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Draft Discussion Paper

Sustainable Industrial Development

A Contribution of ICC to CSD 14

“It is the absence of broad-based business activity, not its presence, that condemns much of humanity to suffering....What is utopian is the notion that poverty can be overcome without the active engagement of business.” Kofi Annan

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.

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ICC has been a longstanding participant in international forums and meetings on behalf of a broad membership of companies of all sizes, nationalities and sectors. ICC members interact with national governments and other stakeholders on many energy, development and environmental issues.

What ICC expects from industrial development discussions in CSD14

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.

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

We encourage CSD14 to take note of the following in reviewing progress and assessing areas for further attention at CSD15:

- 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.
- Ongoing recognition of the role of voluntary initiatives and partnerships involving business as complements to cost effective and enforced regulation;
- An understanding that any “one size fits all” approach is incompatible with the great diversity that exists within business. Indeed, the great variety of principles and other voluntary initiatives of individual companies attest to this diversity, are a resource of successful approaches, and should be encouraged.
- Business is critical to inventing and implementing solutions to global sustainability challenges.

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- The business community's technological innovations and management systems have already made substantial contributions to addressing these challenges.
- 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.

Industrial Development and Sustainable Development

The international business community is deeply committed to supporting sustainable development and the United Nations millennium development process: in our view, this process encompasses a broad range of deliberations and treaties, many of which impact commercial activity and the business community. These include 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.

The Secretary-General and the United Nations Development Programme (UNDP) Commission on the Private Sector have both recently underscored the critical importance of an engaged business community in addressing poverty eradication and global sustainability challenges. We believe that the consideration of industrial development provides an opportunity to learn from the achievements of business, to highlight synergies between industrial activity and sustainability, and to propose ways to encourage the sustainable growth of business sectors and activities in developing countries, including via supply chains and the development of new markets. Business believes that cleaner production, eco-efficiency, management systems, technological innovation and voluntary approaches and partnerships all offer opportunities for capacity-building in developing countries and for real progress towards sustainable development worldwide.

Industrial development and economic development

Economic development depends on industrial development in terms of both its pivotal contribution to economic growth — a key element of sustainable development — and its role in the structural transformation and diversification of a country's economy. Indeed, economic development and economic well-being of people are largely regarded as being synonymous with industrialization.

A successful 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.

Growing Sustainable businesses

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.

Industrial development, good environmental practice and technological cooperation

The use of environmental management systems and other management tools is well under way in many companies. Industrial development and society's environmental goals should be pursued in a harmonious manner. 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.

Industrial development, good corporate citizenship and reporting.

Companies practice good corporate citizenship by spreading good practices among customers and employees, suppliers and business associates, in areas such as labour, the environment and human rights, in the countries where they operate. There has been substantial growth in the number of principles, guidelines and codes produced for business by governmental and non-governmental organizations. In this regard, businesses regard economic, environmental and social reporting as one element of a continuous dialogue with stakeholders rather than as a stand-alone exercise.

Industrial development enables business-to-business and cross-sectoral cooperation

The internationalization of industry through supply chain relations, joint ventures and FDI as well as through locally grown businesses offers new opportunities to 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 for sustainable development, engaging respectfully and openly with communities around the world.

Sustainable industrial development depends on enabling frameworks established by Governments.

Successful and sustainable industrial development is largely a function of a vibrant private sector operating in a market-oriented framework. In this regard, 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.

Partnerships to promote Sustainable Industrial Development

In many cases, 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. The true measure of the business contribution to partnerships is the results achieved.

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 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. Business works to create long-term partnerships for sustainable development, engaging respectfully and openly with communities around the world.