Moving Toward Sustainable Development:
The Private Sector’s Crucial Role

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ABSTRACT
This chapter reviews the progress made since the Earth Summit in the world’s efforts to move toward sustainable development, with particular reference to developments in the private sector, which is increasingly recognized as a key player. The positive demonstrations that sustainable development is possible are still falling short of the fundamental change of course that is needed. A reformed United Nations and its organizations and agencies have an indispensable role to play in this change.

This year we mark the fifth anniversary of the United Nations Conference on Environment and Development—the Earth Summit—which was held in Rio de Janeiro in June 1992. And it is the twenty-fifth anniversary of the UN Conference on the Human Environment held in Stockholm, Sweden. It was the 1972 meeting in Stockholm that first put the environment issue on the international agenda. This is therefore an especially opportune time to re-examine our progress and prospects regarding global environmental issues.

One of the most notable achievements of the Earth Summit was the success it had in bringing all the “players”—governments, industry, civil society—to the table for discussions of the pressing issues facing the world. The conference put an official stamp of approval on the growing move to make decision-making more inclusive. And without a doubt one of the most important components in the world’s efforts to move toward sustainable development is the private sector.

FROM STOCKHOLM TO RIO

Before I review the new role being played by the private sector, let me recap the events and developments leading up to the Earth Summit. The Stockholm conference led to a proliferation of new environmental initiatives and the creation of the United Nations Environment Programme, headquartered in Nairobi, Kenya, as well as to national environmental ministries or agencies in most countries. Despite progress in many areas, it became evident by the mid-1980s, however, that the environment was still deteriorating overall and that the economic behavior largely responsible for this continued unchecked.

In response, the United Nations General Assembly called for the establishment of a World Commission on Environment and
Development; it was chaired by Norway’s Gro Harlem Brundtland, one of the world community’s most enlightened and respected leaders. The Commission’s report, Our Common Future, made the case for sustainable development as the only viable pathway to a secure and hopeful future for the human community. Its recommendations led to a decision by the UN General Assembly in December 1989 to hold a conference on the twentieth anniversary of the Stockholm conference and to accept the offer of Brazil to host it. To underscore its importance, it was decided that the meeting should be held at the Summit level.

The Earth Summit proved to be a remarkable event. Never before had so many of the world’s political leaders come together. And the fact that they were considering issues critical to the planet’s future put these matters under an enormous international spotlight. The pressure generated by an unprecedented level of people’s participation and media coverage helped move governments to agree on a set of principles, “The Declaration of Rio,” and a comprehensive program of action to give effect to these principles—Agenda 21. It also produced agreement on two historic framework conventions, one on climate change and the other on biodiversity, which have since come into effect. And it launched a negotiating process that subsequently led to agreement on a Convention on Desertification, an issue of special importance to many developing countries, particularly the arid regions of sub-Saharan Africa.

Despite shortcomings, the agreements reached at Rio represent the most comprehensive program ever agreed to by governments for the shaping of the human future. The agreements have a unique degree of political authority; unfortunately, it does not ensure their implementation.

So far, the record is mixed. There have been many positive demonstrations that the transition to sustainable development called for at Rio is possible. But these examples still fall short of what is required to effect the fundamental change of course. To some degree this is understandable. Fundamental change does not come quickly or easily: the five years that have elapsed since the Earth Summit, and even the twenty-five years since the Stockholm Conference, are too short to have expected such fundamental change to have occurred. Nevertheless, we cannot afford to be complacent in light of evidence that we remain on a path that is not sustainable while the driving forces of population growth in developing countries, and unsustainable patterns of production and consumption of industrial countries, persist.
Climate change is a case in point. Although the latest report of the Intergovernmental Panel on Climate Change points to growing scientific evidence that human activities are a major contributor, it is apparent that even the modest targets proposed by the parties to the Convention on Climate Change will not be reached and, indeed, that carbon emissions will continue to increase. It is essential and timely, therefore, that in this important anniversary year we take a fresh look at the changes that have occurred since Stockholm and Rio and at the effect they should have on our policies and actions to achieve sustainability. The forces shaping our future are complex and diverse and do not lend themselves to simplistic analysis or solutions.

I believe three major factors need to be highlighted:

• The response of growth in the global economy and movement of the primary locus of growth to the rapidly developing countries of Asia and Latin America. As this growth is based largely on the experience and example of more mature industrial countries, it is producing acute environmental problems and undermining the sustainability of development in these countries, while contributing increasingly to global environmental risks;

• The severalfold increase in private investment in developing countries, which is now some four times greater than official development assistance (ODA). This has given rise to a growing dichotomy between more rapidly developing countries, for which ODA is becoming relatively less important, and the least developed countries, particularly those of sub-Saharan Africa, which continue to depend on it heavily; and

• Increasing evidence that traditional governance and management models, based largely on individual sectors and disciplines, are inadequate for the management of the complex system of cause-and-effect relationships on which the successful transition to sustainable development depends.

THE CRUCIAL ROLE OF THE PRIVATE SECTOR

Each of the phenomena just mentioned underscores the critically important role of the private sector in the movement toward sustainable development. If the rapidly developing countries of Asia and Latin America do not make the transition to sustainable development, there is little prospect that the goal of global sustainability can be achieved. And since private initiative is the primary driving
force in these rapidly growing economies—and private capital their principal source of financing—the private sector must become the primary vehicle for the achievement of sustainable development.

This is particularly true as more and more developing countries move to privatization in such key sectors as water, waste disposal, electric power, and transport. The very scale and intensity of the sustainable development challenge requires a heavy reliance on technological solutions, for which the private sector is the primary vehicle. At the same time, the systemic nature of sustainable development requires much greater cooperation both amongst key industry actors and financial institutions and between them and governments.

Although there has been a significant increase in the awareness of these issues since the Earth Summit, this cooperation still occurs far more at the level of rhetoric than concrete action. So, while more and more leaders in industry and government are talking of change, the powerful forces of inertia continue to propel us overall along a pathway that is unsustainable.

THE RECORD TO DATE

Nevertheless, there have been some very positive developments in the private sector since the Earth Summit that demonstrate that the transition to sustainability is feasible and economically, as well as environmentally, advantageous. The initiative and entrepreneurship of business have produced an impressive number of practical examples of success we can build on, as well as new institutional mechanisms to facilitate and support the process. Let me cite a few of these.

The World Business Council for Sustainable Development (WBCSD) has taken an enlightened lead in stimulating the commitment to sustainable development on the part of its membership of more than 120 multinational corporations. It has also developed several national and regional counterparts. A recent example in Brazil is the National Business Council for Sustainable Development, which brings together more than 90 of the country’s leading corporations. WBCSD has produced two major documents following its influential report to the Earth Summit, *Changing Course*. One of these, *Financing Change*, makes a strong and compelling case for the use of markets to finance sustainable development.

More recently, the WBCSD report *Signals of Change* documented specific examples of business progress toward sustainable development based on the concept of eco-efficiency. This is a management approach designed to produce greater efficiency in the use
of energy, materials, and services and in the prevention, disposal, and recycling of wastes so as to create value both for the companies concerned and for society. WBCSD is also promoting the use of life-cycle analysis to reduce the environmental impacts of products and production processes, and is promoting the development of a global network of business organizations committed to sustainable development. And it is helping its members identify and pursue new business and investment opportunities based on the application of sustainable development principles.

Among the specific examples of progress documented in *Signals of Change* are:

- The successful experience of 3M’s Pollution Prevention Pays program, introduced in 1975, which has prevented more than 1.4 billion pounds of releases to the environment while saving the company more than US$750 million;

- Sony Corporation’s “Green Plus” project, which has resulted in the design of a new television set series that uses 14% less material than the previous design. Sony has a goal of making all its products environmentally friendly by the end of 2000;

- Adoption by Fiat Auto of a policy of reducing pollution and other environmental impacts at its own plants and requiring that its suppliers accept high environmental standards;

- Adoption by the chemical industry of the Responsible Care program to improve environmental performance; the US chemical industry alone has reduced emissions of toxic chemicals by more than 60% in the past six years while production grew by 20%.

Business has also made encouraging progress toward developing closed-loop production systems, including sponsorship by the pulp and paper industry of a major project by the International Institute for Environment and Development, designed to develop a sustainable paper cycle.

In the field of energy, which is at the center of many of the most important environmental problems, including climate change, the E7—the seven principal electric power utilities in the world—has initiated a program to promote energy efficiency and sustainable development. A number of individual companies, including Canada’s Ontario Hydro and Brazil’s Electrobras have instituted major efficiency programs that have brought about substantial reductions in energy use by both the companies and their
customers, while contributing to improved financial performance.

More than 2,500 companies worldwide have signed the Business Charter for Sustainable Development adopted by the International Chamber of Commerce in 1990, and many international and sectoral industry associations have adopted their own charters. The World Tourism and Travel Council, representing the world’s largest single industry—one that has an especially close relationship with the environment—has, in cooperation with the Earth Council, launched its own Agenda 21. And the critically important road transport industry, through the International Road Transport Union, has taken similar action. The engineering profession, through its principal international professional bodies representing more than 15 million members, is likewise committed to sustainable development.

GOVERNANCE FOR CHANGE

At the level of governance, one of the most promising and innovative developments has been the establishment of some 100 National Councils for Sustainable Development, or similar bodies, based on the recommendation of Rio’s Agenda 21. These bring together representatives of various sectors of civil society to consult with each other and with governments and to come up with a national agenda and action plan for sustainable development. The Earth Council, formed as a direct result of the Earth Summit, is playing a unique role in catalyzing and facilitating the development of these networks and linkages amongst them. It took the lead in organizing the Rio + 5 Forum in March 1997 and the first regional meetings of National Councils for Sustainable Development of the developing world.

The Earth Council has taken a number of other initiatives of particular interest to business. One of these is in the area of emissions trading through the design of the Global Emissions Trading System and the creation, in cooperation with the government of Costa Rica, of a marketable debt instrument based on the use of tropical forest areas to provide offsets for carbon emissions in the United States and elsewhere. While the concepts of emission trading and “joint implementation” are still controversial at this point, they offer a promising opportunity to provide the most cost-effective means of effective reductions in the emissions of carbon and other harmful substances while channeling new financial resources to developing countries and helping them conserve their precious biological resources.

At a time when all governments are experiencing severe financial constraints, it is particularly important that better use be made of
existing resources. A recent study commissioned by the Earth Coun-
cil makes it clear that literally hundreds of billions of dollars are
being used by both industrial and developing countries today to
subsidize activities that are unsustainable in environmental terms
and unnecessarily costly and wasteful in economic terms.

The world is spending at least $700 billion a year on subsidies
in water, agriculture, energy, and road transport, much of it
providing disincentives to sustainable development. Indeed,
some—including subsidies on water and energy in developing
countries—actually impair access and increase the cost of these
vital services to the poor. Redeployment of these subsidies could
provide positive incentives to sustainable development while
releasing more than enough funds to enable industrial countries
to increase ODA and developing countries to meet the internal
costs of a transition to sustainable development.

Developing countries serve as custodians of most of the biologi-
cal resources on which the sustainability and well-being of the world
community depend. The indispensable services they provide have
always been taken for granted and treated as free goods. We must
now begin to place an economic value on them if we are to expect
developing countries to maintain them largely for the benefit of the
rest of the world. Doing so would not only ensure the conservation
of these precious resources; it would provide an additional source of
revenue flows to these countries. This would represent a wise invest-
ment by the international community, not an act of aid or charity.
And it would present a new generation of opportunities for private
entrepreneurship and investment.

The old maxim that “knowledge is power” is now being accom-
ppanied by the realization that “knowledge is money” and, therefore,
a primary economic resource. The growing drive to convert knowl-
edge into proprietary intellectual property could reduce the total
stock of knowledge and restrict access to products of research and
development. This could especially disadvantage those, particularly
in developing countries, whose needs are greatest. Yet it is in our
common interest to ensure that these individuals and groups have
access to the best state-of-the-art technologies so that in the course
of their own development they do not add unnecessarily to the
pressures on the Earth’s environment and resources.

Developing countries need support for development of the R&D
capabilities they require to make the transition to sustainability.
Here again the private sector is the principal vehicle for technology
cooperation and transfer, but its role must be facilitated by support-
ive policies on the part of government and financial assistance to
developing countries.

At a time when all governments are experiencing severe financial
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THE INTERGOVERNMENTAL FRAMEWORK

Multinational organizations, and particularly the United Nations and its specialized agencies, including the United Nations Development Programme, the World Bank and the International Monetary Fund, provide the basic international framework for cooperative arrangements and the mobilization of resources required to support developing countries in their transition to sustainable development. The role of these organizations is essential to the effective functioning of our global technological civilization, management of our relationships with each other, and our impacts on the Earth’s environment and life-support systems.

World government is neither necessary nor desirable, but we need a system for management of issues that can at best be managed cooperatively. It is not necessary for nations to yield to international organizations, but rather to use such organizations to facilitate the voluntary exercise of national sovereignty in cooperation with other nations in those areas where individual nations, even the most powerful, cannot effectively exercise it alone. Thus, international organizations are the servants, not the masters of nation states, which remain the principal repositories of sovereignty in the global system of governance.

The United Nations is the centerpiece of this system of organizations, which includes a large number of regional and special-purpose groups that are not part of the United Nations system but in most cases have close and cooperative links with it. As the realities of interdependence in economic, security, environmental, and other areas of human activity have made it necessary or desirable for nations to cooperate, the objective need for more effective international institutions has become clearer than ever, and this need can only increase in the period ahead. Yet support for United Nations organizations has sunk to the lowest level since they were created more than 50 years ago.

To be sure, the United Nations and its organizations and agencies need to change to reflect the immense transformations that have taken place in the world since they were created, and to meet the growing needs of the world community as it moves into the 21st century. The need for this reform has long been recognized and has been subject to extensive analysis and a wide range of ideas and recommendations. Now, under the leadership of Secretary General Kofi Annan, major reforms have been initiated at the level of the Secretariat, while General Assembly President Ambassador Ismail Razali is leading an accelerated reform process on the part of member states, where ultimate responsibility resides. At the same time, World Bank President James Wolfensohn has initiated radical developments.
changes designed to improve the effectiveness of the world’s leading development finance agency. And virtually all other UN agencies and organizations, including the United Nations Development Programme, have undertaken programs of change and reform.

NEW PARTNERSHIPS

An important feature of reform in all these organizations is the necessity of developing stronger links with the private sector and the various organizations of civil society, along with better mechanisms for consultation and cooperation with them. Already a number of promising and innovative partnerships have been developed by UN organizations. UNDP has been particularly active in promoting these. In 1995, it launched its Public-Private Partnerships for the Urban Environment. By identifying urban environmental problems which can be turned into viable business opportunities, this program leverages large amounts of investment with a relatively modest amount of ODA resources. And at the recent Rio + 5 Forum, UNDP signed a Partnership Agreement with the World Business Council for Sustainable Development.

Indeed, these public-private partnerships represent the wave of the future as the principal means of implementing sustainable development. In most cases, the resources available for funding of sustainable development come principally from private sources—not only investment funds, but funding from private philanthropic sources, including foundations supported by private corporations. In the United States alone corporate foundations now provide some $6 billion of philanthropic funding. Just as private investment has overtaken ODA as the main source of financial flows to developing countries, private foundations and voluntary organizations now provide more concessional funding to developing countries than the United Nations does.

This is not to say that the role of the United Nations in sustainable development has been diminished. On the contrary, the need for the kind of leadership and facilitating services that only the United Nations can provide is greater than ever because of the increasingly diverse sources of funding and technical assistance. The capacity to take the lead in mobilizing resources from a variety of sources around particular projects and programs and in facilitating the targeting and effective use of such resources gives the UN a major multiplier effect in the use of the resources under its control. Thus UNDP’s work in helping client countries to identify and prepare major projects for investment attracts capital many times in excess of its own expenditures.
The International Finance Corporation, the private sector investment organization of the World Bank Group, has played a key role in supporting the flow of private capital to developing countries by taking a minority investment in promising enterprises and helping to develop domestic capital markets. The Global Environment Facility (GEF), the only new funding organization set up especially to finance sustainable development, is a unique tripartite partnership between the World Bank, UNDP, and the United Nations Environment Programme. It provides incremental funding to support the sustainable development of major projects in which the total investment is many times greater than that provided by GEF.

UN conferences have made a major contribution by making environment and sustainable development important issues for governments and the public and by opening up new channels for participation of civil society and private business. At the Earth Summit, business was directly and influentially involved in preparations for the conference through the Business Council for Sustainable Development. And an unprecedented number of other civil society organizations participated at Rio, both directly in the conference and at the Global Forum that was held at the same time. This led to the establishment of a new generation of alliances and partnerships both amongst these organizations and between them and governments.

One of the most promising of these has been the development of local Agenda 21s by some 1,800 cities and towns around the world through the leadership of the International Council for Local Environmental Initiatives. These efforts have brought together representatives of local governments with business, community, and other local organizations. They provide one of the most promising and effective means of linking action at the local level—where most action must take place—with the global issues defined by Rio’s Agenda 21. This global-local interaction is one of the most encouraging and promising developments to have occurred as a result of the Earth Summit. And it opens up an immense range of new opportunities for private-public partnerships at the local level as well as partnerships that link global, national, and local levels. National Councils for Sustainable Development are proving to be extremely valuable instruments for forging these linkages.

As the environmental movement has evolved from Stockholm through the Brundtland Commission to the Earth Summit in Rio de Janeiro, we have enlarged the context in which we must deal with the challenge of protecting and improving the environment to embrace the complex system of relationships through which our economic aspirations and behavior must be reconciled with our
environmental and social goals. What we have come to call sustainable development provides the larger framework for achieving a positive synthesis among these three dimensions of development. This is no mere passing phase, but a fundamental process of change that is essential if we are to move onto the pathway to a secure and sustainable future in the new millennium. The traditional boundaries between the roles of government and the private sector have already been breached and must now give way to a new system of cooperative arrangements extending from the local to the global levels of governance.

The United Nations system and its organizations and agencies have a role in this system that is indispensable and that no other organization can play. The current reform process must equip it for this role.

MAURICE F. STRONG

Maurice Strong is a national of Canada with long-standing ties to both the private and public sectors. His distinguished career as an international civil servant includes serving as Secretary General of the UN Conference on the Human Environment from 1970 to 1972; becoming the first Executive Director of the United Nations Environment Programme (UNEP) in Nairobi, Kenya from 1973 to 1975; serving as both Under Secretary General of the United Nations and Executive Coordinator of the United Nations Office for Emergency Operations in Africa from 1985 to 1986; and presiding as Secretary General of the 1992 UN Conference on Environment and Development (The Earth Summit). He is presently leading the UN Reform Project for the UN Secretary General. Mr. Strong until recently was Chairman and Chief Executive of Ontario Hydro; from 1992 to 1995 he was President and Chairman of the Canadian International Development Agency (CIDA). He has held many other distinguished positions.