



UNEP **Finance Initiatives**
Innovative financing for sustainability



UNEP FI Activities Update

The World Summit on Sustainable Development

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Financing for Sustainable Development: Launch of the joint World Bank – IMF – UNEP Report

Key messages:

- There is an increasing willingness of key actors in the public and private sector to consider how their interrelationships could be used to generate finance for sustainable development.
- The private sector has the potential to provide innovative sustainability solutions, but to date this has not been fully achieved.
- The key global players in the world of public and private finance have embarked on a process of mutual learning and cooperation.

In July 2001 the World Bank and UNEP agreed to work together to produce a joint report on finance for sustainable development. Within UNEP the Finance Initiatives (FI) Secretariat was given the managerial responsibility for this project including the drafting and editing of UNEP's contribution to the publication. The report was presented for the first time at an OECD conference in Paris in April 2002, and the final publication was officially launched at WSSD. The 73 page report is available for download at www.unepfi.net.

Being one of the first side events at WSSD concerned with finance and sustainability, the panel discussion attracted a good 250 people into the Auditorium of the IUCN environment Centre at Nedcor Bank. The high-level panelists, namely Cielito Habito, former Minister of Socio-Economic Planning, Philippines (chair), Kristalina Georgieva from the World Bank, Jacqueline Aloisi de Larderel from UNEP, Kenneth Ruffing from the OECD, and Mandla Gantsho, CEO of the Development Bank of South Africa, addressed the main issues covered in the report: subsidies, especially in the energy and water sector; small scale solutions, i.e. microfinance; the potential of the private sector for innovation; improved use of existing environmental expenditures; public-private partnerships, the linkage of ODA and FDI and the role of development banks.

Following the panelists' speeches, Mr. Fidel Jaramillo of CAF, the Andean Development Bank, commented from a Latin American Perspective, stressing the interrelatedness of financial markets and the resulting vulnerability of countries in the region to external shocks and contagion.

During the question and answer session an intervention calling for efforts to educate professionals who are competent to deal with the challenges of the finance-sustainability interface was met with broad support. Other questions related to funds for greening local industries; the weakening of World Bank forest policies; the Bank's investments in fossil fuel projects; the lack of constancy of IMF funds; and the unique character of non-renewable resources like water, which cannot be expressed in nor recreated through money.

August 29, 2002

“Finance, Sustainability and Africa” The UNEP FI African Task Force (ATF) at WSSD

Key messages:

- In order to make the sustainable finance agenda relevant for Africa, it needs to be regionalised.
- Institutions to link the local and the international finance sector, like the UNEP FI African Task Force, are vital for progress on both levels.
- Local-Global knowledge exchange holds the potential to make a difference to people’s lives.

In January 2002 UNEP FI held the third in its series of regional outreach conferences in Midrand, South Africa. A major outcome of the dynamic two and a half day roundtable, was the formation of a UNEP FI African Task Force on Finance and Sustainability, which to date consists of 16 member representatives of financial institutions in Southern Africa. The ATF aims to increase the awareness of African financial institutions regarding the links between finance and sustainable development, through a practical work programme which will be formally launched in the coming months. On August 29th, the UNEP FI ATF dedicated one day at WSSD to finance and sustainability in Africa, by hosting a morning workshop on Africa specific issues and an afternoon panel discussion which incorporated related international experiences.

UNEP FI African Task Force Workshop, 11-13 hrs

Chaired by Mr. Cas Coovadia, General Manager of the Banking Council of South Africa, and Chair of the UNEP FI African Task Force (ATF), the ATF workshop introduced an exclusive summit audience to pressing sustainable finance demands in the African context.

Joined by more than fifty representatives of the predominantly African financial sector and related associates, both Cas Coovadia and Sean de Cleene (Co-Director of the African Institute of Corporate Citizenship and Co-chair of the UNEP FI ATF) led an expert panel discussion on the present challenges facing the African financial sector. Ms. Rosie Chekenya, of Roscom Consultants/UNEP Zimbabwe, explored cleaner production (CP) investment opportunities in Africa, along with a proposal for a regional CP financing facility. Sean de Cleene’s focus on social responsible investment (SRI) issues for Africa, coupled with Ms. Nicky Newton-King’s explanation of the Johannesburg Stock Exchanges recent incorporation of an SRI index into JSE operations, provided a vital “social” dimension to the proceedings.

These African perspectives were systematically balanced with international perspectives on environmental management and reporting and the overall progression of the “triple bottom line” agenda within the global financial sector, through the presentations made by Mr. Phil Case of Barclays and Mr. Brian Pearce of Forum for the Future UK.

These presentations made in the luxurious facilities of the Hilton hotel, invited participants to recognize and reflect upon the disadvantages that prevailed outside in the physical, economic and social environments of the African continent. In doing so pledges were made by UNEP FI ATF members and supporters to address specific sustainability challenges for the African financial sector, through the newly established UNEP FI ATF work programme. This work programme’s present objectives are the identification of practical sustainability priorities for the African financial sector, the establishment of common standards and codes of conduct to facilitate this, and the encouragement of the overall adoption of best sustainability practice across all levels of African financial institutions.

UNEP FI African Task Force Panel Discussion, 14-18 hrs

In the afternoon, the African Task Force invited the international finance community to join them for a panel discussion to explore regional and global perspectives on sustainable finance, in an attempt to showcase best practice, and to discuss experiences, expectations and possible ways of mutual collaboration and learning.

The Chair, Cas Coovadia, greeted the 120 participants, and then Jacqueline Aloisi de Larderel, UNEP, opened proceedings by providing an intergovernmental perspective on the subject matter. She was followed by Sean de Cleene, African Institute of Corporate Citizenship, Nicky Newton-King, Johannesburg Securities Exchange, and Mumba Kapumpa, African Capital Markets Forum, who provided the African context.

This focused on the current sustainability performance of African financial players; critical issues for the region like HIV/Aids; how to connect Africa to international capital markets, and the challenge of making sustainability, and sustainable finance in particular, tangible “for the man in Soweto”.

In the second half of the afternoon, the UNEP FI family presented the history, rationale and ongoing work programme of the initiatives. After a broad introduction by Michael Hoelz, co-chair of UNEP FI, Thomas Streiff, the new chair of the UNEP FI Climate Change working group introduced the group and its current project the Greenhouse Gas Market Framework Study. Phil Case from Barclays, a member of the UNEP FI Environmental Management and Reporting working group briefed the audience on the group’s

development of financial sector specific guidelines on Environmental Management and Reporting, and Takejiro Sueyoshi, a long-term member of the UNEP FI Steering Committee, drew a picture of the state of sustainability affairs in the Asian financial sector. Dirk Reinhard from Munich Re completed the panel discussion with a presentation on insurance and climate change.

Questions from the audience covered a range of issues from the pre-financing of Clean Development Mechanism projects, the adequacy of global standards, and screening of carbon intensive companies. The essence of an afternoon of global-local exchange was nicely summed up by an appeal from the audience: “We must connect the farmer, who understands the soil, with the banker who understands risk”. Cas Coovadia closed proceedings with the call for a more comprehensive understanding and engagement of the finance sector, that encompasses a diversity of formal and informal actors who need to be interrelated in order to bring about change.

August 30, 2002

The role of financial services in sustainable development: a facilitated roundtable discussion

Key messages:

- The progress towards sustainability in the finance sector has been quite significant – the glass is half full, not half empty.
- Initiatives working on different levels and in different institutional contexts are complementing each other.
- The issue of standards – universality vs. subsidiarity – remains one of the big challenges in order to have mainstream impacts.

The event, hosted by the UK government in conjunction with UNEP FI and the Corporation of London brought together a stimulating mix of high-level government, financial sector, industry and NGO representatives.

After Margaret Beckett, UK Minister for Environment, Food and Rural Affairs, greeted the select audience, a memorandum of understanding was signed by Klaus Toepfer, Executive Director UNEP, and Dame Judith Mayhew on behalf of the Corporation of London, in recognition of the benefits of coordination and mutual support.

Following the signing and the addresses from Mr. Toepfer and Dame Mayhew, the facilitator Richard Sandbrook kicked off discussions among the invited speakers, who included: Sir Robert Wilson, Chairman of Rio Tinto; Phil Case, Environmental Director Barclays; Michael Hoelz, Chair UNEP Financial Institutions Initiative, Deutsche Bank; Charles Nicholson, BP;

Takejiro Sueyoshi, Special advisor to the UNEP FI 2003 Roundtable, Nikko Asset Management; and Charlene Hewatt, Director Environment Africa.

One of the most important concerns of the speakers as well as commentators from the audience was the question of the conflicting needs for uniformity and global reach of standards on the one hand, and the necessity to take into account industry specific or regional aspects.

Although the question remained unresolved, a positive spirit prevailed, thanks to the realization that both the work of UNEP FI over the last ten years and the more recent project of the London Principles, were an expression of a powerful change underway in the minds of a growing number of financiers.

August 31, 2002

IUCN Business Day

Key messages:

- UNEP FI is setting strategic partnerships to improve stakeholder activities.
- Biodiversity is an area where the business case for sustainability has become apparent.

On the 31 of August, the IUCN staged an impressive number of 50 events in the IUCN environment centre under theme of “building the business case for biodiversity”. UNEP FI’s contribution consisted of a Memorandum of Understanding, endorsing the benefits of information sharing and cooperation of the two organizations, both of which are based on an impressive global membership in their respective fields of activities. The MoU was signed by Michael Hoelz on behalf of UNEP FI and Achim Steiner, the Director General of the IUCN, and confirmed by a handshake to a fruitful partnership. For UNEP FI the partnership with IUCN complements the efforts to intensify stakeholder relations by setting up a Forum for Action as a communication and partnership platform for NGOs and UNEP FI signatories.

The Forum for Action, building on the tradition of working with NGOs at the UNEP FI Annual Roundtables in Frankfurt (2000) and Rio (2002), was officially announced at WSSD in Johannesburg and will be an important vehicle for operationalising the biodiversity MoU with IUCN.

Michael Hoelz also contributed the UNEP FI perspective to the day’s main dialogue session, the investors dialogue entitled “Can risk capital generate biodiversity returns?”. Participants in the dialogue discussed practical examples of a biodiversity fund, set up by the Nature Conservancy, and the investment strategies of SAM (Sustainable Asset Management). One of the

main conclusions was the necessity to communicate with and involve stakeholders, in order to ensure true triple bottom line success. A process, which UNEP FI is working on through its NGO Forum for Action, and in which it had just taken a step forward by signing the MoU with IUCN.

September 2, 2002

Joint panel event on Finance and Sustainability: UNEP FI and the World Business Council for Sustainable Development (WBCSD)

Key messages:

- The major players in the finance sector have recognised the importance of sustainability and are acting accordingly.
- To cover the wide range of sustainable finance issues adequately, it is helpful to work on several levels and with a variety of coalitions involving different actors.

With the conference entering into its second week, the invitation to the joint event drew a good 120 participants into the Hilton Hotel. Chaired jointly by Arve Thorvik, WBCSD, and Jaqueline Aloisi de Larderel, UNEP, the panel discussion served to introduce the audience to the two organisations' work on finance and sustainability.

Michael Hoelz revisited the achievements of 10 years of UNEP FI, which form the basis of the contribution the initiatives had brought to WSSD: the finance and insurance sector report, the WSSD statements and the financing sustainable development report. He also highlighted the regional outreach component of UNEP FI, of which the African Task Force is one of the youngest, but most exciting projects. Picking up an advertisement on the role of business in deforestation, which was distributed to the audience by Rainforest Action Network, he argued that such actions proved that sustainable development and shareholder value are on the same page, and highlighted the need for better global governance, based on cooperation of business, governments and NGOs.

Lutz Cleeman from Allianz presented the work of the WBCSD financial sector project. The WBCSD had conducted interviews among 60 people from the worlds of business, finance, IGOs and NGOs about their views on how the financial sector is moving toward sustainability. The project is now investigating how financial players can move toward sustainable development, and how they can help others alike advance. 11 companies from the finance and insurance sector have signed a CEO statement, in which they recognise that the integration of sustainable development into business practices is prerequisite for continuous success of companies and long-term shareholder value; their role as drivers for change, but also the need to explore further the limits of financial institutions' responsibility; and the need for

improved transparency. The signatories commit to undertake to promote proactive sustainable development thinking in their own companies, with other financial institutions, with clients and stakeholders; and to seek ways to increase mutual trust.

In order to broaden the perspective of the discussion, Paul Kapelus from the African Institute of Corporate Citizenship, a member of the UNEP FI African taskforce, addressed the issues from the point of view of an African NGO. He focused on evaluation, managing social risk, the development of appropriate financial products and services, and the building of a sustainable brand, as the main challenges and opportunities of the finance sector, and illustrated both the need and the opportunities with examples from Africa. The ensuing question and answer session with the audience proved once more that the interest in sustainable finance is gaining broader ground.