Attracting the « Right Kind » of Foreign Direct Investment (FDI)

• The challenges – what we know
• The « Right Kind of FDI » – the finance sector’s role
• UNEP Finance Initiatives
The dynamics and drivers of FDI are complex and multi-layered. The players in the FDI game are numerous & vested interests manifold.

The 80/20 hurdle
Race to the bottom?
Leap to the top?
Sectoral imbalance
Does the community really need the plant?
Building “dynamic, productive investments” in sound industries and businesses.

Investments which build longterm social, environmental, and economic capital.
The Challenges - What we know

• Project developers
• Domestic government – Boards of Investment
• Supporting government – Export Credit Agencies
• Capital markets & finance Sector:
  - Equity and bond markets
  - Project finance
  - Insurance/ Re-insurance
  - Corporate finance
  - Trade finance
The Challenges - What we know

Private sector continually calls for:

• A sound regulatory, commercial and legal framework for investment to flow.

• A level playing field and unrestricted capital movement/profit repatriation.

• A rich mix of FDI goodies: « tax holidays, supporting infrastructure, well trained, educated & cheap labour supply »

WHAT SHOULD BE THE QUID PRO QUO FOR RECIPIENT COUNTRIES?
SIMPLE:

FDI which respects sustainability............

Push and pull factors are at work to drive this change
PUSH FACTORS: Increasingly if governments, corporations or supporting financial institutions get FDI projects wrong then 

Reputation and value will suffer.
• Progressive corporations and financial institutions see sustainability as a competitive advantage.

• Slowly OECD consumers and investors are integrating sustainability considerations and this will impact global supply chains.

• FDI are often longterm, capitally intensive projects. Successful FDI projects become integrated in the supporting community fabric. A sustainability approach is a powerful mechanism to achieve this.
UNEP FI Supporters sit at the heart of the Foreign Direct Investment (FDI) process.

Project finance, trade finance, insurance and re-insurance and venture capital...

A new FDI dynamic is emerging:

- Governance
- Accountability
- Transparency
Public Perceptions of Traditional Finance.
A changing FDI dynamic is one of the critical sustainability challenges for the finance sector.

Calls for more rigorous credit screening processes:

“How clean is your financing chain and asset portfolio?”

Greater pressure for asset managers to influence corporations more directly.
“More and more financial institutions: investors, bankers and insurers; are realizing that their future depends on backing the right kind of economic development.”

Dr. Klaus Töpfer
A final word:

• Conceived at the 1992 Rio Earth Summit, UNEP Finance Initiatives has grown from 6 banks to some 290 financial institutions by 2002.

• There are two UNEP FI statements of commitment - one each for the banking and insurance sectors. A company joins UNEP FI by signing one of these statements.

• The Finance Initiatives (FI) are a voluntary pact between UNEP – the environmental arm of the UN - & the 290 member institutions globally.

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