

Business & Development



Challenges and opportunities in a rapidly changing world



FOREWORD

Over the past nine years, the World Business Council for Sustainable Development (WBCSD) has gathered and shared experience on the links between business and development. This document builds on that learning journey, briefly brings the various pieces together, and aims to:

- > help define the business role in a broadening development agenda;
- > engage business by creating awareness of the growing business opportunities and contributions to development;
- > call on governments to create the necessary framework conditions for business to maximize its contribution to development, and
- > extend an invitation to other stakeholders to partner with business in the common quest for a more inclusive and sustainable future.

The WBCSD began its development work in 2001, before the 2002 Johannesburg World Summit for Sustainable Development. The initial focus was on producing commercially viable business models, while helping to reduce poverty and

promote dignified, sustainable livelihoods. We coined the concept of “inclusive business” to describe those business models.

Through many face-to-face meetings, case studies, reports, tools and advocacy materials, we have worked together to advance understanding and create awareness of the huge opportunities for inclusive business. Through an alliance with the Dutch Development Organization SNV and our Regional Network partners in Central America and the Andean Region, we brokered new partnerships between global and local businesses, government agencies and civil society organizations to put these ideas into practice.

“Developing countries” include a diverse range of different experiences. Some countries are rapidly growing, emerging economies; others remain stalled in poverty or conflict. However, the overwhelming trend is of rapidly growing urban populations, driving demand for new infrastructure and greater consumption. At the same time, it is clear that development must happen within the carrying capacity of the planet’s



life-supporting ecosystems, in particular the pressing limits of atmospheric climate stabilization and fresh water supplies.

Pressure on systems to supply energy, food, water, transport and healthcare in the developing world will increase. Emerging economies will not succeed in a transition to a more sustainable future without business as a committed partner and solution provider. This challenge is also a huge business opportunity, given the large, long-term demand for products and services it represents. Major technological and infrastructural investments will be required to sustainably meet the needs of growing populations in developing countries. Tomorrow's leading companies will be those companies that anticipate these trends and provide smart solutions.

As our work on inclusive business demonstrated, positions in tomorrow's markets can also be built by designing innovative business models to both buy from and sell to low-income communities in developing countries. Developing a better understanding of and proactively addressing socio-economic and environmental concerns will also help companies better manage their risks and thereby underpin their license to operate, innovate and grow.

However, in addition to business and technology, there is a need for good governance at the national, regional and global level. Good governance is fundamental to manage the global environmental and security commons, to restore worldwide financial stability and to secure a sustainable future for countries at various stages of development. This includes transparency, fairness, rule of law, reliability of institutions and access to legal remedy. It also includes overcoming the divides between developing countries and industrialized countries, and between the competing interests within each of these groupings, which have blocked progress in key international processes, such as the Doha trade round or the United Nations climate negotiations.

Business has a key role to play in supporting developing countries with financing, technology and capacity building. But business cannot do it alone. Governments, civil society and business must be prepared to join forces in establishing the appropriate framework conditions for development that is rapid, widespread and sustainable.

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Poverty

THE URGENCY OF SUSTAINABLE DEVELOPMENT

Development means the building of societies in which people are able to enjoy security, good health, decent housing, clean water and modern power supplies. It depends on people having the opportunity to earn a good living, and knowing that they have some security in hard times.

It brings with it the ability to travel further than your feet can take you; through the physical mobility that transportation brings, the social mobility that education enables and the unprecedented opening up of connections that communications technologies make possible.

Poverty is the opposite: people living without sustainable livelihoods, without electricity, without transportation, caught up in wars and conflict. It includes the immense human suffering caused by material shortages and lack of protection by the rule of law. The overwhelming need to concentrate on survival holds people back from achieving their potential.

A few decades ago the development challenge was seen as the imperative of enabling 5 billion people living in poorer countries to reach living standards approaching those of the 1 billion living in developed or industrialized nations.

Today, the situation is understood to be more complex. There is rapid growth in many emerging economies, while others remain in absolute poverty and in stagnant economies. The greatest development gap is opening between the “bottom billion” and those whose economies are growing, creating jobs and driving rising levels of prosperity. Yet, underdevelopment exists everywhere. Despite great gains in emerging economies like China and Brazil, few can claim that they have managed to “make poverty history”. Cities are booming, the global middle class is growing, but poverty and hunger persist in both urban and rural areas.

Developing? Emerging? Re-emerging?

The United Nations predicts that the global population will level off at about 9 billion, with virtually all of the increase taking place in the cities of the developing world

Developing countries is a category that ranges from China, the world's second largest economy and the world's fastest growing, to those that are finding it harder each year to feed their populations.

The term *emerging markets* is used to refer to the countries that are developing rapidly and beginning to take their places on the global stage in the global market. These include Brazil, Russia, India, China and South Africa, and a good dozen other fast growing, globalizing economies. Yet referring to these countries as "emerging" is a rather Western and shortsighted historical perspective, starting with the Industrial Revolution and ignoring that around the turn of the first millennium, China and India alone accounted for half the world's output. *Re-emerging markets* might therefore be a more accurate definition.

The second great change to the development challenge is the recognition that old models of economic development cannot be sustained. Over the past 200 years, economic development has depended on a shift from the use of renewable resources – energy and materials that can be grown or harnessed from the daily energy of the sun – to non-renewable resources dug out from deep underground. In 1900, 41% of the materials used in the US were renewable, but by 1995 this had fallen to only 6%.¹

The global population is expected to grow by almost 50% before leveling off at just over 9 billion in 2050. But economic development has already endangered ecosystem services, such as the natural cycling of freshwater, carbon and nitrogen, on which prosperity and survival depend.

The impacts of deteriorating ecosystems, such as climate volatility, freshwater shortages and depleted fisheries, fall most heavily on the poor, who rely more directly on ecosystems to survive. For example, in Africa the vast majority of farmers depend on rain-fed agriculture. Climate change could halve non-irrigated farm yields in many African countries by 2020. Floods and then water shortages will affect billions who depend on predictable flows of water from the glaciers of the Himalayas and Andes.

All nations must adapt to climate change, but people living in the least developed countries will be forced to do so from a starting point of fewer public and private resources. They will need support, education, training and access to communication, credit, new crop varieties, new pesticides and healthcare, to protect them against new, or harder to treat, drug resistant diseases. For them, development must go hand in hand with *adaptation*.²

Few have captured this dilemma as well as former World Bank Chief Economist Nicholas Stern, who noted: "Development and climate change are the central problems of the 21st century. If the world fails on either, it will fail on both. Climate change undermines development. No deal on climate change which stalls development will succeed."

Development challenges are business challenges. Business is held back by the same factors that keep individuals and communities in poverty: poor education and healthcare, environmental deterioration, and the absence of adequate infrastructure or an effective rule of law. Business can play a crucial role in solving these challenges, and with the right policy frameworks, develop new technologies and business models to meet human needs, drive up efficiency, create jobs and enable broader access to solutions.

This paper looks at development challenges and opportunities in what are commonly referred to as developing countries and emerging economies, and what this means for companies and business leaders striving to succeed as part of sustainable economies.

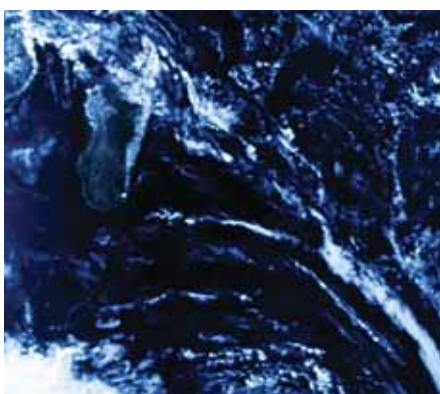
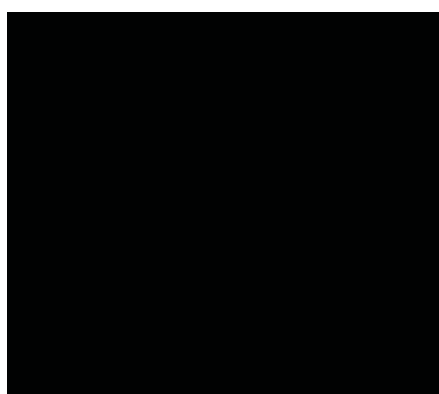
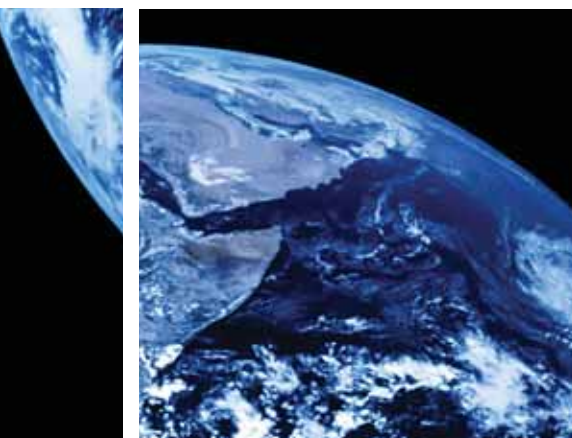
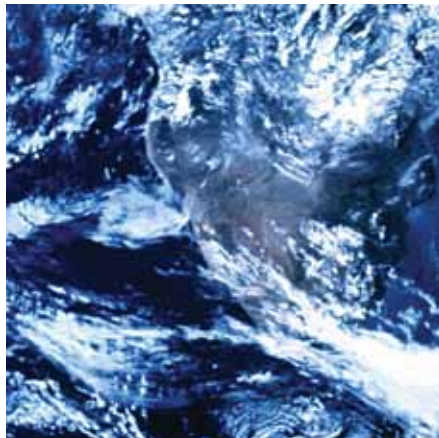
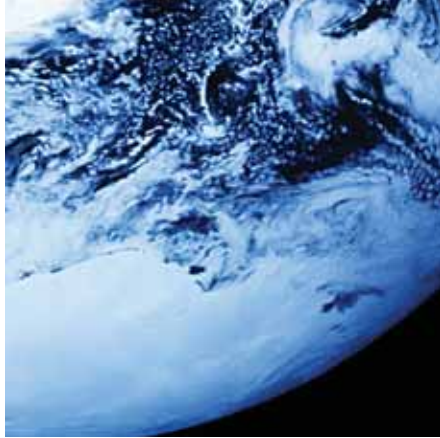
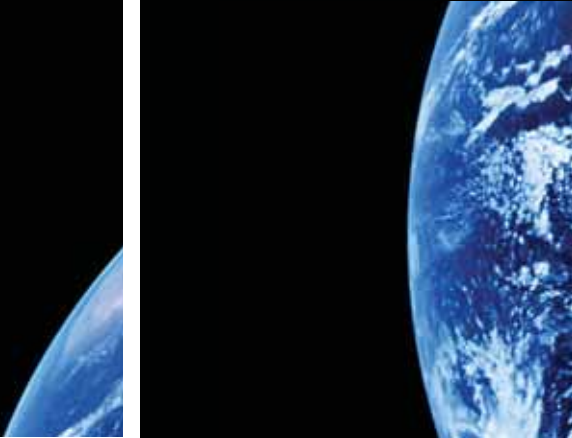
Although it is a huge challenge, sustainable development is possible. A strong start down that path can be made with existing technologies, and there is a tremendous business opportunity to be found in a sustainable pathway.³

However, more than just technological change is needed to charter a course towards new and more effective paths of development. Innovation is also needed in governance institutions. The challenges to sustainable development cross over both national borders and the borders between state, government and individual responsibility. They include requirements such as transparency, fairness, rule of law, reliability of institutions and access to legal remedy. Innovation in governance is vitally necessary to manage global environmental and security commons, to restore worldwide financial stability and to secure a sustainable future for countries at various stages of development.

Non-renewable

Cycle

Non-renewable



DEVELOPMENT CHALLENGES

Overcoming poverty

Money and income are the easiest measures of growth, but poverty is a far more complex issue. Drawing on its groundbreaking “Voices of the Poor” study, the World Bank highlights the multidimensional nature of poverty: “Poverty is hunger. Poverty is lack of shelter. Poverty is being sick and not being able to see a doctor. Poverty is not having access to school and not knowing how to read. Poverty is not having a job, is fear for the future, living one day at a time. Poverty is losing a child to illness brought about by unclean water. Poverty is powerlessness, lack of representation and freedom.”⁴

The eight Millennium Development Goals (MDGs) range from halving extreme poverty to halting the spread of HIV/AIDS and providing universal primary education, all by the target date of 2015. The MDGs form a common vision agreed to by all the world’s countries and all the world’s leading development institutions.⁵

There has been some progress. According to the World Bank, the share of people living on less than US\$ 1.25 a day

(below US\$ 1.25 exists the “absolute poverty” that often kills prematurely) will fall from around 40% in 1990 to 15% in 2015.⁶ The greatest poverty reduction has occurred in East Asia and the Pacific, especially in China, with the share of the poorest segments of the population diminishing from 80% in 1981 to 18% in 2005 (about 340 million). China provides useful lessons on the use of market-based economic reforms to help people work their way out of poverty

Yet not all news is good. The United Nations has warned that, in absolute terms, there were more hungry people in the world in 2009 than in any year in human history, due to the spike in food prices, population growth, and the economic downturn, as well as other factors, such as ongoing conflicts.

Business provides the main conduit for people to work and innovate their way out of poverty, but it relies on governments to establish the appropriate institutional, legal and financial framework conditions to do so, including education and health services.

Regional Network

While the WBCSD tends to work globally, it engages at the national and regional level through its Regional Network of 60 CEO-led Business Councils for Sustainable Development (BCSDs) and partner organizations, two-thirds of which are based in developing countries and emerging economies. By adding perspectives from around the world, the Regional Network enhances the legitimacy of the WBCSD as a truly worldwide organization. It helps to validate the WBCSD's results and messages – and to spread them. It also provides a platform to connect with local authorities and opinion leaders, to implement pilot projects on the ground and to engage with small and medium enterprises. The various Regional Network partners are involved in much of the on-the-ground work and projects of the Council.⁷

Many governments are improving the environments in which business operates in their countries. The World Bank's 2010 *Doing Business* report notes that despite the economic recession in 2008/09, "more governments implemented regulatory reforms aimed at making it easier to do business than in any year since 2004, when *Doing Business* started to track reforms through its indicators." Low-income and lower-middle-income economies accounted for two-thirds of reforms recorded.⁸

Development Focus Area

The WBCSD's Development Focus Area seeks to engage with governments in pursuing development goals.⁹ In 2010 it began a National Market Participation Initiative, which will develop a framework for dialogue between large companies and governments on the issues of national market participation and supplier competitiveness, with a focus on realizing the opportunities and managing the risks of local participation in large scale investment.

Building 21st century cities

One of the most important development trends is the pace and scale of urbanization. Over the past two decades, the urban population of the developing world has grown by an average of 3 million people per week, so that now slightly

more than half the world's people live in cities. If current trends continue, by 2050 70% of the world's population (6.4 billion) will be urban, 5.3 billion of these in the developing world.

Urbanization is happening fast, and most of it is being poorly managed, putting hundreds of millions of the urban poor in harm's way. But if they are systematically planned and organized, cities can offer great economies and efficiencies of scale in providing access to jobs, energy, housing, transport, education, credit and healthcare. These services can be offered to people in cities much more efficiently than to those living in rural areas. Analysis of the per capita greenhouse gas emissions associated with cities around the world found that in most cases they are lower than the average for the countries in which they are located.¹⁰

In China alone 350 million people will be added to the country's urban population by 2025, and 1 billion people will live in cities by 2030. Over 200 Chinese cities will have more than 1 million people living in them in 2025 (compared to only 35 in the whole of Europe today). China will build some 40 billion square meters of office space in 5 million new buildings (10 times that of New York City).¹¹ In India, 55% of the population, or 900 million people, will live in cities by 2050.

These fast-growing cities must be efficiently connected to rural areas that can provide them with food, fiber and other resources, which means more productive agriculture and better links along the chains connecting farmers to markets, both local and regional, and to consumers.

Mobility for Development

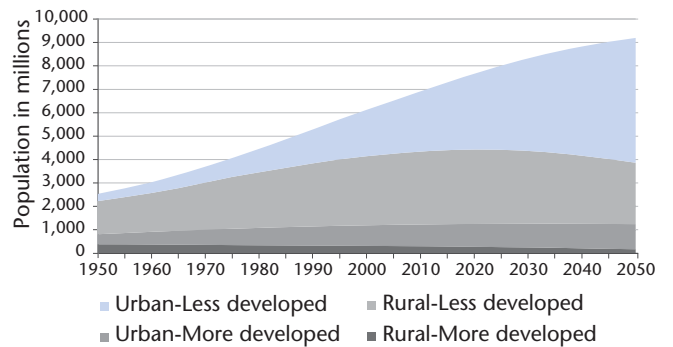
The Development Focus Area conducted a Mobility for Development workstream that brought together local stakeholders to look at all forms of mobility, from pedestrians to cars, trains and buses, in four cities around the world: Sao Paulo, (Brazil), Shanghai (China), Bangalore (India) and Dar es Salaam (Tanzania). Its report notes that overall the mobility opportunities in all four cities are expanding, but for low-income communities, the mobility situation is deteriorating. The bad state of roads and vehicles, poorly controlled intersections and inexperienced drivers are the main causes for transport-related deaths and injuries. Congestion is getting worse. The solution is both obvious and difficult: leadership and collaboration toward more integrated, systems-based planning, an integrated and inclusive approach to urban land-use and transport planning, and improved access to mobility through integrating public and private transport modes.¹²

Today one in three people living in developing world cities, approximately one billion people, live in a slum.¹³ Most of them are not recorded by their governments; they cannot be reached systematically for education, healthcare, employment schemes, etc. They have little to no political power. Other urban challenges include unmanageable road traffic volumes, pollution, intense concentrations of industrial production, insufficient and unsustainable housing, and overwhelming stress on basic services such as water supply, sewage disposal and energy distribution. There is ever-increasing pressure on road, rail, port and transit systems; and expenditures for the construction and maintenance of transport infrastructure and public transport systems represent a substantial financial burden for many megacities. These problems reduce the economic advantages and potential of very big cities. Smaller cities, more widely dispersed geographically, might more easily overcome these challenges and offer a combination of infrastructure options that could be more favorable to development.

Urban Infrastructure Initiative

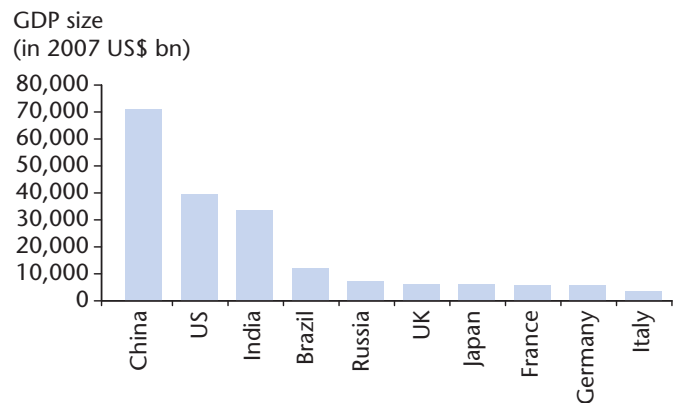
Responding to these challenges and opportunities, the WBCSD kicked off its Urban Infrastructure Initiative in 2009, hoping to bring systems thinking and integrated approaches to urban development and incorporating work the Council has already done in areas such as energy and climate, development, energy efficiency in buildings, water, electricity and mobility. The initiative's holistic approach is not restricted to technology and policy development; it also fosters cooperation among the business community and cities' governments, networks and stakeholders. The WBCSD aims to make a difference by adopting an integrated approach and seeking cross-sectoral solutions.¹⁴

The world population is increasingly urban
Global population by type of area and by region – 1950-2050



Source: UN Population Division, *World Population Prospects: The 2008 Revision*, 2008

The 10 largest economies in 2050, latest projections



Source: Goldman Sachs Global Economics, Commodities and Strategy Research, Paper no. 192, December 2009

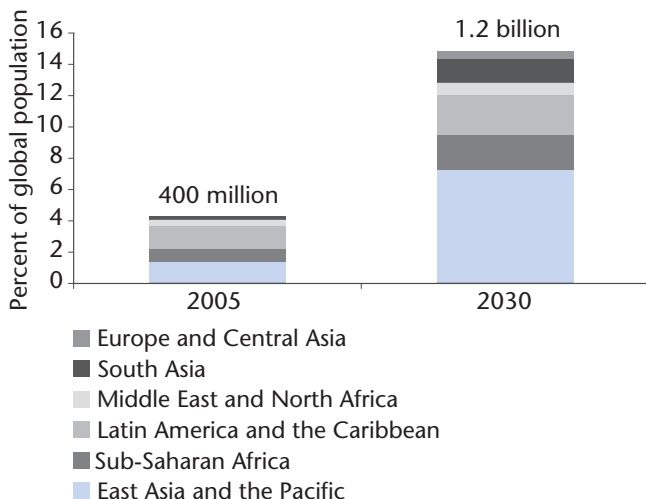
Sustaining consumption

In 2005 developing economies overtook developed economies as the largest generators of economic activity, and are accelerating along this pathway. In 2008 the top economies were the US, the EU, China and Japan. In 2050, the order is predicted to be China, US, India, EU and Brazil (the next five being Russia, Indonesia, Mexico, UK and Turkey). This is a radical shift in a relatively short time. The combination of “economic emergence” and population growth means that the global middle class will grow. Producing the goods and services to support a middle class lifestyle, as it is currently understood (including cars, air travel, larger homes, electrical appliance, and a meat based diet) will require a lot of natural resources, including fossil fuel and water. It has been estimated that as the global population grows by half again over the next 40 years, we will see a six-fold increase in global economic activity, requiring four times more energy and materials to support this.¹⁵

Global consumption patterns and trends are putting unsustainable and increasing stress on the Earth’s ecosystems, the supply of material resources needed for industrial growth, and human social systems and well-being. Thus, in order to meet the personal ambitions of increasing affluence, particularly among the rapidly growing middle classes of the developing world, development must not only be decarbonized, but also dematerialized. Consumption must become more sustainable.

The global middle class is rapidly expanding

Population in low-and middle-income countries earning US\$ 4,000-17,000 per capita (purchasing power parity)



Source: World Bank, *Global Economic Prospects, 2007*

In its early days, the WBCSD coined the concept of eco-efficiency to refer to adding more value to a good or service while using less resources and materials and producing less waste and pollution. The concept quickly spread across the globe with the help of the BCSDs and other partner organizations belonging to the WBCSD’s Regional Network. Over the years, most member companies have improved their eco-efficiency and reported on these improvements in annual sustainability or corporate responsibility reports. Eco-efficiency thinking has caused some companies to take radical steps, such as moving from a focus on sales of goods to leasing products that can be recycled or selling services instead of goods.

Sustainable Consumption

The WBCSD’s Business Role Focus Area advocates that business can best approach sustainable consumption in three main ways: innovation (developing new products, services and business models that deliver maximum societal value at minimum environmental cost), choice influencing (the use of marketing communications to improve consumer choice), and choice editing (the removal of “unsustainable” products, product components, and services in partnership with other actors in society).¹⁶

Water Project

The WBCSD’s Water Project has been working with companies to improve their management and measurement of water and to ensure that water issues have their rightful place in climate negotiations and resulting frameworks, both in terms of mitigation (as most energy sources use substantial quantities of water) and adaptation (as climate change and over-extraction are playing havoc with water regimes). Many member companies are already linking water and climate issues in their operations.¹⁷

Sustainable Value Chain Initiative

WBCSD member companies are currently scoping a project proposal on “Consumer Driven Innovation in the Value Chain.” The project would build upon existing WBCSD work, and would use the collaborative platform of the WBCSD to lay out a plan for fast-moving consumer goods companies to accelerate the systematic decarbonization of their supply chains.

Doing

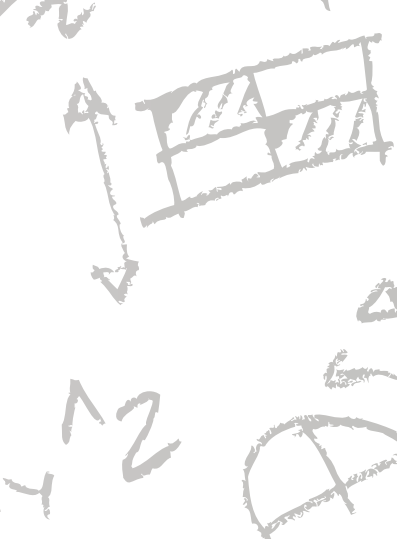
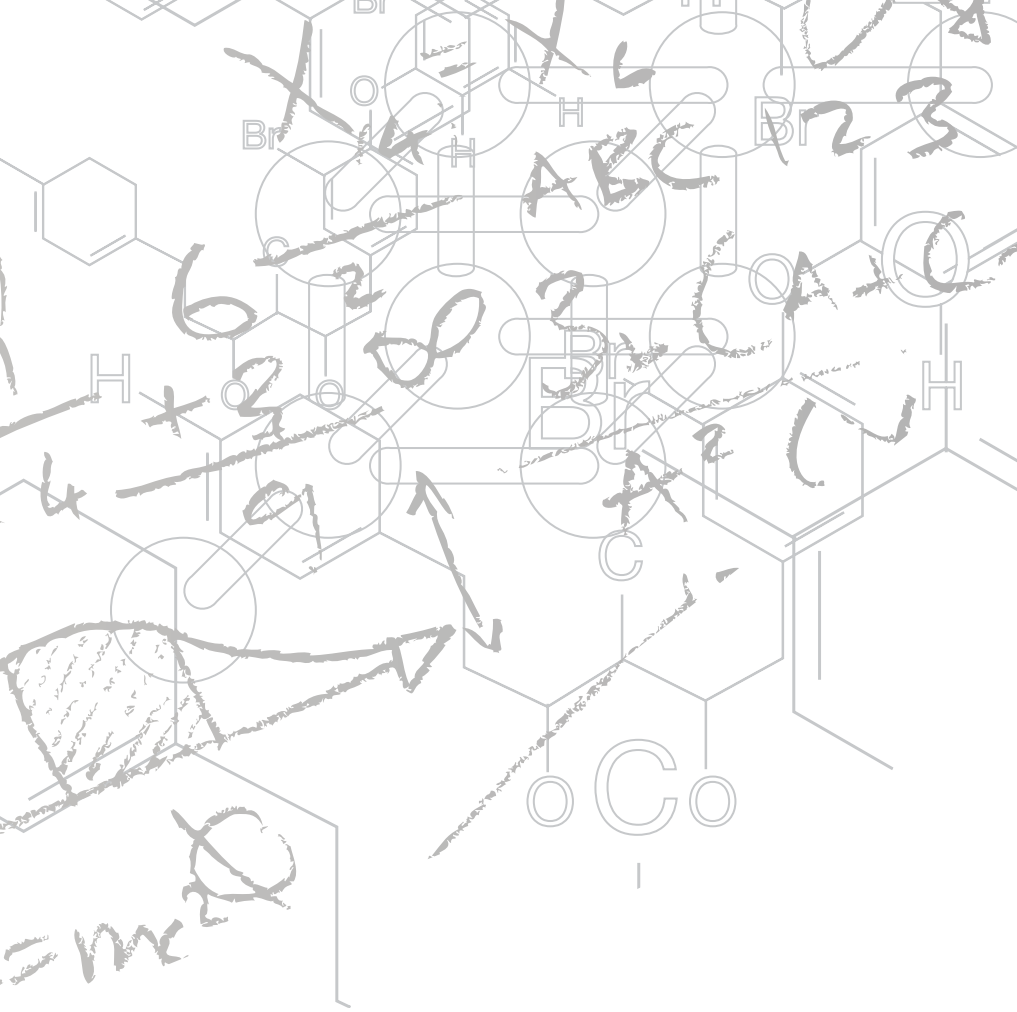
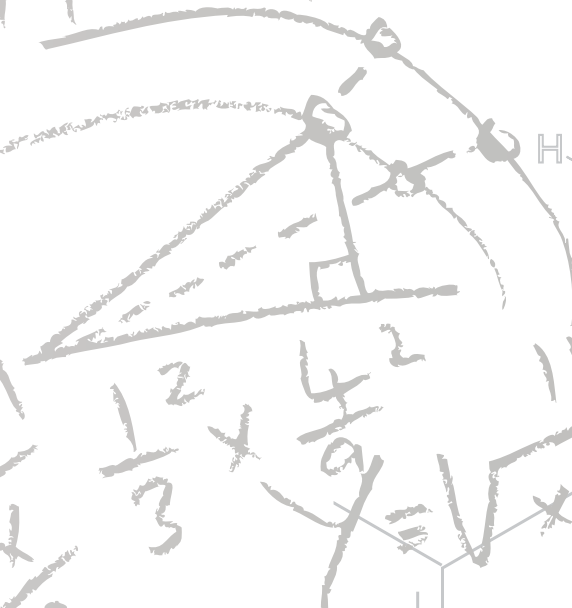
More

with Less



$$\frac{C^3}{+4} = \frac{C_3(4)}{\sqrt{4 \times 3}}$$

$$\frac{3}{E(-)H_{20}} = \frac{C_{12} \times E}{3 \times H_{24}}$$



$\Sigma = m \times 2$



BUSINESS OPPORTUNITIES, BUSINESS SOLUTIONS

A transition to low-carbon growth in developing countries represents a massive opportunity for companies that succeed in bringing together the investment, technology development and human capacity needed to manage this challenge. Enhancing energy and resource efficiency, and finding new ways of meeting human needs for mobility, water and sanitation, buildings, energy and communication are the defining challenges for businesses in both developing and developed economies

Green cities and infrastructure

Massive investments are needed to shift energy systems away from carbon-based and toward low- and no-carbon solutions, and to meet the needs of the billion or so people

who lack access to safe water. Indeed, in urban areas water infrastructure needs will represent half of all infrastructure investment needs over the next 20 years.

Building new green cities, energy, water and transport systems and retrofitting old ones to meet the demands of sustainability and climate change adaptation are major sources of business opportunity. Business leads in infrastructure development by providing the capacity to cost-effectively operate and maintain infrastructure, and it has a key role to play in increasing the efficiency of infrastructure and services. It is also the main provider of much-needed new technology.

The need for so much new and rebuilt infrastructure implies huge opportunities and challenges for all kinds of building materials producers, not least the cement industry.

Cement Sustainability Initiative

The WBCSD's Cement Sustainability Initiative, which brings together 18 leading cement producers with operations in more than 100 countries, has recently been adding Chinese, Indian and other emerging economy companies to its membership. Previously it focused on reporting on and decreasing the emissions of carbon and other pollutants, workplace accidents, and impacts on neighborhoods and ecosystems. Particularly important to the developing world, it has pioneered ways in which waste streams can be safely and cleanly used as kiln fuels. It has also been working on ways that the cement industry can participate in the post-Kyoto energy and climate framework as an industry sector.¹⁷

The complexity of today's world and tomorrow's cities requires integrated, "systemic solutions" to manage economic development and the re-engineering and rebuilding of energy and water systems while protecting ecosystems. Systemic solutions are those that include and manage all parts of a given system – say an urban area or an ecosystem – rather than trying to manage disparate elements each in isolation from another.

The WBCSD is developing a holistic approach by creating links between its different activities. As described, it is combining work on water and energy, and work on energy and development. Its Urban Infrastructure Initiative is all about integrated approaches to the many needs of cities (energy, heat, transport, efficient buildings, water and sanitation, food, raw materials, commerce, waste management, etc.) using "smart" solutions and smart systems based on information and communications technologies, among others.

Inclusive business models

The vast majority of people around the world remain unable to reliably meet some or most of their basic needs. The World Resources Institute and International Finance Corporation have calculated that two-thirds of the world's population – around 4 billion people – fall into the so-called "base of the pyramid" category. These are people who earn on average US\$ 3,000 a year in local purchasing power.¹⁹ That 4 billion is a large percentage of the global population and a large market, adding up to some US\$ 5 trillion a year.

Inclusive business is one of the most promising investments companies can make, providing a win-win for both business and society. By including low-income communities in their value chains, companies can meet their aims of growth and profitability, while helping people meet their needs and build better societies in which to do business.

Development Focus Area

The WBCSD's Development Focus Area began as the Sustainable Livelihoods Project, focused on how companies could do business with poorer people and communities – both selling to and buying from them – in ways that make their livelihoods more sustainable and robust and are also true, profitable business models, so that the models can be replicated. The project developed a number of "how to" publications and collected many examples of such inclusive businesses from member companies.²⁰ In addition, the Focus Area works in Latin America in close partnership with SNV Netherlands Development Organization, the WBCSD's Regional Network partners, and other like-minded organizations, including the Inter-American Development Bank, in successfully promoting the implementation of inclusive business projects. The Council is looking to replicate this approach in parts of Asia and Africa.²¹

Stewarding ecosystems

Much of the developing world is tropical or sub-tropical and these regions contain the richest biodiversity. However, many of these species and ecosystems are threatened by land-use change, pollution and over-exploitation. In the past 50 years, almost two-thirds of the world's ecosystem services have been degraded, and many ecosystems, such as wetland and coral reefs, have suffered severe loss.²²

For companies involved in natural resource industries, such as farming and forestry, mining and metals, supplying growing populations with natural resources provides obvious business opportunities. But in order to remain sustainable, their role must also be to improve biocapacity, i.e. the biological productivity of land and water bodies, as well as conserving and enhancing ecosystem services.

Ecosystems Focus Area

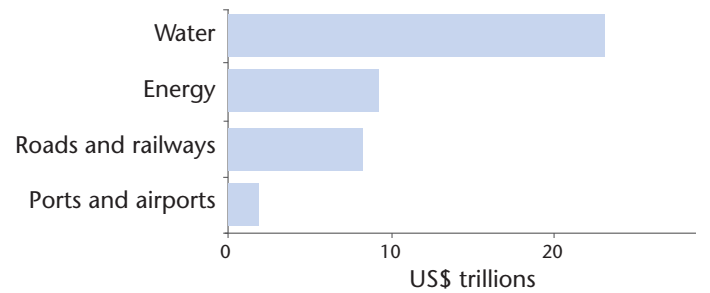
The WBCSD’s Ecosystems Focus Area is making the business case for sustainable ecosystem management. It is developing tools to help companies manage their ecosystem risks and opportunities by identifying their dependence and impacts on ecosystems. More recently, the Ecosystem Valuation Initiative has been set up to develop a corporate guide to ecosystem valuation, which will allow companies to assess and account for ecosystem degradation and the benefits provided by ecosystem services. Furthermore, this Focus Area promotes the creation of markets and payments for ecosystem services and advocates for ecosystem governance and policy frameworks that include flexible, innovative market-orientated approaches.

Sustainable Forest Products Industry

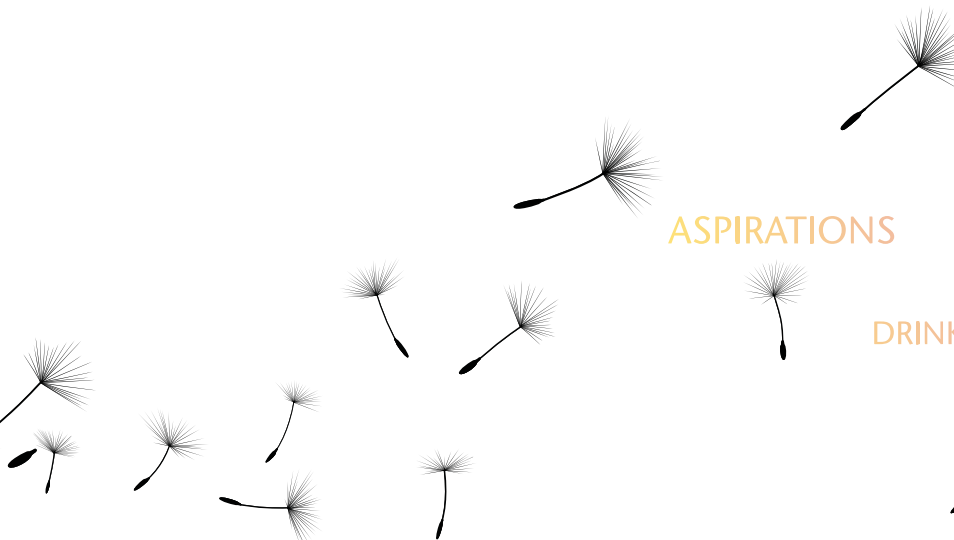
Much of the planet’s forests are in developing countries, and the Sustainable Forest Products Industry (SFPI) working group has been producing and promoting (with the World Resources Institute) guides to the sustainable procurement of wood and paper-based products, covering over 30 approaches to the responsible procurement of sustainably sourced forest products. It has also worked on the preparation of a Sustainable Forest Finance Toolkit targeting the banking and finance sector to invest in sustainable forest management. The toolkit provides banks with decision – supporting tools and investment filters to help them screen existing and new investment proposals for forestry and processing operations. The SFPI helped to get forests included in the next global climate agreement in ways that sequester the most carbon, maximize forest conservation and sustainable use, and respect the needs and rights of forest dwellers in the developing world.

The development of cities presents significant opportunities

Investment requirements for urban infrastructure up to 2030



Source: Booz Allen Hamilton, *Strategy+Business*, n°46, 2007 (from Booz Allen Hamilton, Global Infrastructure Partners, World Energy Outlook, OECD, Boeing, Drewry Shipping Consultants, U.S. Department of Transportation)



ASPIRATIONS

DRINK

COMFORT

QUALITY OF LIFE

SOCIAL COHESION

INFORMATION

EDUCATION

HEALTHCARE



ACCESS TO ENERGY

CLEAN AIR

FINANCIAL STABILITY

WELL BEING

OWNERSHIP

EMPLOYMENT

LAND

PEACE

COMMUNICATION

FREEDOM

NUTRITION

SECURITY

SANITATION

CLEAN WATER

MOBILITY

WEALTH

ENABLING SUSTAINABLE BUSINESS GROWTH

Governments as regulators, investors and partners

It is hard to know the extent to which the global recession was caused by too little, or the wrong kind of, regulation. However, as one business-friendly publication stated: “*The Economist* puts more faith in business than most. Yet even the solidest defenders of capitalism would, by and large, agree that its tendency to form cartels, shuffle off the costs of pollution and collapse under the weight of its own financial inventiveness needs to be constrained by laws designed to channel its energy to the general good. Business needs governing, just as science does.”²³

The recent crisis has made it clear that it is in the interest of business to support governments in establishing effective and accountable institutions and developing sound policy and regulatory frameworks. This is particularly important in the

developing world, where, in spite of the previously noted improvements in the business environment in many countries, policy development and enforcement is frequently constrained by weak institutions, corruption, burdensome bureaucracy, and budgetary and human resource limitations.

Effective governance is fundamental for managing the complexities of sustainable infrastructure development. This means setting and maintaining sound economic policies, increasing targeted investment, upholding the rule of law and protecting property rights, coordinating regional and municipal planning, renewing and maintaining existing infrastructure, it is also needed to ensure that new projects benefit all people, including the very poorest.

Low-Carbon Energy Future

The WBCSD has explored how governments and business can work together to solve these challenges by aligning policies, mechanisms and tools with the commercial conditions under which a business typically invests, in order to scale up private investment. The report *Investing in a Low-Carbon Energy Future in the Developing World* provides a clear commercial business perspective by addressing how and why business invests, investment risk profiles and the incentives needed in order to scale up investment in new technology research, development, demonstration and deployment.²⁴ For its part, the WBCSD's Electricity Utilities project has shown that many low-carbon solutions already exist, but warned that their development and deployment at a sufficient scale to reduce the carbon intensity of electricity production and increase consumption efficiency will not occur without the right regulatory and market frameworks.²⁵

Development Focus Area

Global businesses contribute tax revenues, jobs, opportunities, training, new technology and efficiency when they invest in developing countries. However they also face criticism and concerns that they are operating exploitatively. To underpin these debates with facts, the Development Focus Area created a Measuring Impact Framework, which helps companies understand their contribution to society, use this understanding to inform their operational and long-term investment decisions, and have better-informed conversations with stakeholders. More than 20 WBCSD member companies developed the framework, which has been reviewed by 15 external experts and is being promoted by the International Finance Corporation.²⁶

Environments that foster innovation

Much of the debate around energy and climate change has focused on developing countries calling on developed nations to "transfer" mitigation technology or even "release" technology. In fact, as WBCSD President Björn Stigson often points out, governments and countries do not normally own technologies; companies do. Technology is best transferred via foreign direct investment and trade, and governments can stimulate the necessary flow through policy frameworks.

Furthermore, successful technology transfer is not primarily about the transfer of the hardware, but of the soft skills that allow developing countries to effectively adapt, use and maintain technologies. It spurs innovation and facilitates the flow of ideas and people. Technology transfer is most effectively achieved through business-to-business cooperation, but it can be encouraged by governments.

Contrary to a widespread perception, protection of intellectual property rights (IPR) does not constitute a major impediment to the deployment of technologies. In fact IPR are crucial to enabling the necessary private sector investment in the invention, development and deployment of the technologies needed to reduce emissions. Many of the fastest-developing emerging economies have improved their patent protection in recent years, and are becoming leading locations for green technology development themselves. In 1998, one in 20 patents for low-emissions technologies was protected in a developing country; by 2008 it was one in five. In the poorest and most vulnerable countries, there is little to no patent protection and little or no R&D investment. Further diluting IPR protection would not assist in the development and deployment of technologies, but would in fact jeopardize investment.²⁷ Transfers are being hindered mainly by a lack of infrastructure, a lack of capacity to absorb the technology, and a lack of a policy framework that fosters investment. Governments could help increase the spread of technologies by addressing these shortfalls.

Eco-Patent Commons Initiative

The members of the WBCSD's Eco-Patent Commons Initiative place patents and licenses for environmental technologies on a website so that any company, institution or individual can use the technology without fear of intellectual property claims. The initiative seeks to provide an avenue by which innovations and solutions may be easily shared to accelerate environmental protection and perhaps lead to further innovation. It also works to promote cooperation and collaboration between businesses that pledge patents and potential users to foster partnerships and the advancement of solutions.²⁸

Furthermore, the WBCSD is providing inputs on enabling frameworks for technology deployment to the Expert Group on Technology Transfer under the UN Framework Convention on Climate Change.

Fair and effective global frameworks

WBCSD members have called for a successful completion of the Doha “Development” Round of international trade talks, which according to its 2001 opening agenda were designed to create frameworks to help countries trade their way out of poverty. The talks, which got as far as positions that would greatly benefit both rich and poor nations, have been stalled for some time. The difficulties seen in concluding these talks make it hard to envisage the successful completion of more complex negotiations, such as climate change.

Issues such as trade and climate change show that problems of governance are global as well as national. The market is global, and national borders are permeable to migration (legal and illegal), weapons, terror (and terrorists), microbes and ideas. The recession showed that economic impacts do not stop at national borders.

How can effective global *governance* be achieved short of global *government*? There are two pressing needs for such governance.

The first is to manage burden sharing. Who is responsible for what? Who is going to pay for what as countries try to align the responsibilities, capacities, needs and opportunities to solve sustainable development challenges? An impediment to burden sharing is the trust gap that currently exists between developed and developing countries. The latter see a string of broken promises: official development assistance never reaching the promised 0.7% of donor countries’ gross national incomes, the stalled Doha Round of trade talks, an apparent lack of interest in seriously helping with the Millennium Development Goals, and the failure of developed countries to honor their commitment under the United Nations Framework Convention on Climate Change to help poorer countries mitigate and adapt to climate change. There is mistrust on both sides: developed countries see some developing country leaders as being more interested in maintaining supportive government bureaucracies and in pursuing their own narrow goals than in opening the way for their peoples’ broad economic development.

Secondly, organizational reform is needed in the major international organizations. As political and economic power has shifted from old industrial powers of the West to the new demographic powerhouses of the East and South, global institutions are only slowly coming to reflect that reality. Developing countries rightly clamor to have more clout in organizations such as the World Bank, the World Trade

Organization and the International Monetary Fund. China, for example, has become an important donor, not only in Africa, but also in Latin America, and its trade policies and resource needs are having major effects in both regions.

The Copenhagen Climate Summit in December 2009 saw the increasing recognition of the role of new groupings such as the alliance between the major emerging economies of Brazil, South Africa, China, and India (BASIC), the moral appeals of the alliance of small island states (AOSIS), and the practical cooperation of the G2 axis between the US and China, the world’s richest, and the world’s most populous country. These emerging coalitions have the potential to be more effective at bridging gaps and encouraging cooperation between industrialized and developing economies than the old division of the world into monolithic developed and developing blocs.

There is a shift of power from the G8 (Canada France, Germany, Italy, Japan, Russia, the UK and the US) to a broader G20. Work continues on how to organize and formalize this movement. There is also a need to strengthen regional governance organizations, particularly in the developing world, as challenges such as climate change and ecosystem degradation (and solutions such as water-efficient irrigation technologies, energy-efficient desalination plants, new agriculture funding schemes, new crop varieties) are frequently similar across regions. These include bodies such as the International Centre for Integrated Mountain Development (which serves the eight countries of the Hindu Kush–Himalayas), The Mekong River Commission (bringing together the governments of Cambodia, Laos, Thailand and Vietnam), and the Pacific Island Countries and Territories (which created the Pacific Islands Framework for Action on Climate Change (2006–2015) and holds regular Pacific Islands Climate Change Roundtables).

Partnerships and alliances

It is apparent that building effective solutions to complex sustainable development challenges requires the active participation and collaboration of government, business, civil society and other key stakeholders. This has meant that groupings that were previously in opposition (e.g. the old adversarial relationships between NGOs and business) are realizing that they are often likely to achieve their objectives through constructive dialogue and working in partnership.

WBCSD Partnerships

Reflecting the wish for better cooperation between different stakeholders, many WBCSD initiatives have entered into mutually beneficial partnerships with a great variety of (inter)governmental organizations (United Nations, World Bank, European Union, Inter-American Development Bank, etc.), business organizations (International Chamber of Commerce, European Roundtable, etc.), institutes, universities and initiatives (Global Reporting Initiative, Water Footprint Network, Yale University, etc.), and non-governmental organizations (WWF International, The International Union for Conservation of Nature, World Resources Institute, etc.).²⁹

In the development context, these types of partnerships are particularly important in addressing complex problems such as providing access to basic infrastructure services and goods for low-income communities. Meeting the electricity, water, and sanitation needs among the poorest will not happen – much less become a business opportunity – without strong public-private partnerships, and the active involvement of civil society.

Energy for Development

In terms of energy for development, the Development Focus Area is on the steering committee of the Asian Development Bank's *Energy for All Partnership*, which links private and public sectors in Asia to improve access to energy by sharing information, resources, and the flow of financing toward projects with appropriate technologies and a proven business case. It aims to provide access to clean and affordable energy for 100 million new users in Asia by 2015. The Focus Area also works with the Energy Poverty Action alliance, which currently focuses on Africa and, among other things, acts as a matchmaker among leading companies, governments, local entrepreneurs and communities, as well as national and international finance institutions and donors to enable project financing and execution.³⁰

Conclusion

The world is experiencing a historic shift of economic and political power from the traditional base of industrialized countries to the emerging economies. Developing countries are undergoing their own historic shifts as burgeoning cities replace rural areas as the centers of population and economic activity. By 2050, 85% of the world's estimated 9 billion inhabitants will live in what currently are called "developing countries", and most of those will live in the cities and megacities being built today.

Yet poverty and inequity in many countries remain critical challenges for sustainable development and global stability. Meeting the basic needs of a growing and increasingly urbanized population in developing countries – as well as the aspirations of their middle classes – will increase demand for energy and natural resources, exacerbating the pressure on the world's ecosystems.

This means that there is no longer a choice between economic growth and environmental well-being: they are interdependent, and if we do not make sure we have both, we risk ending up with neither. Solving the seemingly conflicting imperatives of improving the living standards of the world's population while preserving the environment will thus require a transition to a more inclusive, low-carbon and resource efficient economy.

Vision 2050 Project

Under the WBCSD's Vision 2050 Project, 29 WBCSD member companies developed a vision of a sustainable world by mid-century and a pathway leading to such a future – a pathway that will require fundamental changes in governance structures, economic frameworks, business and human behavior. These changes are necessary, feasible and offer tremendous business opportunities for companies that turn sustainability into commercial strategy.³¹

As a planet, we already have the financing, technologies and scientific knowledge we need to carry out a transition toward a sustainable future. Studies such as the *Stern Review on the Economics of Climate Change* and *The Economics of Ecosystems and Biodiversity* show that beginning sooner rather than later will save a great deal of money.

Business has a critical role to play as an engine of economic growth and employment, and a driver of innovation and technology development. Particularly important is the private sector's role as a source of capital for developing countries: globally private sector investments make up over 85% of investment and financial flows.³²

It is in the interests of global business to invest in providing sustainable solutions to development challenges:

- > First, business cannot succeed in countries that fail. Stable and prosperous societies make for better business opportunities.
- > Secondly, by developing a better understanding of and proactively addressing socio-economic and environmental concerns, companies will be able to better manage their risks and thereby underpin their license to operate, innovate and grow.
- > Thirdly, developing inclusive business models for doing business with low-income communities will help companies build positions in tomorrow's growth markets.
- > Finally, the transition to a more sustainable world represents a significant business opportunity, as major technological and infrastructural investments are required to sustainably meet the needs of growing populations in developing countries. The companies that will be able to take advantage of those opportunities are the ones that anticipate trends and respond with smart solutions. They are the ones whose leaders not only lead their companies, but also help guide society toward major investments in sustainability.

No matter how well intentioned, business can neither achieve sustainable development nor alleviate poverty by itself. But development will not be sustainable and poverty will not be alleviated without business playing its part. One of its main responsibilities is working with governments and civil society partners to develop and put in place the appropriate legal, institutional and financial framework conditions – globally, regionally and nationally.

Unfortunately, motivation for the necessary change is often lacking. The NIMBY syndrome (not in my back yard) is frequently joined by NIMTO (not in my term of office) and, among the public, NIMLT (not in my lifetime).

Dynamic leadership is required in all sectors – with the understanding of how difficult it is for politicians to lead voters and CEOs to lead customers and investors in new directions.

The WBCSD's members firmly believe that the leading companies of the future will be those that align profitable business ventures with the needs of society. WBCSD members are therefore committed to providing the business leadership that is essential for a more sustainable future. Through its activities, the WBCSD seeks to promote solutions that deal with all aspects of sustainability challenges. Equally important, the WBCSD plays a critical role in facilitating the necessary public-private partnerships by helping governments and business understand each other's agendas.

The world of the near future will not look like the world of today. Business, governments and civil society must all transform, as all three strive, with their different accountabilities and capacities, toward the single goal of sustainable human progress.

This document is a call to action to our colleagues in business and a call to cooperation and partnership to the other sectors of society, in order to meet the needs of all, in ways that do not compromise the ability of future generations to meet their own needs.

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About the WBCSD

The World Business Council for Sustainable Development (WBCSD) is a unique, CEO-led, global association of some 200 companies dealing exclusively with business and sustainable development. Our members are drawn from over 35 countries and 22 major industrial sectors. We also benefit from a global network of about 60 national and regional business councils and partner organizations.

The Council provides a platform for companies to explore sustainable development, share knowledge, experiences and best practices, and to advocate business positions on these issues in a variety of forums, working with governments and non-governmental and intergovernmental organizations.

Our mission is to provide business leadership as a catalyst for change toward sustainable development, and to support the business license to operate, innovate and grow in a world increasingly shaped by sustainable development issues. Our objectives include:

- > Business Leadership – to be a leading business advocate on sustainable development;
- > Policy Development – to help develop policies that create framework conditions for the business contribution to sustainable development;
- > The Business Case – to develop and promote the business case for sustainable development;
- > Best Practice – to demonstrate the business contribution to sustainable development and share best practices among members;
- > Global Outreach – to contribute to a sustainable future for developing nations and nations in transition.

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Disclaimer

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