

COMMISSION ON SUSTAINABLE DEVELOPMENT
Fourteenth Session, New York, 01 – 12 May 2006

Speaking Notes (Final version, 01 May 2006)

INDUSTRIAL DEVELOPMENT

Accelerating industrial development for poverty eradication

- Industrial development can be an engine for poverty eradication and for achieving the Millennium Development Goals providing it is environmentally, socially and economically sustainable. Sustainable industrial development is a challenge for all countries as current patterns of industrial activity, including energy production and consumption, both in developed and in developing countries, are largely unsustainable in terms of the three pillars of sustainable development (economically, socially and environmentally).
- The EU sees a mutually reinforcing relationship between environmental protection, competitiveness and social cohesion. The challenge is to make it possible for developing countries to put these win-win opportunities into practice and to benefit from the development and application of sound environmental and resource-efficient technologies and -systems.
- Switching to sustainable consumption and production is a key element of sustainable industrial development and has a huge impact on the use of global resources and on poverty eradication. It is of growing interest to developing countries, given the potential to develop ways that make cost efficient use of resources that create decent employment and minimize negative impacts on human health and the environment. In 2005 the EU has adopted its strategy for growths and jobs which is placed in the framework of sustainable development.
- For the development of programs for affordable, clean and resource-efficient technologies, improved access to such technologies is essential. Further efforts are also needed to improve cooperation between countries on technology, regulatory and administrative issues. This will provide opportunities for leap-frogging for developing countries and countries with economies in transition.
- In developing countries, as well as in countries with economies in transition and industrialized countries, education and training for sustainable development provide unique solutions to develop appropriate technologies and strategies, based on regionally specific cultural heritage and natural resources. Education and training for sustainable industrial development, sustainable consumption and production and appropriate management methods - should as far as possible be included in business schools, vocational curricula and in training for the management of all industrial sectors as well as for policy makers.
- Tailored and focused training and capacity building is also a tool to promote sustainable consumption and production in micro and small enterprises and in the informal sector. Education and training for sustainable development could provide solutions based on specific cultural and natural experiences to build appropriate technologies, management systems and strategies but also innovative methods and approaches.
- In building business capacity, technological innovation and cooperation, in particular of small and medium-sized enterprises, unsustainable industrial practices must be addressed. Improving business capacity, especially of SMEs, should focus on enabling them to access and compete better in high value markets by helping develop the

necessary skills, knowledge, technology, market information and financial resources. It also includes the development of business support services.

- There is much information and data on new energy technologies, best practices and lessons learned. These include data from national statistical offices, the UN Statistical Office (UNSO), IEA, the US Energy Information Administration and others. However information applicable to a particular situation is often hard to find. The Global Forum for Sustainable Energy initiative has a website to facilitate access to knowledge, best practice and appropriate sources of information on energy for sustainable development. These sources of information should be further developed.
- In developing countries and countries with economies in transition one tool to promote SCP in micro and small enterprises and in the informal sector is tailored and focused training and capacity building.
- To support women entrepreneurship it is of particular importance to secure women legal rights, including rights of inheritance, and equal access to secure tenure of land and finance. Loans to women entrepreneurs are also important as women often start business in areas for which banks usually are more restrictive.
- For many developing countries and countries with economies in transition, there is a need to continue to work on improving sustainable business and investment conditions to achieve higher levels of domestic and foreign investment.
- Industrial development is closely linked to the further integration of developing countries in international trade. Developing countries, in particular the least developed, should be fully integrated in the international trading system and to be able to reap the benefits of international, regional and bilateral free trade agreements, which should include goods of export interest to them, including agricultural and environmental goods. At the same time it is important that international environmental and trade agreements are on equal footing and mutually supportive.
- To facilitate trade and enhance the capacity for compliance with foreign regulatory standards a clearinghouse for information could be created to inform the business community of upcoming regulatory changes affecting trade in developed countries.
- Finally we need to enforce ILO core labour standards. Employment and decent work issues can be an important vehicle for economic growth and poverty reduction as also highlighted in the recommendations of the first Trade Union Assembly in Nairobi in January this year. A well functioning labor market contributes to a positive climate of investment, an increased economic growth and a fair income distribution.
- These employment issues deserve to feature high on the international agenda for poverty reduction. The International Labour Organization, ILO, plays a vital role in the work towards reaching the Millennium Development Goals. Its activities in this respect deserve to be further strengthened.
- The CSD should send a clear message to this year's high-level segment of the United Nations Economic and Social Council, ECOSOC, which will be devoted to "Creating an environment at the national and international levels conducive to generating full and productive employment and decent work for all, and its impact on sustainable development".

Industrial development and sustainable natural resource management

- Climate change, loss of natural resources, extinction of species and environmental damage caused by emissions and waste are results of unsustainable patterns of industrial development and of consumption. These patterns, if not changed, can threaten the global environment as well as social and economic welfare.
- Industrial development must not exhaust resources at the expense of the current and future generations. Our economic activities must take into account the carrying capacity of ecosystems. The main objective for sustainable industrial development is to decouple economic growth and environmental degradation by improving efficiency and sustainability in the use of resources and production processes and reducing resource degradation, pollution and waste. This has also economic implications as the inefficient use of resources is a drag on the global economy.
- Sustainable consumption and production is a prerequisite for sustainable development and poverty eradication. With the present global consumption and production patterns we do not relate to our eco-systems and our natural resources in a sustainable manner. The positive economic development in many parts of the world with a growing middle-class has the effect that consumption and production habits are changing rapidly and become more resource intensive. Thus efforts to promote sustainable consumption and production patterns are an issue for both developed and developing countries.
- An important part of the global work to change unsustainable consumption and production is taking part within the Marrakech Process. Sustainable consumption and production is not sufficiently covered in the Secretary Generals report, which we feel is a shortcoming when discussing possible ways forward. The international meeting on Sustainable Consumption and Production in Costa Rica in September 2005, the Marrakech +2, where more than 80 countries and organizations participated, was very successful. The meeting showed a very positive attitude to and a common interest in promoting sustainable consumption and production.
- There are large differences among countries, and also within countries, with respect to income levels and consumption patterns, which require different strategies. For achieving goals always a mix of instruments will be needed ranging from legal, economic and voluntary policy instruments to information and communication
- The Marrakech+2 meeting resulted in a large number of practical proposals for initiatives and measures, which bear close links to industrial development, energy use and use of hazardous substances in production processes and buildings. Besides others, six task forces have been announced, namely the Sustainable Lifestyles Task Force, the Sustainable Product Policies Task Force, The Cooperation with Africa Task Force, the Sustainable Procurement task Force, the Sustainable Tourism Task Force and the Sustainable Construction and Building Task Force. These task forces are innovative, action-oriented fora that can address key issues for CSD. We should support their work, and look forward to them delivering results over the next year.
- We need to address sustainable consumption and production and take active part in the Marrakech process and commit ourselves to pursuing how to create sustainable products and sustainable lifestyles.
- Raising awareness, promoting education and exploring and promoting the benefits of sustainable consumption and production is essential.

- The Environmental Management and Audit Systems as well as other voluntary tools represent reliable instruments which build their effectiveness on the key role of reporting, information and communication in planning activities with the involvement of citizens.
- Applying a lifecycle approach to products is also crucial.
- National strategies and action plans for sustainable consumption and production are considered to be a key instrument for gaining progress. Such action plans should be complementary to sustainable development strategies or should be integrated into these strategies. The EU will develop an action plan on sustainable consumption and production, based on the various existing policies and tools in the EU, including the recent strategies on natural resources and waste, and addressing gaps in current policies.
- Applying methods to assess the monetary value of the negative external costs is one way to address global environmental problems in a cost-effective way. For this there is a need to develop effective economic and other market based instruments.
- The development of more source-efficient infrastructure, including, housing, energy/water, waste treatment and transportation will provide and facilitate a sustainable use of products and services.
- To protect human health and the environment there is a need to change production and use of hazardous chemicals and heavy metals. The implementation of the Strategic Approach to International Chemicals Management (SAICM) is of great importance in this respect. All countries must take their responsibility to support and contribute to changing unsustainable consumption and production patterns, e.g. through national implementation of SAICM.
- Today industrialisation is taking place in a number of developing countries and countries with economies in transition. This is a desired development but must take place in a sustainable way or there is a risk for a double environmental effect. The old environmental problems, more local and partly reversible such as deforestation and soil degradation, remain unsolved while new problems, global and more irreversible and linked to industrialisation such as CO₂ emissions, air pollution, increased hazardous waste and chemicals will be accentuated. Accordingly, there is both a need to ensure affordable energy access, especially for rural areas, as well as increasing energy efficiency and diversifying energy supply towards cleaner energy sources. The Bali Strategic Plan should play an important role in promoting sustainable industrial development through the enhancement of technology support in the field of the environment.
- Sustained high energy prices raise particular energy security concerns for LDCs and SIDs that must import energy and can often least pay higher prices. This hampers industrialisation and the EU shares the concern expressed in the Secretary General's report.
- Access to energy is vital for any industrial activity. Given the impact of energy use on climate change, it is crucial that further efforts are made to break the dependency on fossil fuels through increased energy-efficiency, development of renewable energy sources as well as environmentally sound technologies and production methods.

Investing in energy and industrial development: challenges and opportunities

- The establishment of an institutional framework and transparency that can attract investment by domestic and international actors is of great importance. This means among other things a stable and transparent governance structure. Those countries that have been most successful in implementing reforms in these areas have achieved higher rates of investment and economic growth.
- A key initiative that is currently being developed by some governments and private actors on a voluntary basis is the Investment Climate Facility for Africa, which will be a pan-African private-public facility aimed at supporting improvements to investment climates on a national, sub-regional, regional and continental basis. This facility will have the flexibility to address a range of investment climate issues, including those that are specifically related to increasing investment in environmental assets.
- It is also important to develop governance conditions and public participation that enable poor people themselves to access, invest in, develop and manage those environmental assets that are fundamental to their livelihoods and health. This includes inter alia strengthening property and resource rights, better regulation of access to environmental assets and the effective enforcement of conservation rules and environmental sustainable measures.
- For many developing countries and countries with economies in transition, there is a need to continue to work on improving sustainable business and investment conditions to achieve higher levels of domestic and foreign investment.
- Improved systems of business registration and licensing are, in this respect, fundamental requirements to assist small and medium enterprises. Bureaucratic requirements to start up a business are excessive and time-consuming in many countries. Also, laws and regulations often restrict the ability of enterprises to restructure or shut down.
- Foreign Direct Investment is furthermore strongly dependent on the risk of conflict, human rights and good governance. Private investors hesitate to start business development in countries afflicted by corruption and violent conflict or where governance is of insufficient quality. As a contribution to improving governance, the Extractive Industries Transparency Initiative (EITI) encourages transparency of payments by companies to governments and the revenues received by host country governments. Pilot projects are taking place in Azerbaijan, Nigeria, Kyrgyzstan and Ghana.
- The Communities and Small-scale Mining Initiative hosted by the World Bank provides a global knowledge sharing and learning platform in response to increasing recognition of the potential role of this sector to development processes and the sector's propensity to fuel corruption, conflict and civil strife when not properly managed. The aim is to ensure long-term transition to more sustainable opportunities in integrated communities.
- Financial markets play a key role in industrial development. Policy makers can work together with financial institutions towards:
 - the integration of social and environmental criteria in investment and financial analysis and ratings. The UNEP Finance Initiative has given valuable input to this process;
 - wider availability of micro-finance loans to support sustainable production.
- International cooperation has an important role to match potential project donors to recipients and enhancing network opportunities. The EU sees a need for strengthened dialogues with development agencies in this matter.

- A factor limiting investments in resource-efficient and cleaner production, especially in developing countries and countries with economies in transition, is that banks generally approve investment loans not only on the basis of the profitability of the investment, but also on the financial status of the company. This results in limiting access to credit by small companies or companies that do not have a credit history. In many countries, the market for risk capital is underdeveloped.

Addressing energy, industrial development, air pollution/atmosphere and climate change in an integrated manner, focusing on inter-linkages and cross-cutting issues

- In all countries, sustainable development has so far not been sufficiently integrated in policymaking and planning processes. Industrial development is an important element of sustainable development and governments, the business community and civil society must all take further actions. Still, the goals and development areas of different sectors are not balanced to ensure sustainability. The JPOI commitment to formulate and begin implementation of Sustainable Development Strategies by 2005 must be recalled and further implemented.

Enhancing the contributions of the private sector and other stakeholders in addressing air pollution, and atmospheric problems, combating climate change and promoting industrial development

- Changing unsustainable consumption and production patterns is an effective way of mobilizing support from the private sector. Integrating sustainability into the management of supply chains, investment strategies and modalities for market development can reduce production costs, enhance competitiveness and open new business opportunities for achieving social and economic development decoupled from negative environmental impacts. As such, business relationships provide channels for the transfer of commercial and technical competence, management practices, technology and capital, as well as opening for market development.
- We need to find win-win-win solutions, which can combine improved economic conditions with increased welfare and environmentally sound development. Responsible business practices and an appropriate policy framework will strengthen the development impact of foreign trade and investment. All companies, with multinational enterprises taking the lead, should manage operations ensuring environmental protection, promoting sound working conditions and promoting social progress. They should provide data on their performance. Support to the Global Reporting Initiative and coming ISO Standard for Social Responsibility is one way to bring this matter further.
- Good industrial relations are a cornerstone in the process of industrial development as well as progress in building tripartite social dialogue (i.e. between government, employers and trade unions). They both contribute to the achievement of sustainable development. Employers and trade unions have developed a variety of tools through collective agreements, many of which refer directly to sustainable development goals.
- Governments need to strengthen the enabling environment to further support the implementation of Corporate Social and Environmental Responsibility and Accountability and enhancing development impact. The starting point should be internationally recognized norms and principles as defined to business in the OECD Guidelines for multinational enterprises, the ILO Tripartite Declaration and the principles set forth in the UN Global Compact. The CSD 14/15 offers an opportunity to follow up on commitments made with regard to *Corporate Social and Environmental Responsibility* such as in the WSSD Political Declaration, the JPOI and the Follow-up to the Outcome of the Millennium Summit.
