The finance sector (especially commercial banks) should be involved in incentive programs to redirect gradually larger parts of their credit to sustainable investment;
6. The Micro, Small and Medium Enterprises (MSEs) need more attention and support in order to continue providing opportunities for job creation. The development needs of MSEs, in terms of technology, finances and access to environmental services should be addressed. For instance, providing capacity building in the area of advanced technologies and the development of indigenous appropriate technologies, to increase competitiveness;
7. The globalisation process may provide promising opportunities for the industries in the region but it needs to be adapted to the sustainable needs of LAC. A reduction in the percentage of highly pollutant industries and an increment of high added value products in the export sector should be promoted;

Furthermore, the industrialists of Latin America and the Caribbean acknowledge the need to:

8. Address the impact of climate change in the region by giving high priority to the Kyoto Protocol, in particular to the concept of Clean Development Mechanism, and to call upon developed countries to honour their commitments by complying with the "common but differentiated responsibilities" principle;

9. Embrace a Cleaner Production Strategy and the transfer of environmentally sound technologies to prevent industrial pollution and its consequences, supporting Cleaner Production and Renewable Energy Centres;
10. Promote the adoption of sustainable production and consumption practices that comply with the principles of eco-efficiency. In addition to this, promote the implementation of corporate programs based on the business philosophy of optimising and generating wealth, while providing better social and environmental performance;
11. Introduce appropriate procedures to minimise adverse health and environmental effects by: a) developing safer packaging and labelling standards, b) considering the concept of life cycle of products through the use of Environmental Management Systems, Cleaner Production Techniques and Integrated Waste Management, and c) developing voluntary procedures for self-evaluation, monitoring and reporting to assess performance and take self-corrective measures;
12. Promote Energy Saving, Energy Efficiency and the use of Renewable Energy;
13. Prioritise the use of clean fuels in transport;
14. Develop mechanisms that assure quality and sustainable availability of water resources, including waste water treatment, in order to contribute to the industry competitiveness in a socially responsible manner;
15. Stimulate the management and reduction of toxic waste and materials;
16. Promote a broader discussion about the criteria for the sustainable use of bio-diversity and the access to bio-technology, including the industry sector as an important stakeholder;
17. Ensure the proactive participation of the industrial sector with the governments and with non-governmental organisations to develop and perfect regulations and environmental standards in both national regulations and international agreements;
18. Promote an appropriate economic and political environment for savings and investment. Sustained periods of stability and growth should be generated to avoid recurring crises;
19. Expedite de-regulation; consolidate the financial system; guarantee public and legal safety to the people, and the safety of their patrimony and property rights;
20. Articulate World Trade Organisation (WTO) agreements with multilateral environmental provisions contained in multilateral agreements to harmonise trade measures with environmental objectives;

21. Avoid the use of environmental regulations as trade barriers in international commerce;
22. Develop and/or review policies for promoting technological change and stimulating the environmental market and the utilisation of fiscal incentives for environmentally sound investments;
23. Promote openness to competition in those areas where monopolies still exist, in order to overcome underdevelopment and to expand, modernise and make the operations of these areas more efficient;
24. Develop the internal market of each country, promote the manufacturing of high value-added products and increase regional economic co-operation to improve LAC's competitive edge within the international market;
25. Foster tourism that is in harmony with nature so as to reduce the environmental impact that has been on the rise, as well as the most serious threats that are related to the modification and destruction of habitat;
26. Increase the participation of LAC enterprises in the implementation of joint-venture projects and actions, in collaboration with UN agencies, that will lead to sustainable development;
27. Promote the dissemination of voluntary initiatives that include social, environmental and economic aspects of sustainable development and that aim at improving quality of life;
28. Adopt transparency as a standard attitude optimising the access to information to decision making processes and to justice;
29. Foster the implementation of high-quality education and capacity building programs for the development of leadership and human resources in accordance with the economic and social requirements of a sustainable global market.

EUROPE AND NORTH AMERICA

Regional Industrial Review - Executive Summary

After the battles of Seattle and Gothenburg and the riots of Genoa, the design of inter-governmental conferences is very much at stake. The question is how to make sure that the World Summit on Sustainable Development will be a new breakthrough in terms of governance, as the Rio conference was by 1992?

The Danish Government has proposed and the European Council has endorsed the proposal of a "Global Deal". How could a tripartite framework agreement, as part of or in support to such Global Deal, be designed and what would be the role of the private sector in general and the industry in particular?

Since Rio, the risks related to the "crisis of implementation" have been growing raising security issues. 95 of the World's 100 Largest Companies ranked by market value are from the ECE Region. 4 of the 5 Permanent Members of the Security Council as well. The success of the WSSD will very much depend on the willingness of these countries and Multinationals to accept the "equity challenge" and a new governance scheme involving Civil Society.

The importance attached to geo-strategically key issues such as oil exploitation of the Caspian Sea, the US's approach towards Climate Change or the EU Sustainable Development Strategy are signals that the sustainability agenda is appearing on the political and business fore front in new ways. Today innovation and competitiveness are more and more the result of multi-stakeholder partnership and network of excellence as well as organisational change addressing the triple bottom line.

One cannot ignore the holistic, integrated nature of sustainable development nor the market. There is a need to understand that sustainable development must be integrated into the market mechanism and vice versa. In other words, a Global Deal cannot only be inter-governmental process but must also include NGOs and others in the private sector. There is a growing need to bring together the macro language/view of governments and the micro language/view of business. Greening of the supply chain, green purchase policies and effective green taxation are just a few examples of this integration

Industry Recommendations

Presented to the UNECE Regional Ministerial Meeting - Geneva, Switzerland
24-25 September, 2001

1. Business has an important role to play in improving people's lives today and for generations to come and at the same time in preserving our natural resource base and the environment. This brings significant responsibilities for business to ensure it is understanding and meeting those diverse needs both in the products and services it provides and the way in which it operates.

2. Business finds it effective to work towards clear targets and thus requests these be set in key areas related to sustainable development. It is important that targets be maintained consistent, once set. To facilitate this, existing public targets should be inventoried prior to filling gaps and agreeing key over-arching global targets. Once in place, a process will be needed to be cascaded to these companies and geographical areas in an equitable manner.
3. Business wishes to strengthen the Global Compact with a view to setting the basis for a new business model. This should build on the framework provided by the Compact and bring together related efforts, such as the Global Reporting Initiative. Business values the potential of the Compact for articulating the goals of the World Summit on Sustainable Development.
4. Business has on-going opportunities for improving its resource productivity and decrease its waste intensity (life cycle management is a tool to be used in this context). Encouragement to do this is required from leading business partners and governments. Effective and fair application of the polluter-pays principle, reliance on precautionary approaches and the implementation of existing international framework agreements are central to this.
5. New business models are needed in all parts of the world for promoting sustainable development, in particular by introducing cleaner technologies, product and practices; for implementing new work and employment systems; and for effective partnership structures.
6. Key elements of the new business model are transparency, increasing accountability through reporting, implementation of codes of conduct, understanding stakeholder needs and being appropriately responsive to them. Business wishes to see government and civil society be similarly transparent and accountable.
7. Business governance needs strengthening to ensure that its economic power is balanced by increased democratic input through stakeholder involvement. The power of the market, whereby consumers “vote with their purchases”, and the power of shareholder questioning should not be under-estimated.
8. Companies must eliminate discrimination and set clear targets for women and minorities to achieve levels of high responsibility.
9. Business requests that public authorities take a leading role in setting out sound market conditions for business to act towards sustainable development. Corruption must be stamped out and the role of law strictly enforced in order to ensure the fair operation of the market. Effective conflict resolution mechanisms are required inside business and, when needed, at a national and international level.

10. Business needs to engage with stakeholders on issues and concerns related to globalisation. Business and government need to create mechanisms for dealing with issues that are outside the competence of nation states in a globalised world.
11. Business needs to develop effective means for meeting the needs of stakeholders and government for appropriate, transparent information. To this end, the potential of new partnerships (building on the experience accumulated from the development of existing voluntary initiatives) shall be fully exploited.
12. To reach the goal of sustainable development more commercial capital must be directed towards investments that meet sustainability requirements. Capital flows have to be redirected towards sustainable development.
13. Business generally prefers voluntary action, but recognises the importance of a number of other possibilities:
 - price incentives and economic instruments are important tools to address specific sustainability concerns;
 - governments/regulators should reduce or eliminate subsidies and perverse incentives on water, energy and other resources, which would have the effect of higher prices, which in turn would raise the competitiveness of investments into eco-efficiency.
14. The administrative capacity to collect "polluter pays" fees and fines must be improved, also in Central and Eastern Europe and in the Newly Independent States. Awareness and information campaigns must be designed to help the general public and business better understand the cause/effect of market prices.
15. The finance sector (especially commercial banks) should be involved in incentive programmes to redirect gradually larger parts of their credit to sustainable investment. The banks will want to consider setting ambitious targets for how much they should invest. Efficient monitoring will be required.
16. The extra government revenue from "polluter-pays" fees could be used to create or replenish eco-funds which could act as guarantee funds for eco-efficiency investments as well as to compensate for social disparity in the ability to pay market prices in periods of transition. Gradually consumers must learn to save precious resources through pricing.

WEST ASIA

Regional Industrial Review - Executive Summary

In this report a preliminary assessment and a synthesis of the contribution of industry to economic and social development of the Arab Region, are examined within the framework of Agenda 21. In this respect, a review is attempted of the industrial and environmental approaches, strategies, achievements and sustainability challenges. Changes and progress made since the Rio summit of 1992 are examined within the framework of national policies of the countries of the Region.

Given its ability both to generate problems and to develop solutions, it is important to understand the relationship between industry and the environmental, the social and the economic driving forces. By understanding this dynamic we will be better placed to identify how industry can contribute to sustainable development in the future.

Industrialisation has been a vital component of development effort in the Arab Region since the 1950's. Industrial growth has been achieved by centralised development strategies, financed largely by oil revenues (in oil producing and exporting countries) and by financial remittances of workers from other countries of the Region. Large-scale investments and widespread subsidies of public services, e.g. land, water and energy, characterised the industrialised infrastructure and services. This has discouraged conservation and led to inefficiencies in natural resource use (WB, 1995; ESCWA, 1999).

Due mainly to industrialisation, the Arab Region has witnessed gains in human health and development including increased life expectancy and per capita income and improved education. However, during the same period, human impact on natural resources has risen dramatically as the scope and intensity of human activities have increased. Economic development in the Arab Region has been achieved within a framework that lacked policies and institutions to monitor and protect the environment. However, there has recently been increasing awareness of the diverse and complex environmental problems caused by industrialisation, and their impacts on achieving sustainable development in the Region.

Industry Recommendations

Presented to the Regional PrepCom for West Asia - Cairo, Egypt, 24-25 October 2001

We, the industrialists in the Arab Region, meeting in Bahrain on 22 September 2001, having assessed the endeavours of industrial developments in our Region during the last decade, i.e. since the Rio Earth Summit in 1992

Recognise the increasing contribution of the industrial sector to the overall Gross National Product (GNP) in the Region and the need to expand the region industrial base;

Value the continuous effort to create more employment opportunities in the industrial sector, which requires focussed attention on continuing education and training;

Appreciate the role of industry in improving the living standards of the Arab Citizen, and its contribution to the alleviation of poverty, ignorance and regression;

Commend all the diligent attempts to increase the ratio of national employment in the various industrial establishments;

Point out the concerted efforts by different countries in the Region to restrict the negative impacts of industrial activities and refer to the achievements reflected in their clear vision concerning the social and environmental effects of industrial processes and the positive results of such achievements as manifested in the implementation of natural resource conservation and pollution prevention or minimisation;

Emphasise the positive impacts of industrial ethics that include discipline, commitment and perfection. These principles, deeply rooted in our Arabic and Islamic culture, have been resurrected and illustrated in such values as the admiration of productive work, encouragement of Cupertino and teamwork, stressing the concept of life-long learning and training and striving for greater skills and proficiency.

As we look forward to a prosperous tomorrow, we can at the same time diagnose some of the problems facing industry in the Arab Region and predict general undesirable consequences in the near future. Our national responsibility and duty obligate us to consider the following areas:

In The International Arena

- The frontiers of globalisation have had, thus far, negative effects on industrial activities. However globalisation may provide promising opportunities should the countries of the Region arrange their activities in such a way as to benefit from it. This can be achieved by determining the unique contributions to be made by the Region in certain fields that can place the Region in an effective position in the international arena.
- The liberalisation of international trade has not helped the industrial development of the region. Also, the stringent wording of the World Trade Organisation (WTO) concerning intellectual property rights (TRIPs) may cause harm to the interests of the Region, especially in the area of availability and transfer of new technology, for example, in the pharmaceutical industry.
- Forcing environmental and labour matters to be included in the WTO's treaties may veer it away from its original path and may interfere with the scope of other treaties that are the responsibility of different international organisations.
- The impressive developments in information and communication technologies have increased the economic advantages of the Northern Countries at the expense of the Developing Countries. At the same time such technologies may have facilitated the transfer of Developed World problems, such as crime, self-centred individuality, consumerism and materialism.

- Although the increased focus on the role of the private sector, which has resulted in shrinking the size of the governmental bureaucracy, has its benefits, the higher proficiency of the private sector should not cause monopolies or shortages in the essential needs of people.
- Countries in the region that have advanced capacity for transformative manufacturing industry and skilled labour are indeed qualified to benefit from globalisation. Regional economic Cupertino can increase our Region's competitive edge within the international market.
- More emphasis should be given in the negotiations of UNFCCC and Kyoto Protocol to address the implementation impacts related to the response and mitigation measures on developing countries, including oil-producing countries, and to call upon developed countries to honour their commitments in this regard.

In the National and Regional Arenas

- Fortification of co-operation between governments and the industrial sector to limit and restrain the negative impacts of industrial activity on the environment resulting from the exploitation of non-renewable natural resources. Moreover, to open a constructive dialogue on the matter of interactive economic and environmental dimensions, taking into consideration the environmental implications in accounting the overall cost of a product and the impact of this full-cost accounting system on the competitive potential of industry.
- Embracing the Cleaner Production Strategy and the transfer of environmentally friendly technologies to combat industrial pollution and its consequences. Also adopting Integrated Waste Management systems, such as Responsible Care Programmes, Integrated Wastes Management, taking into consideration Life Cycle Assessment and full-accounting methodology approaches.
- The concentration of regional industrial activities on large-scale industries, especially in the oil and petrochemicals sectors may result in undesirable long-term conditions. It might be prudent to address the development of smaller scale, new industries, for example in environmental services.
- The Small and Medium-sized Enterprises (SMEs) need more attention and support in order to facilitate better opportunities for job creation. Furthermore, providing capacity building in the area of advanced technologies and the development of indigenous sustainable technologies, such that SMEs can overcome any problems and become more competitive, therefore enabling them to increase their contributions to the overall national production and create more job opportunities as well as initiate strong and useful relationships with larger industries.
- The division in the Arab market has reflected negatively on the industrial sector. On the other hand, regional co-operation and integration will provide a larger market for industrial products and will fortify the negotiating stance of our countries with other regional cartels, with multi-national corporations and within the WTO. Such Cupertino and integration are indeed essential requirements in light of the current international economic alliances.

- Regional Cupertino and integration require facilitating and securing the movement of capitals, information and personnel. This will necessitate tangible improvements in the communication and transportation fields, in addition to founding real partnership between the industrial sector on the one hand and the governmental and societal sectors on the other.
- The transportation networks in the Region are still inefficient in terms of achieving effective connections (socially and economically) between residential areas and industrial production zones in order to facilitate the needs of production and manufacturing which reflects positively on development in general and industrial development in particular.
- Even though the Region has witnessed several campaigns for improvement and modernisation during the last few years, the legal and regulatory frameworks are still inadequate, in most countries, to achieve an investment and industrial development climate that is capable of withstanding international competition and to keep up with economic and technological advancements in the world.
- Emphasis should be placed on the positive impacts of privatisation policies in the area of industrial and technological progress and economic development in the Arab Region. Nonetheless, there should be regulatory constraints and legal enforcement to avoid the negative effects on society and the environment.

We pledge to our people and our governments to continue the march in order to accomplish further achievements that anchor and strengthen the foundations of Sustainable Development in the industrial sector, and we look forward to:

- Seeing that regional impediments and barriers receive proper attention and focus on action to overcome them as soon as possible.
- Seeing that governments in the Region take clear positions during the upcoming meeting of the WTO in Doha, by Cupertino among Arab States and co-ordination with friendly Developing Countries, to serve our interests in the Region, while the countries of the North are attempting to include issues which may oppose our interests. We ought to reject discussion of such issues, and postpone addressing them until future rounds, and concurrently request re-evaluation of our commitments in light of the fact that we have opened our markets to products from Developed Countries in contrast to their attitude of placing more restrictions and constraints on our products entering their markets, as well as their procrastination in implementing certain agreements (e.g. the 1998 agreement to donate technical assistance manifested in electronic devices and instruments to propagate electronic trade in Developing Countries).
- Making every reasonable effort, to the greatest extent practicable, to reduce risk by introducing appropriate procedures to minimise adverse health and environmental effects, developing safer packaging and labelling standards, and taking into account the entire life cycle of a product through the use of Environmental Management Systems, Cleaner Production Techniques and Integrated Waste Management, and developing voluntary procedures for self-evaluation, monitoring and reporting to assess performance and take self-corrective measures

- Sharing our knowledge and experiences, both in terms of potential risks to human health and the environment of activities and/or products and the economic, social and environmental benefits of the use of such strategies to governments and other industries throughout the Arab Region.
 - Maintaining quality assurance and quality control systems to ensure that manufacturing and products comply with relevant human health and environmentally acceptable standards and specifications, and guarantee that advertisements are consistent with such standards.
 - Achieving fair and safe marketing and trade practices locally, nationally, regionally and globally.
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