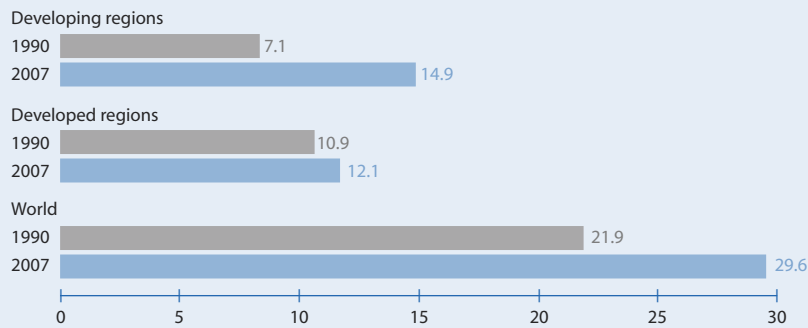




EVAN SCHNEIDER/UNDP

Target 7a: Integrate the principles of sustainable development into country policies and programmes and reverse the loss of environmental resources

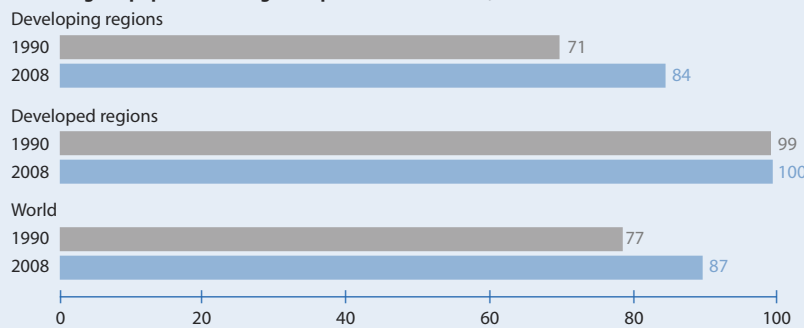
Emissions of carbon dioxide, 1990 and 2007 (billions of metric tonnes)



- ▶ A decisive response to climate change is urgently needed.
- ▶ The rate of deforestation shows signs of decreasing, but it is still alarmingly high.

Target 7c: By 2015, halve the proportion of the population without sustainable access to safe drinking water and basic sanitation

Percentage of population using an improved water source, 1990 and 2008



- ▶ The world is on track to meet the drinking water target, though much remains to be done in some regions.
- ▶ With half the population of developing regions without sanitation, the 2015 target appears to be out of reach.

Target 7d: By 2020, significantly improve the lives of at least 100 million slum dwellers

- ▶ The world has missed the 2010 target for biodiversity conservation, with potentially grave consequences.
- ▶ The number of species facing extinction is growing daily, especially in developing countries.
- ▶ Over-exploitation of global fisheries has stabilized, but steep challenges remain to ensure their sustainability.

Target 7d: By 2020, significantly improve the lives of at least 100 million slum dwellers

Population living in urban slums and proportion of urban population living in slums, developing regions, 1998-2010



- ▶ Slum improvements, though considerable, are failing to keep pace with the growing ranks of the urban poor.

SOURCE: UN (2010).

THE PRESENT SITUATION

Private water utilities have improved operational efficiency and service quality in many places. Many of the private operators succeeded in reducing water losses, notably in Brazil, Colombia, Eastern Manila, Morocco and Western Africa. The water public-private partnerships have often helped to substantially improve service quality, especially by reducing water rationing. The population served by private water operators in developing and emerging countries has increased steadily—from 96 million in 2000 to some 160 million in 2007—and more than 24 million have gained access to piped water through private operators.¹⁶²

Markets for sustainably and ethically-sourced and produced food, materials and other products are rapidly growing.¹⁶³ The global market for organic food products reached a value of \$60 billion in 2009.¹⁶⁴ The natural-personal-care market exceeded \$6.5 billion in 2007.¹⁶⁵

Investment in green technologies and innovation is taking pace. For example, Deloitte's 2009 survey on Global Trends in Venture Capital reports that 63% of surveyed venture capitalists anticipate an increase in their investment in clean technologies over the next three years, the highest percentage among all considered sectors.¹⁶⁶ In 2008 a total of \$155 billion was invested in companies and projects globally in the sustainable-energy market—a more than four-fold increase since 2004.¹⁶⁷

Besides emission reductions required by law in the Kyoto Protocol and other regimes, companies are also cutting and off-setting emissions on a voluntary basis. The voluntary market for carbon savings is growing. In 2009 the global carbon market grew 6% to \$144 billion, with 8.7 billion tonnes of carbon-dioxide equivalent traded. The voluntary market accounted for \$338 million¹⁶⁸

What are the challenges?

- Managing environmental resources efficiently and avoiding pollution often are costly—at least initially, when upgrades in facilities have to be made. Where the regulatory framework does not enforce these measures for all or does not subsidize them, businesses may find it difficult to afford the extra cost.
- Regulatory frameworks to enable businesses to provide water and sanitation services to poor people often are lacking—or are not adequately designed and enforced to enable equitable water provision.
- Many people living in slums have no official title to their property. Because their houses can be cleared any day, investing in upgrades is risky. And utilities find it difficult to serve them, a difficulty that is compounded when people lack bank accounts.
- Investments in the carbon market suffer from insecurity about the follow-up to the Kyoto Protocol. Other global environmental goods, such as bio-diversity, lack market systems or other effective protection systems.



WHO/SYED HAIDER



THE PROMISE OF INCLUSIVE BUSINESS MODELS

MNCs can, for example:

- Implement management systems and technologies to save natural resources and avoid pollution in their operations, and support suppliers in doing likewise.
- Advocate at the global level for the implementation of effective governance schemes to protect global public goods, such as climate, global fisheries and bio-diversity.



EDF

Large domestic companies can, for example:

- Provide energy, water and sanitation services to low-income populations in slums and rural areas at low cost and in an environmentally-friendly way.
- Work with national policymakers to develop regulatory frameworks that enable private provision of these services in the interest of customers—and that also ensure environmental protection.
- Implement management systems and technologies to reduce environmental impact.



SMEs can, for example:

- Sell household-based or community-based solutions for energy, water and sanitation to people living in slums and rural areas, using environmentally-friendly technologies.
- Provide housing, financing, construction and home improvement services to people living in slums.
- Build business models around the conservation of bio-diversity and mitigation of climate change—for example, by working with forest communities.



ACUMEN FUND

NPOs can, for example:

- Create micro-franchising models around the provision of water, energy and sanitation services that also create entrepreneurial opportunities.
- Offer education and training services, as well as technical services, to slum dwellers to upgrade facilities—and to low-income areas to adapt to climate change.
- Establish business models that enable low-income populations to benefit from the global carbon market and help mitigate climate change.



ADAPT

Rural Energy Services Companies ■ MNC, Mali

Only 10% of Mali's 12 million people have access to electricity—a figure that falls to 2%–3% in rural areas, where car batteries and kerosene lamps power appliances and light is supplied by candles. Koraye Kurumba and Yeelen Kura are Rural Energy Services Companies (RESCOs) created in two rural areas by France's EDF electricity company, in partnership with the Dutch energy company NUON and the French TOTAL and with the support of the French Agency for the Environment and Energy Efficiency. These RESCOs provide electricity at low cost, based on solar home systems or small low-voltage village micro-networks supplied by diesel generators. By 2007 RESCOs in Mali were serving 24 villages and 40,000 people.

When the RESCOs were created there was no regulation of energy provision in Mali. Their success, together with the support of the World Bank, convinced the government to set up a new legal framework in 2006. The government signed 50 contracts with small operators, of which 2 or 3 are already operating.¹⁶⁹

Huatai ■ Large domestic company, China

In 2000 Huatai Paper Company, Ltd., the biggest newsprint manufacturer in China, launched a new strategy to substitute wood pulp for straw pulp. The key was mobilizing local farmers to plant fast-growing trees. Farmers get support from Huatai and the local government through technology, education and irrigation. About 6,000 households have participated, planting 40,000 hectares of fast-growing trees and generating a significant new source of income. The trees were planted on salinated land, helping to combat further desertification and contributing to carbon-dioxide absorption. Meanwhile, Huatai has grown its newsprint business while reducing its environmental impact and minimizing the risk from volatile import prices for pulp.¹⁷⁰

Ecotact ■ SME, Kenya

Under the Ikotoilet project, Ecotact builds and operates high-quality, public, pay-per-use toilet and shower facilities on public land in urban centres in Kenya, with particular emphasis on the poorest areas (such as urban slums). Ecotact enters into long-term contracts with municipalities to secure use of public lands.

Ecotact has received funding from Acumen Fund, the World Bank and the European Union. To date there are 45 Ikotoilet toilet malls. Several more are in the pipeline, with the goal of reaching 100 facilities by the end of 2010. New facilities will soon be established in neighbouring Uganda and Tanzania.¹⁷¹

ADAPT ■ NPO, Egypt

ADAPT is a local architecture consultancy firm specializing in building, upgrading and renewing urban real estate in Egypt's informal economy. ADAPT develops low-cost, environmentally-sustainable housing. The company uses local building ingredients (clay, stone) along with treated waste products (rice straw and cement dust, for example) to produce environmentally-friendly building materials that are high-quality (certified by the Egyptian government) and low-cost (30% less expensive than standard alternatives). The firm collaborates with builders in the informal sector: builders' knowledge of local architectural heritage is combined with new technical know-how. Training is offered to young people to build ecological and inexpensive homes in their communities.

ADAPT measures its success by the number of units built by communities copying its model. In Algeria, for example, ADAPT has built 1,280 units, while communities using ADAPT's mechanism have built more than 20,000 units. In Egypt more than 100,000 people have been trained and aided.¹⁷²



THE SUPPORTING ROLES OF INSTITUTIONS

Policy

Policy must provide the frameworks and institutional structures to address environmental issues—through regulation, co-regulation mechanisms or voluntary codes and standards.

- The **UN Framework Convention on Climate Change (UNFCCC)** sets an overall framework for global efforts to tackle challenges from climate change, especially around reducing emissions. With the Clean Development Mechanism (CDM) the UNFCCC has created the opportunity for countries and companies to buy certificates for emissions reductions in developing countries, enabling technology transfer.

Policies can also create incentives for business to invest in water and sanitation and to upgrade slums.

- **Feed-in tariffs** support the development of new renewable-power generation. They impose an obligation on electric-grid utilities to buy electricity generated from renewable sources from all eligible participants. As of 2009 feed-in tariff policies have been enacted in 63 jurisdictions around the world, including in Brazil, China and South Africa.¹⁷³

- **Costa Rica's Forestry Law 7575** provides the legal and regulatory basis to contract with landowners for the environmental services supplied by their land. As a result, the law provides financial incentives for private land-owners to conserve environmental resources that deliver a public benefit. The programme has reduced deforestation, particularly in areas where bio-diversity is a priority.¹⁷⁴
- The **Professionalizing the Manual Drilling Sector programme**, implemented by 14 African countries, created a step-by-step methodology to promote a local professional manual-drilling sector—providing a sustainable, cost-effective option for supplying water to rural communities. UNICEF, Practica, and Enterprise Works / VITA have developed a tool-kit to build the capacity of local service providers.¹⁷⁵



UN PHOTO/MARK GARTEN



Research and advocacy

Networking platforms help to bring together partners from different sectors to collaborate for a common agenda.

- The **United Nations Environment Programme (UNEP)** has several business-oriented programmes focusing on specific topics. Its **Division of Technology, Industry and Economics** creates and disseminates knowledge on how to make business cleaner and safer and make efficient use of natural resources.¹⁷⁶ The **Finance Initiative (UNEP-FI)** works with more than 180 institutions, including banks, insurers and fund managers, to understand the impacts of environmental and social considerations on financial performance.¹⁷⁷
- **World Resources Institute's New Ventures initiative**, a global network of enterprise acceleration centres, facilitates networking to support start-ups related to environmental and inclusive business in developing countries.¹⁷⁸
- The **Global Water Challenge (GWC)** is a coalition of 24 partners from the public, not-for-profit and private sector. It aims to accelerate access to safe drinking water and sanitation for the most vulnerable communities.¹⁷⁹

Many initiatives create and disseminate knowledge on how to change business practices to more resource-efficient, environmentally-friendly standards.

- The **Natural Value Initiative** developed the Ecosystem Services Benchmark, a tool enabling institutional investors to better understand the risks and opportunities arising from bio-diversity and ecosystem impacts associated with their investments. The investors involved have assets under management of about €400 billion.¹⁸⁰
- The **CEO Water Mandate**, by the UN Global Compact, helps companies to develop, implement and disclose water-sustainability policies and practices.¹⁸¹
- **Caring for Climate**, an action platform for UN Global Compact, provides a framework for business leaders to advance practical solutions and help shape public policy as well as public attitudes.¹⁸²

Operational and reporting standards provide guidance for companies.

- The **Greenhouse Gas Protocol** develops accounting and reporting standards on greenhouse gas emissions as well as practical guidelines to help companies manage emissions.¹⁸³
- The **Life Cycle Initiative**, launched by UNEP and the SETAC, delivers training modules and manuals on life-cycle assessment for SMEs in developing countries.¹⁸⁴



ESKENDER DEBEBE / UNDP



Financing

Businesses that help to avoid carbon emissions can sell these savings on the carbon market. Certified emissions reductions (CERs) from the CDM are sold under the rules of the Kyoto regime.¹⁸⁵ In addition, there is a voluntary market where verified emissions reductions (VERs) are traded.

- The **Gold Standard** requires social and environmental benefits of its carbon offset projects and has an extensive stakeholder process. It works for CER and for VER.¹⁸⁶

Building environmental criteria into project finance and providing preferential conditions in funding for environmental projects are powerful ways to create incentives for sustainability.¹⁸⁷

- The **Equator Principles** integrate environmental and social criteria into project finance in developing countries. By mid-2008 they were supported by more than 60 financial institutions, representing more than 70% of total project financing in excess of \$10 million in these countries.¹⁸⁸
- The **Finance Alliance for Sustainable Trade** brings together lenders and producers in 26 countries to increase the number of developing-country producers that can successfully access quality trade finance as they enter sustainable markets (economical and environmentally-sustainable production).¹⁸⁹

SMEs and social enterprises in the field of clean technology and environmental protection in developing countries can receive funding from specialized investors.

- The **International Finance Corporation (IFC)** has an Environmental Business Finance Programme with \$20 million in funds from the Global Environment Facility.¹⁹⁰ EcoEnterprises Fund is a similar fund by the **Nature Conservancy**, supported by the Inter-American Development Bank. **Conservation International** invests in SMEs through Verde Ventures.¹⁹¹
- The **UNEP Rural Energy Enterprise Development (REED) Initiative** provides financing for clean-energy entrepreneurs in five countries.¹⁹²
- **Root Capital** provides capital, financial education and market connections to SMEs that build sustainable livelihoods in poor and environmentally vulnerable places.¹⁹³



Capabilities

Businesses often require technical support in implementing new environmentally friendly practices.

- The United Nations Industrial Development Organization (UNIDO) and UNEP jointly established **National Cleaner Production Centres (NCPCs)** in 47 developing and transition countries. NCPCs assist businesses and other stakeholders with the implementation of cleaner production methods, practices, policies and technologies.¹⁹⁴

Several initiatives build the capacity of local entrepreneurs and SMEs to provide environmentally-friendly products and services.

- In Pakistan, **Building and Construction Improvement** builds the capacity of local craftsmen to manufacture energy-efficient products, linking entrepreneurs and households with micro-finance providers to fund the production and purchase of the technologies.¹⁹⁵
- In Nepal's **School-Led Total Sanitation**, schools and local communities developed a range of latrine designs based on the local environment, affordability and sustainability.¹⁹⁶

Certification services provide guidance on good practices and help companies reap the benefits of responsible management in the market through labelling and raising awareness.

- The **Marine Stewardship Council** works with partners to promote sustainable fishing practices and markets, providing a standard and certification mechanism for sustainable fishing and seafood traceability.¹⁹⁷
- The **Forest Stewardship Council** provides standard-setting, trademark-assurance and accreditation services. The FSC label provides a credible link between responsible production and consumption of forest products, enabling consumers and business to make purchasing decisions that benefit people and the environment.¹⁹⁸



DEVIN BUBRISKI/UNDP

