

"GREENING" OF THE PRIVATE SECTOR AND PARTNERSHIPS WITH NGO'S: THE SOCIAL DIMENSION OF BUSINESS STRATEGIES

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Privatisation, environmental stewardship and the emerging role of Non- Governmental Organisations (NGO's) are the major international trends in the coming decade. Governments are looking to the private sector for employment generation, economic development and leadership. Since the Earth Summit in Rio de Janeiro in 1992, the issue of how to achieve environmentally sustainable, private sector activities, has been at the core of both sustainable development and environmental issues.

The following World Bank and UNDP statistics can provide a frame of reference, in relative orders of magnitude, for some observations on the rationale of forthcoming partnerships between private civic sectors, businesses, and NGO's:

Table 1. Composition of World Wealth

<i>Global (100%)</i>		<i>Other Developing Countries</i>	
Natural Capital	10%	Natural Capital	28%
Produced Capital	10%	Produced Capital	16%
Human Capital	40%	Human Resources	56%
Social Capital	40%		
<i>Raw Material Exporters</i>		<i>High Income Countries</i>	
Natural Capital	44%	Natural Capital	17%
Produced Capital	20%	Produced Capital	16%
Human Resources	36%	Human Resources	67%

Table 2. Valuation of Natural Capital

Region	Monetary Approach	Non-Monetary Approach
Sub-Saharan Africa	3.4%	12.6%
China	1.0%	7.8%
Rest of Asia	1.9%	21.0%
Latin America / Caribbean	8.7%	28.6%
Middle East / North Africa	1.4%	3.5%
Eastern Europe	7.0%	13.8%
High Income Economies	67.8%	21.5%

Table 3. Selected World Statistics

Annual Gross World Product	US \$23 Trillion
Women's Unpaid Labour	US \$11 Trillion
Women's Underpaid Labour	US \$5 Trillion
Depletion of Natural Capital	?????????
Daily Private Capital Transactions	US \$1 Trillion
Annual Official Development Assistance	US \$40 Billion
Annual World Bank Development Funds	US \$27 Billion
Annual NGO Development Aid Funding (1992)	US \$5.5 Billion
Annual Private Funds going to Developing Countries	US \$180 Billion

The following key indications arise from the above mentioned statistics:

- In spite of the wealth of data and the information superhighway, there are still key factors we do not even know how to go about measuring or valuing, such as unpaid or underpaid women's labour or the depletion of natural resources.
- The unequal distribution of wealth and income is very great indeed and the situation is not improving.
- We cannot afford to and will not be allowed to ignore, or postpone, putting into effect fundamental rules of equity, world wide, such as equal pay for equal work, building human capacity and, above all, effectively protecting bios.

- In relative terms, the Official Development Assistance is negligible compared to the resources controlled by the private sector which amount to US \$1 trillion daily.
- NGO's representing the civic society, distinct from private business and public sectors, are becoming a formative power in shaping socio-economic developments, with their 1992 development aid funding reaching US \$5.5 billion.

It has also become apparent in the international economic dynamics that there are three major trends relevant to this discussion:

1. The push towards privatisation, i.e. the increasing and expanding role of the private sector in the world economy, including the developing countries. Governments, around the world, have embarked on a massive program of privatising publicly held assets, such as power sector, housing, etc. to make them move efficiently and to stimulate the growth of their economies. The governments are looking to the private sector for employment generation, economic development, and leadership.
2. Enhanced Environmental Stewardship. The maxim that "the business of business is business" is no longer accepted by a number of private sector companies. Governments around the world have embarked on a massive program of privatising publicly held assets, such as the power sector or housing, in order to make them more efficient and to stimulate the growth of the economy. The new premise is that the private business sector must squarely address the social and environmental problems that afflict society. And as already mentioned, it is not only prudent but necessary, unavoidable, and profitable as well, to adopt environmentally friendly - green - business strategies.
3. The Emerging Role and Empowerment of the Civic Sector, NGO's at the local, national, regional, and global levels. This is another link in the chain reactions leading to solutions for the horrendous environmental problems we face.

Non-Government Organisations (NGO's) and Private Voluntary Organisations (PVO's) might have different focuses, (i.e. environmental protection, elimination of gender imbalances, economic justice, civil rights, etc.), but all are advocating macro- and micro-policies which lead to socially acceptable economic modes, as well as, to concepts of development cost and profit, which are based, not only, on the numerical values prescribed by our present day market system, but also include values for unpaid and non-marketed production and consumption, for depletion of non-renewable natural resources and for ethical values, such as economic and social justices and an expanded notion of human rights.

The September 1995 experience in Beijing, China, where representatives of over 3,000 NGO's had an official observer status at the governmental UN Conference on Women and were in a position to influence the outcome of this conference, is telling indeed. Ten years earlier, in Nairobi, there were representatives of only 300 NGO's, and most of them did not have official observer status. Government delegates in Beijing were seeking out NGO's to confer with them in advance about the position they will maintain at the conference.

NGO's and other civic society groups played a significant role in shaping the outcome of other recent UN Conferences, such as the 1992 Earth Summit in Rio de Janeiro, the population conference in Cairo, in 1994, and at the 1995 Social Summit in Copenhagen. Some of us might question the usefulness of these UN conferences; however, the point is, to the degree they are effective or useful, NGO's have acquired a significant role in shaping this process.

In view of this development, it stands to reason to expect NGO's to play a role in the private business sector domain, as well. And the question may be asked: What are the linkages between business strategies and NGO/PVO objectives, or platforms of action, which may cement partnerships between business concerns and civic society groups ?

Some of the answers are to be found at the elemental forces and key factors which move the production mechanism. The consumption patterns, for example, and organised or guided changes in consumer behaviour via NGO/PVO platforms can be key linkages between business practices and NGO plans of action.

The Agenda 21 Action Plan, for sustainable development adopted in Rio de Janeiro (1992), concluded that the "major cause of the continued deterioration of the global environment is the unsustainable patterns of consumption and production, particularly in industrialised countries."

The special responsibility of the developed world to take the lead in making the necessary changes was highlighted. This point is best illustrated in a poem by Babs Sivertsen:

*We produce to consume,
we consume to produce,
but somewhere in the circle
there is a screw gone loose.*

*We produce to consume
and consume is what we do,
we're consuming the life base
for me and you.*

The problem is not lack of funds alone. To quote from the Director General of the World Conservation Union (IUCN), David McDowell, October 1995:

More money alone, while welcome will not solve the problem of Environmental Sustainable Development (ESD); current policy and institutional constraints render much of the available resource flows ineffective in the long-run. Reorienting existing patterns of expenditure is the key task.

To move beyond this impasse we must form new strategic partnerships to achieve a critical political and economic mass (States, NGO's, and private business sector) to empower real stakeholder (communities and other actors directly involved in managing a resource), and to break down the inertia of our current institutional frameworks and mechanisms for ESD.

This critical mass in terms of resources and impacts of the private sector are central to any long-term ESD strategy. NGO's have emerged as effective innovators and dynamic brokers in channelling resources at the grassroots level. And communities are reasserting their role as stakeholder and effective implementors of ESD initiatives.

A concerted effort is needed in order to convene a strategic forum to transcend traditional institutional boundaries and to create conducive legal, institutional and economic frameworks to catalyse such initiatives.

For example, four focal areas would be of particular importance in guiding this effort: technology, capital, collective management, and markets and consumer choices:

- **Technology.** Strategic alliances of the public, private and NGO sector factors must be established to identify, develop, and market new technology options and to facilitate North-South technology transfers.
- **Capital.** ESD will increasingly rely on private corporations, commercial banks, and capital markets to finance products and programmes. Consumer choice, as for example, large numbers of small inventors (i.e. recent emergence of ethical investment funds such as the Forest Stewardship Council), can play a significant role.
- **Collaborative Management Options.** The constraints and inefficiencies of State management have highlighted the need for creative and innovative partnerships in resource management. Privatisation, decentralisation and community-based management produce a continuum along which a whole array of collaborative management options are emerging. Commercial waste management, conservation of watersheds by local authorities, leasing of protected areas to trusts and private operators and community management of wildlife are examples of how such options can generate additional capacities and resources for ESD.
- **Markets and Consumer Choices.** Multiple stakeholder strategies are a precondition for success. The development of environmentally sound products and services depends upon markets and demand, shaped by consumer attitudes and civic ethics.

World Bank Co-operation with NGO's

The World Bank, in co-operation with NGO's, can help develop some ideas for business/NGO partnerships. About 50% of 1994 approved projects (150 out of 229) had provisions of NGO involvement. This is an increase of 30% over the previous two years, on three levels; operational, economic and sector work and policy dialogue. According to the FY 1994 World Bank Progress Report, p III: "Participatory development with NGO's has been found to improve the quality and sustainability of Bank operations and to foster accountability."

The World Bank works with governments to find opportunities for NGO's to participate in the design and execution of the Bank - financing projects, more specifically in advise, design, implementation, evaluation, and co-financing.

An emerging trend, of NGO involvement in World Bank projects, is the increased role of NGO's in reflecting the perspectives of local people in project design. Some NGO's have conducted surveys of local concerns that have influenced design. To strengthen and improve, World Bank - NGO co-operation, the World Bank:

- **Finances NGO Sub-projects.** A mechanism which has been increasingly used by the World Bank is the "Social Fund," which channels resources to demand-driven sub-projects proposed by public, private, or voluntary (formal or informal) organisations. One of the explicit objectives of social funds is often to strengthen decentralised delivery mechanisms by supporting local organisations which are responsive to local needs. The World Bank has supported 28 Social Funds in 22 countries so far, amounting to US \$1.3 billion; the first Social Fund was in Bolivia, in FY 1987.
- **Contracts NGO's as Executive Agencies.** In Pakistan, for example, the Balochistan National Resource Management intends to contract the World Wide Fund for Nature (WWF) to organise and supply the necessary technical assistance and local in-service training of staff. The same will be true in the Burkina Faso Population and the AIDS Control project.
- **Special Grant Programs (SGP's) and New Initiatives.** A Small and Medium Enterprise (SME) pilot initiative was launched in 1994, consisting of three joint programs with NGO's active in SME development. The World Bank's role in these three programs will be advisory, co-fund-raiser, and monitoring and disseminating the results, both within and outside the World Bank. A US \$2 million "Fund for Innovative Approaches in Human and Social Development" was established in July 1, 1994 to improve the quality of World Bank operations in promoting participation, and undertaking social assessments.

- The Small Grants Program (SGP), established in 1983, supports conferences and seminars, publications, networking activities and other information-related activities. In 1994 the SGP awarded 39 grants, with the average grant size of US \$12,000.

A challenging new opportunity for World Bank operational collaboration with, and in support of, NGO's has emerged out of the Israeli-Palestinian Peace Agreement of September 1993. At present, there are over 1,000 NGO's, both Palestinian and foreign, which have played an important part in the social safety net in the West Bank and Gaza. In October 1993, the international donor community pledged over US \$2 billion in financial assistance for 1994-98, and the World Bank was asked to provide the technical underpinning and framework for effective use of such assistance. In response, the World Bank produced an Emergency Assistance Plan (EAP) and a Technical Assistance Plan (TAP), both of which are designed to make use of all locally available capacity for program implementation. In January 1994, the Johan Jorgen Holst Peace Fund was established to support start-up and transitional costs; as of September 1994 this fund had received US \$62 million in pledges from 15 countries.

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