

Chair's summary of the Nordic Roundtable on Business Relations and Sustainable Consumption and Production in a North/South perspective

Oslo, 9-10 March 2005

1 About the Roundtable

The Roundtable is part of a project financed by the Nordic Council of Ministers and was organised by the Nordic Ad-Hoc group on Sustainable Consumption and Production (SCP) in collaboration with GRIP, the Norwegian Foundation for SCP, with support from the Nordic Partnership.

The purpose of the Roundtable is to contribute to formulation of UN and EU policies on Sustainable Production and Consumption and also contribute to the implementation of the Nordic Strategy on Sustainable Development.

Representatives of government, businesses and NGOs were invited to the Oslo Roundtable to discuss how business relations in a North/South perspective can contribute to more sustainable consumption and production patterns. Just over 50 participants took part in the Roundtable (split about equally in 3 between business, government and NGO/research).

The Roundtable was opened by the Norwegian Minister of the Environment. Representatives from the United Nations Environmental Programme (UNEP), the European Commission and the Chinese State Environmental Protection Agency provided their perspectives on how business relations in a North/South perspective can and should promote Sustainable Consumption and Production.

Three sessions then covered three kinds of North/South business relations:

- Northern business buying from the South (i.e. South selling to the North)
- Northern business investing in production in the South
- Northern business marketing products in the South.

The goal for each session was to get a better understanding of how businesses were trying to promote SCP within the relevant business relation, what experiences they had, what barriers they had met and what proposals they had for action that would make their SCP work easier and more effective. Each session comprised 2-3 case presentations by Nordic businesses, followed by discussions.

Based on these sessions a draft chairman's summary was prepared.

There was also a session on SCP in China, with a presentation from Global Village, Beijing and then a discussion related to Chinese opportunities, challenges and the activities that China has initiated and is planning.

A longer, chronological report is available from IISD at www.iisd.ca/sd/nordic/SDWCP/. The home page of the Roundtable (programme, participant list, etc.) is at www.grip.no/nordicroundtable2005/.

2 General messages from the Roundtable

More sustainable consumption and production patterns are necessary for sustainable development and an effective way of mobilising support from the business sector.

Integrating sustainability into the management of supply chains, investment strategies and market development opens for business opportunities for achieving social and economic development decoupled from environmental load.

Such business relationships provide channels for the transfer of commercial and technical competence, technology and capital, as well as opening for market development. New

market opportunities can open up for greener products for emerging economies. As such, SCP in business relations contributes to poverty reduction and achieving the Millennium Development Goals, in particular goals 1 (Eradicate extreme poverty and hunger), 7 (Ensure environmental sustainability) and 8 (Develop a global partnership for development.) The Roundtable felt that this connection between SCP and the Millennium Development Goals should be emphasised and that SCP should therefore be given a more prominent position in the work plan of the Commission for Sustainable Development in following up the work plan from Johannesburg.

The Roundtable emphasised the positive connection between Sustainable Consumption and Production on one hand and trade on the other hand. International cooperation is therefore a key for success. It is therefore crucial that SCP requirements are emphasised in the UN/CSD and WTO agenda. The Marrakech Process is an important tool at the global level. At the regional level, the EU Lisbon strategy must include SCP considerations.

Whilst some companies have seen these opportunities and are acting appropriately, most companies have neither the vision, the competence nor the networks to motivate and enable them to act. The Roundtable emphasised the importance of encouraging many more to implement SCP in business relations – and that ensuring the success of existing activities is an important step in this direction.

Many good results have been achieved by the “pioneers”, but they see significant barriers and related opportunities for lowering thresholds for implementation and improving the effectiveness of measures taken – both short term and long term.

A recurring theme was the importance of partnerships: public/private, private/private, business/NGO, development/environment were named as examples. The Roundtable in itself provided a welcome meeting place for open, honest and constructive dialogue between business, authorities and NGOs where business relations were given the central role. Participants missed, however, the participation of trade unions.

The Roundtable interpreted the term “technology transfer” as meaning the transfer of relevant competence/knowledge.

Challenges encountered and proposals for action are summed up below in the following two chapters. A more detailed report, with examples, will be presented to the 13th. meeting of the UN commission for Sustainable Development and to the next meeting in the Marrakech process.

3 Challenges encountered

Challenges that companies had encountered whilst implementing SCP considerations into their North/South business relationships have been structured into 5 main groups:

3.1 *Lack of coordination at the international level*

Many SCP issues (environmental and social) are global and therefore demand global regulations and standards, but are weakly integrated in trade agreements.

SCP coordination within governments and private companies is also often weak. The principle of subsidiarity (that all decisions should be taken at the lowest effective level) can hinder necessary coordination.

Most significantly, companies named the lack of coordination between their own development activities and educational programs being promoted by development agencies – both with respect to content and effective (re)utilisation of competent resources.

3.2 Market challenges

Companies stressed the need for predictable and transparent framework conditions, but in many cases encounter market conditions that hindered effective SCP work. Unpredictability and unfairness were specific problems. Regulations could be unclear and frequently changed, and enforcement sporadic due to weak enforcement agencies. Even government itself had been experienced as an unpredictable commercial actor.

The lack of infrastructure necessary for supporting sustainable production (e.g. handling of sorted waste) was also mentioned.

Prices that did not reflect environmental and social costs due to lack of internalisation and/or subsidies hindered sustainable practice. One example was the high cost of investment capital which effectively discounted the future and promoted short term decision making. Another example was broad subsidies of fuel and energy both to rich and poor which hindered fair competition between fossil fuels and renewables.

3.3 Buying from the South

Companies increasingly understand the connection between their reputation/profile and the environmental/social (incl. human rights) conditions under which their suppliers operate. However, there is a lack of widely accepted standards that they can apply, leading to duplication of work and additional costs for all actors in the supply chain. The situation is made even more complicated by the large number of links in the chain and by, in some cases, the huge number of small units at the start of some chains (e.g. agricultural).

Buyers could not just impose standards. Supplier cooperation and development was often required in order to match requirements.

Monitoring is also a significant challenge and added costs, especially when seen in the light of lack of standardisation. This leads buyers to prefer markets with more clearly defined and enforced quality control.

Implementation of SCP in the supply chain could lead to increased production lead times, which in turn had to be compensated by new routines.

3.4 Investment in the South

Long lead times and unpredictable results were problems when collaborating with host governments and international agencies. Experience was that “hardware” development projects were treated more favourably than the “soft” development often necessary for SCP.

Investors were concerned about the quality profile of the relevant country or region when deciding where to invest in production facilities.

When scaling up innovative and sustainable practice from prototypes, development could be jeopardised by shortage of suitably educated personnel.

Investment in education by pioneering companies carried a high risk, as trained human resources could “leak” to competitors.

3.5 Sustainable markets in the South

The speed at which markets in the South are developing is itself a challenge for SCP. It is increasingly documented that unsustainable consumption on a global scale destroys the natural resource base and entails unacceptable expenditure in the long run. The number of consumers following “Northern” consumption patterns in the South is increasing and their

awareness of environmental and social choices and life cycle costs matches also the North, so many challenges are similar. On the other hand, large scale use of inferior products, for instance with high energy use and toxic content, could lead to huge future costs and other problems.

4 Recommendations for further action

A more detailed and concrete list of recommendations will be presented in the conference report. We have here summarised some of the recommendations by actor group:

4.1 *The international community/UN should*

- Prioritise avoidance of corruption, stable governance and trade systems that integrate SCP issues.
- Continue with the practise of establishing country-lead task forces to coordinate at the global level activities targeted at specific SCP challenges (e.g. energy efficiency/renewables).

4.2 *Development agencies should*

- Recognise the potential that lies in private sector expertise, integrate private sector experts in development activities and coordinate these with relevant companies.
- Focus specifically on the innovative capacity and field competence of SMEs and develop funding mechanisms geared to their requirements for quick response and low bureaucracy
- Re-examine the distribution of financing between development aid, risk guarantees and loans and the role aid might play in reducing high risk premiums that deter investment in many emerging markets.
- Establish capacity building mechanisms for SCP in developing countries, building on existing mechanisms (e.g. Cleaner Production Centres) when applicable.
- Collaborate with SCP “pioneers” in development projects to maximise the leverage from their experience and competencies.
- Address the quality profiling challenge that is limiting investment in production facilities in some countries and regions.

4.3 *National governments should*

- Ensure that market prices reflect environmental and social costs by adjusting taxes and subsidies
- Establish meeting places for development agencies and SCP-oriented companies where these can discuss challenges and potential collaboration and coordination.
- Initiate and follow up relevant capacity building measures in collaboration with development agencies and SCP-oriented companies. Funding mechanisms should minimise the vulnerability of companies investing in developing human capital.
- Ensure that government procurement is green and initiate relevant supplier development measures, in particular in support of developing countries.

4.4 *Companies and business associations should*

- Ensure that they do not contribute to corruption (codes of conduct and monitoring)
- Ensure that they have company-wide systems for environmental and social management so that appropriate indicators are implemented and monitored and SCP activities are coordinated and complement profiling activities.
- Establish dialogue and collaborate with governments and development agencies.
- Cooperate with competitors on the development, implementation and monitoring of environmental and social criteria in the value chain

- Nordic companies should cooperate to find areas where products from different companies could complement each other in the same region and exploit these opportunities.

4.5 The Nordic Council of Ministers and Nordic Institutions should

- Use the leading role that the Nordic countries and companies have to influence international processes, like the UN Commission for Sustainable Development, the Marrakech Process and the EU.
- Encourage and support coordination between Nordic companies in developing and implementing effective and efficient standards for sustainable procurement and supply chain management
- Encourage cooperation between Nordic companies and mobilise development aid support to find and exploit opportunities for sustainable collaboration between business sectors in the South

4.6 Consumers and consumer associations should

- Take into account the fact that consumer patterns in the North and South (urban areas) are tending to become more similar to increase awareness in all consumer groups as to long term effects of life style and purchasing choices
- Increase awareness of the sustainability aspects of different dietary choices (e.g. water usage related to meat production is very high).
- Collaborate with media/TV and NGOs to change unsustainable consumption patterns