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THE ROLE OF INDUSTRIAL BUSINESS ASSOCIATIONS
IN CLEANER INDUSTRIAL PRODUCTION AND
IN SUPPORT OF CLEANER PRODUCTION ACTIVITIES*

Prepared by
the International Network for Environmental Management

*The views expressed in the present document are those of the authors and do not necessarily reflect the views of the UNIDO Secretariat. This document has not been edited.
The International Network for Environmental Management (INEM) aims to minimize the environmental impacts of industrial activities and to help industry and business reconcile the imperatives of development and environment. INEM draws on the concrete experience of members to show how to implement pro-active environmental policies that are compatible with market success. INEM promotes a holistic approach to environmental management into business culture, operation and methods and places special emphasis on small and medium enterprises and industries in developing countries.

INEM actively promotes the concept of cleaner industrial production both directly and indirectly through the enabling environment it fosters, and through the motivation of management it creates all over the world. INEM provides a platform where cleaner production centres can exchange information with their peers in environmental management associations and where the complementary approach can be combined for greater synergies.
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IV. A FEW SUGGESTIONS TO PROMOTE CP PROGRAMMES

A. For Governments and donors

B. For public and private research centers

C. For international organizations and information providers

V. SUMMARY OF MAIN POINTS

Annex

INEM approach to EM and CP with a programme of activities that reconciles fundamental business and environmental objectives and values
Introduction

1. This paper is based on the experience of several business associations and after consultation with Cleaner Production Centres all around the world. It addresses the issues systematically, stating definitions and simplifying assumptions to allow maximum clarity. We will first define industrial business associations and determine to what extent similar recommendations can be drawn for each subtype. The reason to differentiate between types of organization is because restricted resources force us to allocate these resources in the most efficient way, to try to implement the most effective division of labor strategy between organizations to avoid wasteful overlaps. We will then analyze problems presently preventing the greater use of Cleaner Production (CP) in industry, and try to see the role of business organization in solving these problems.

2. We show that the problems can be solved by raising the demand for CP, and we make proposals to raise the demand for CP, by linking CP to the implementation of environmental management (e.g. EMAS/ISO 14000). Finally, we end with recommendations for different institutions.

I. WHAT TYPES OF INDUSTRIAL BUSINESS ORGANIZATIONS ARE RELEVANT AND WHICH SHOULD WE FOCUS ON?

A. Definitions

3. How do we define industrial business associations? All types are to be distinguished from purely technical/professional associations, mostly composed of individuals (e.g. engineers and accountants, both key professions for CP), which are dealt with in another document. The membership of the business organizations are in general companies themselves, though in some cases, they are top management representatives in their personal capacity.

B. Defining parameters and types of associations

4. There are two independent parameters which we may use to make useful distinctions whether an association has a sectoral focus or not, and whether the association deals mainly with environmental issues or not. This is shown in Table 1. Also indicated are typical examples of specific business organizations at each intersection.

5. We exclude organizations which are both sectoral and have a more restrained mission, for example on specific legal issues, because these are too narrow. We also exclude those business associations focusing only on narrow environmental aspects, e.g. packaging. In general, their role is not relevant to CP except as general stimulus of environmental awareness in business.
Table 1

Examples of relevant types of industrial business associations

<table>
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<th>Sectoral</th>
<th>Non-sectoral</th>
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<td>Environmental focus</td>
<td>e.g. IPIECA - International Petroleum Industry Environmental Conservation Association (Type I)</td>
</tr>
<tr>
<td>General focus</td>
<td>e.g. ICA - International Chemical Association (Type III)</td>
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6. To avoid national specificities, we give examples of each type on the global level (i.e. the organization which represents its type globally, rather than nationally or regionally). Each type has its national committees or affiliated national organizations. This does not affect the analysis or its conclusions. For more convenient reference, we number them by type:

Type I = sectoral + environmental focus
Type II = non-sectoral + environmental focus
Type III = sectoral + general focus
Type IV = non-sectoral + general focus

C. Relevance of each association type to CP

7. We cannot lump all these different types of business organizations in one. It would not be helpful to restrict ourselves to considering only one or two of the above types. All these types exist, and all have as members industrial companies which need CP. Further, though so far only few actively support CP, all publicly support the philosophy behind CP. All are needed in the spread of the concept and benefits of CP in industry, if only for general awareness.

II. BARRIERS TO CP IN INDUSTRY

A. Barriers from the psychological point of view of the manager

8. We can classify the main problems preventing the implementation of CP as follows: in the order in which they appear. For example when a lower-level problem is solved, the next one on the list becomes dominant. Note that the list has been designed from the psychological point of view of a manager of industry.
Table 2

Barriers to CP from the point of view of the manager

1. Lack of general consciousness/awareness about the relevance of environmental protection in business, "Environmental Protection has no relevance to my business".

2. Lack of detailed knowledge about the specific benefits of CP, "What real benefits can this Cleaner Production stuff bring me?"

3. Lack of belief in the benefits in spite of the knowledge, "I don't believe all these wonderful stories you tell me. This is only for rich foreign companies!"

4. Lack of neutral, credible, and cheaply available information on how to implement CP once a decision has been made to implement this, "Where do I get good and credible information on how to implement this?"

5. Lack of finances once the needed information has been collected, "I don't have money even to make that small investment".

9. Each one of these stages is a step in a hierarchy. It is useful to visualize these steps as a linked chain, because different type of organizations can help to alleviate the problem at different stages. Stage 5 applies after the "low hanging fruits" have been harvested, i.e. when low-cost or no-cost performance improvements through improved housekeeping have been exhausted. Experience from Norwegian, Dutch and USA programmes show that up to 30% improvements can be made with no or minimal investments.

10. In general, experience shows that it is more productive to emphasize positive economic aspects of CP rather than environmental aspects.

B. Other important barriers

11. Two major barriers are missing from the previous table because they do not easily fit in the linear psychological model, and are relevant to all stages. The first is the lack of economic incentives and the second the lack of qualified people for CP and CP assessment.
12. When resource prices do not reflect real costs, there are less specific benefits of CP, though even then, for a factory which uses less resources and produces less pollution, CP is a powerful incentive. In this case, the strongest incentives may come from the visible and positive human health effects which CP brings as it reduces dusts, gases, volatile organic chemicals and other emissions, as well as reduces sick time, etc.

C. Small-scale industries

13. It is important to remember that all problems mentioned above are magnified when companies are small. In general, business associations tend to be financed and dominated by big companies, while the biggest problems in implementing CP, for a variety of well known reasons, are encountered in small-scale industries (SSIs). So we are justified in asking: Can a big business organization solve problems associated with small ones?

14. The answer that a big company is a collection of small companies forgets the advantages which such "small-within-larger units" have in being able to call upon resources (financial, managerial etc.) from another part of their larger mother company.

15. We should therefore use as a key criterion to evaluate potential solutions whether these and their implementing agencies are able to help SSIs, as indeed is the goal of UNIDO NCPCs, even if they often start with big companies.

D. Raising the demand for CP

16. The key indicator which will tell us when the problems of lack of awareness, lack of knowledge on benefits, and lack of belief are solved, and which will solve the problems of lack of credible information and accessible finances, is the "demand" factor. If there is a market demand for CP (and fair competition), then other elements will fall into place. So the problem becomes: HOW DO WE RAISE THE DEMAND FOR CP?

17. This becomes a second key criterion which we must use to evaluate the role and usefulness of different associations. The third criterion is how cost-efficiently associations fulfill other criteria, and the last is to what extent a multiplying/leveraging effect is achieved.

18. To maximize human and financial efficiency of CP programmes, we propose to use the criteria in table 3. Organizations should be evaluated as to their ability to fulfill each criteria, and a different cooperation strategy of NCPCs and UNIDO should be used with each type of organization, to allocate resources most efficiently through a division of labor. The results of this process should lead to the most efficient partnerships that promote CP, and most importantly, how to maximize the chances of CP programmes surviving after initial funding expires, and how to ensure that CP concepts are spread throughout the industry of each country, especially within SMEs.
19. It seems that in general, the associations with environmental focus are more suited to spreading CP ideas, because they focus on promoting environmental awareness in companies, and thus directly or indirectly raise the demand for CP. Because of this focus, there is also less scope for potential "interference" from other goals of the organization, eg political, economic, or trade union bargaining issues, and therefore more credibility for the targets.

20. On the other hand, the environment committees of general associations are key allies in spreading the message to a broader layer of companies, at least at an introductory level.

Table 3

Criteria to evaluate cooperation strategies towards different business organizations in promoting CP

1. MAXIMIZE DEMAND FOR CP: to make CP concepts sustainable

2. MAXIMIZE OUTREACH POTENTIAL FOR CP: to make CP concepts used by small companies and industries

3. MAXIMIZE DISSEMINATION EFFECT: maximize highest multiplying/leveraging effect

4. MINIMIZE COSTS: maximize synergies and cost-efficiency

III. HOW CAN BARRIERS TO CP BE OVERCOME?

A. Analysis of barriers in more detail

21. Let's examine now each barrier in more detail, and which association types are best suited to help lift specific barriers

Lack of general consciousness/awareness about the relevance of environmental protection in business

22. More and more, this lack is being addressed, though principally still in OECD countries or in large companies. In general, all business actors can contribute to this, as it is a very general condition. This condition is also addressed by pressures of the public, clients, consumers, environmental NGOs, and by legal or market requirements (eg for export). To quote Allen
Morley, Managing Director of the Australian Centre for CP: "Business associations are a vital component of the cleaner production and awareness process."

**Best suited associations:** All types, either directly or through their environmental committees

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**Lack of detailed knowledge about the specific benefits of CP**

23. This is a "technical" requirement, and cannot be dealt with efficiently by the general associations. It should be done by the CP centers, and additionally by environmental focus associations. So far, a body of knowledge has been created but is not standardized, it is in different places, and not readily available. CP bodies are the first repositories of such knowledge but business organizations can act as multiplicators of the information.

**Best suited associations:** Types I, II and environmental arm of others

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**Lack of belief in the benefits in spite of the knowledge**

24. This problem is one of the trickiest, and is often related to the fact that people only really believe if the examples presented are from similar companies close to home. No Indian manager will care that 3M has saved a billion dollars with CP, but they will care if their peer saved a few thousands. As Mr. Chandak, Director of the NCPC India expresses "There must be locally applicable CP information available. If not, it must be prepared."

**Best suited associations:** Type II (EM associations) because of their experience in convincing local companies about the benefits of implementing EM.

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**Lack of neutral, credible, and cheaply available information on how to implement CP once a decision has been made to act**

25. This is another crucial point. Often, companies fear that a so-called CP consultant may in fact be a disguised sales agent for a company, and may sell them the most expensive equipment, rather than the cheapest for the job, just to increase their commission.

26. Further, there is a need to deliver CP information in very many different ways, not restricted to the usual goals to deliver information electronically, though all delivery mechanisms should be ultimately based on a very strong and efficient computer database.

**Best suited associations:** mainly Type II, EM associations for the same reasons as above. Such associations are also neutral rather than mainly lobby tools
Lack of finances once the needed information has been collected.

27. One of the big problems up to now has been that some CP programmes are given just enough funding to start and succeed in "wetting the appetite" of the participating companies, but when it comes to obtaining funds to invest, none is available. Quoting Natalia Ladoutko, Director of the Latvian Pollution Prevention Center: "Some of our Latvian companies wanted to invest in equipment after being convinced of the benefits but they were told that no funding was available for that purpose".

28. A solution is to combine such centers into a broader EM association using the CP center as its core. In the above case, the Latvian center is the core of the national Latvian environmental management organization, and will be supported by the international network for environmental management.

29. Another solution is to spread schemes to finance CP for SMEs, like for example the scheme of the small French bank Banque Populaire du Haut-Rhin, which without losing any money lends loans at 6% repayable over 3 years to small companies for environmental improvement investment (too often still end-of-the-pipe rather than CP) for a maximum of about 60,000 US$.

Best suited associations: Consortia of banks and environmental management associations through internationally standardized programmes.

B. Relevance of Productivity Centers and Chambers of Commerce etc.

30. In some cases, Productivity Centers can overlap both the functions of CP centers and of EM associations. This is not a problem, as existing Productivity Centers can serve as the basis for CPC (as was done in India), or even for EM associations (as the Taiwan Productivity Center). The only problem which may arise is if there are several centers in the same country. Then agreements must be made to avoid duplication and overlap, except in a deliberate way.

31. Finally, the environmental advisers who work in some Chambers of Commerce or Industry Federations are themselves not in the position of helping companies directly, but should guide incoming requests to the associations and centers. This means that they themselves should know exactly about the existence of the EM and CP bodies, and the latter should build up and nurture a good relationship with the national apex business body.

32. Sector associations in general are requested by CP bodies to cooperate in introducing and promoting CP in their sector (see table 4).
Table 4

Demands for CP centres with respect to sectoral associations

Sectoral associations should work together with the local CP center to promote CP training in their sector.

Sectoral associations should spread information and success stories about CP in their sector.

Sectoral associations should inform NCPCs about the CP needs and in particular the training needs for CP in their sector.

Sectoral associations should encourage the people in their sector who have been trained to share their experience with their peers in future training.

C. Environmental Management: A Key Element?

33. CP without environmental management is not sustainable. The reason for that is clear: CP does not work without management commitment. And CP, which has clear environmental benefits, as Mr. Chandak, Director of the NCPC India very clearly stated when speaking about management motivation: "The primary condition for CP is management commitment". Similarly, Mr. Vladimir Dobes, Director of the Czech CPC says: "Lack of commitment at the top management level is a barrier to CP", or Prof Blazej, Director of the Slovak CPC: "There is no chance to implement anything if it is not under the auspices of top management. The goal should be to use CP as a step to attain integrated environmental management."

34. CP is just one element, albeit a very important one, but which must be combined with other elements of a integrated strategy which includes human resources, marketing, finances etc. The necessity to combine the management side with CP is expressly recognized by CP centres.

35. The broadest yet at the same time still useful operational definition of Sustainable Development for most companies is the concept of environmental management. CP is too narrow a concept and more general socio-ethical considerations are still too theoretical for the vast majority of companies.
D. Cooperation of CP centres with environmental management associations

36. Overall, we can see that though in general, nearly any association can distribute information, the best suited partners to raise the demand are environmental management associations. Many cleaner production centers are associated with national EM organizations. Other centers are becoming the platform for new environmental management associations (e.g. Latvia).

37. Certain demands expressed by CP centres to business organizations are the core activity of environmental management associations. To again quote Vladimir Dobes, of the Czech CPC: "Industrial business associations should promote ISO 14000 and stimulate enterprises to include CP as the main aim of EMS". Or Mr. Chandak of NCPC India: "ISO 14000 is an area which NCPCs should use to promote the demand for CP".

38. EM associations may provide ideal "one-stop-shops", as requested in the United Nation's Agenda 21, where CP centers can exchange information with their peers in environmental management associations, and where complementary approaches can be combined for greater synergies.

39. Therefore the most important reason in general why CP centers should cooperate with EM associations is that through their normal activities, environmental management associations raise the demand for CP.

40. Cooperation with EM associations also answers the concern that business associations in general are lobbying institutions, as EM associations concentrate on the practical implementation of EM in companies, rather than on defending specific economic interests of companies.

E. Towards a virtuous circle

41. Let us address the two remaining problems identified earlier, i.e. the lack of qualified CP experts and a macro-economic framework conducive to CP.

42. Raising energy and resource prices in many countries amounts to political suicide. One way to allow this is to spread the benefits of CP enough that the savings attained make it politically feasible to diminish subsidies in a step-by-step fashion. If these steps are clearly announced long enough in advance, the knowledge of this will raise the demand for CP, or at least can be used by proponents of CP to sell their product.

43. A greater demand for CP leads to greater savings and therefore to the political possibility of implementing the next step in the reduction of subsidies. In that way, a virtuous circle can be started. This virtuous circle should be the policy goal of all governments, and should be the main incentive for them to support CP.
44. Secondly the lack of qualified experts will be slowly remedied by the increasing demand. In the meantime, training of local experts should be promoted, but these should be trained regularly together with their colleagues in other countries as well, or at least be given the opportunity to exchange their experiences and know-how with their peers.

45. By raising the demand for improved environmental performance in industry, environmental management associations also raise the demand for such experts.

46. So we finally arrive at a two-prong strategy for making CP programmes sustainable, i.e. a strategy which fulfills the criteria of promoting CP concepts in industry of all sizes and all sectors, with the highest efficiency in terms of human and financial resources. (More general conclusions and recommendations are made in the summary points at the end of the paper.)

************ TWO PRONG STRATEGY FOR MAKING CLEANER PRODUCTION SUSTAINABLE ************

FIRST PRONG

IN GENERAL, COMBINE CLEANER PRODUCTION BODIES WITH ENVIRONMENTAL MANAGEMENT BODIES TO BENEFIT FROM SYNERGIES AND MOTIVATION

THIS WILL FUNCTION AS THE MAIN NATIONAL RESOURCE AND CENTRE OF EXCELLENCE IN THAT COUNTRY

SECOND PRONG

USE NETWORK OF OTHER INSTITUTIONS FOR BROAD PROMOTION AND DISSEMINATION OF CP CONCEPT AND EXAMPLES (SECTORAL ASSOCIATIONS, CONSULTANTS, ACADEMIC INSTITUTIONS ETC)

************ IV. A FEW SUGGESTIONS TO PROMOTE CP PROGRAMMES *******

A. For governments and donors

47. In general, NCPC's emphasize the need for greater public support from India "In order to make CP a widely accepted reality, an explicit political willingness is needed on the part of the government to support and pursue CP vigorously", and Australia "National governments have a crucial role in promoting and, where appropriate, assisting industry in the adoption of CP"
A particular point is the follow-up financial support needed to establish a CPC. For example, the Czech CPC could only expand its activities, after the initial project supported by the Government of Norway, because it was integrated into the UNIDO/UNEP network of National Cleaner Production Centres. This example is fortunate but in many cases, support is not sufficient. For example, support does not include funding for international travel to other centers, or to meet other centers.

Governments and donors should support close cooperation of CP centers with EM associations, including on a case-by-case basis expanding the scope of CP centers to include environmental management.

Governments and donors should support participation of their own national CP centers or of those whom they finance in the INEM Partnership Exchanges, where they additionally meet and network with their colleagues from environmental management associations from all over the world.

Also, there should be a better follow-up once the programme has started and when companies look for funding to implement measures. Examples from the Czech Republic and Latvia show that good CP measures are not always implemented because of lack of investment financing.

B. For public and private research centers

Public and private research centers should enter into partnership with CP centers to promote a two-way exchange:

- CP centers should inform research centers of real needs of industry
- research centers should inform CP centers of their latest discoveries to accelerate their development to market ready processes and products

C. For international organizations and information providers

Accurate, reliable and cheaply available information is the lifeblood of a CPC. This is why IGOs and other information providers on CP should strive to provide free or reduced price access to information to NCPCs.

As a start, the results of the UNEP/UNIDO survey of sources of information should be widely distributed free of charge to all Environmental Management, Cleaner Production, Pollution Prevention and Waste Minimization associations and centers around the world.
55. It is beyond our scope to evaluate the reliability or usefulness of existing technological information systems for CP, but at least one thing has been established by INEM, it is that few people know about the existence of the different information providers, or about the previously mentioned survey.

56. In general, IGOs, donors and international financial institutions (IFIs) can accelerate the spread of CP by requiring the implementation of environmental management in all projects financed, including CP as a vital sub-component.

V. SUMMARY OF MAIN POINTS

GOALS

1. INCREASE DEMAND FOR CP

   CONDITION 1: RAISE MANAGEMENT MOTIVATION

   RECOMMENDATION 1: COMBINE ENVIRONMENTAL MANAGEMENT AND CLEANER PRODUCTION STRATEGIES

   CONDITION 2: IMPROVE ECONOMIC INCENTIVES

   RECOMMENDATION 2: CREATE POCKETS OF SUCCESS THROUGH SUCCESSFUL APPLICATION OF EM AND CP

2. IMPROVE ENABLING ENVIRONMENT FOR CP

   CONDITION 1: IMPROVE HUMAN RESOURCES

   RECOMMENDATION 1: PROMOTE TRAINING OF MULTIPLICATORS

   CONDITION 2: IMPROVE INFORMATION RESOURCES AND DISTRIBUTION

   RECOMMENDATION 2: PIGGYBACK ON ENVIRONMENTAL MANAGEMENT INFORMATION SYSTEM, USE BROAD NATIONAL NETWORK OF MULTIPLICATORS
CONDITION 3  IMPROVE FAIR ACCESS TO FINANCING FOR CP

RECOMMENDATION 3: PROMOTE INNOVATIVE FINANCIAL MECHANISMS, ESPECIALLY FOR sMEs/SSIs

Other recommendation:

Promote internationally standardized contracts whereby experts or consultants are paid a percentage of the savings, rather than a percentage of sold equipment (whether they are paid for their time should be decided on a case-by-case basis).
Annex

INEM APPROACH TO EM AND CP WITH A PROGRAMME OF ACTIVITIES THAT RECONCILES FUNDAMENTAL BUSINESS AND ENVIRONMENTAL OBJECTIVES AND VALUES

1. Set out a new philosophy of industrial development with the target of low zero-waste and low-zero-pollution by the year 2020, and promote the local and national organizations to achieve it with EM and CP.

2. Develop, promote and introduce CP as "normal" for every industrial production that business can expect to operate after the year 2020.

3. Start with a cooperative effort between SMEs, larger enterprises, multi-nationals, governments and trade associations to set up INEM-type industry associations for EM and CP in every country to:
   - introduce CP and other EM measures in member firms as part of the continuing development of an integrated system of EM;
   - propagate the findings of joint experience and discussion;
   - inform the general public truthfully of these activities;
   - influence the development of an economic framework providing greater incentive to enterprises to exercise EM and CP in their own financial interest;
   - offer members workshops, seminars, presentations and forums on EM CP;
   - create educational material for the special needs of SMEs everywhere;
   - initiate and coordinate research and pilot projects;
   - promote training schemes for EM and CP;
   - supply members with regular information through an information service;
   - cooperate with business associations, chambers of commerce, trade unions, government agencies, environmental associations and even active NGO's.
   - cooperate with sister associations in other countries through INEM.

4. Encourage major companies to support national EM associations, whether they are members or not, by
   - supplying specialized speakers for workshops, seminars and forums;
   - sponsoring and conducting pilot and demonstration EM projects.
- making non-confidential know-how available to the association;
- permitting use of their organization, means of communication and world-wide contacts, for international surveys into environmental technologies;
- raising the demand for environmentally preferable products and services through specific "green" procurement policies;
- using their market position and financial power in conformity with the interests of the association;
- deliberately assisting member SMEs along the lines of "the strong help the weak";
- requiring foreign subsidiaries to support their local EM association.

5. Motivate competent government and administrative bodies to support the establishment and operations of EM associations by:

- taking un-bureaucratic action to remove any administrative barriers to the establishment and operation of such an association;
- recognizing the association as beneficial to the community in the existing tax laws and in getting privileged fiscal treatment;
- supplying it with personnel for which it does not have to pay if the country has a job creation programme offering such possibility;
- providing financial support for, or initiating, congresses, research projects or pilot projects;
- respecting the association's independence in pursuance of its statutory aims.
- encouraging state-owned enterprises or services (post office, railways, water works, electricity and gas companies etc.) to join the association.
- ensuring that the above enterprises and institutions, and public authorities, conduct their materials management with the purchase of environmentally benign products and the reduction of hazardous waste in mind.
- influencing the general economic framework such that enterprises harming the environment suffer heavier financial penalties, whilst environmentally sound attitudes are better rewarded.

6. Get private and public foundations and other charitable organizations, to give moral and financial support to EM associations.