



United Nations Environment Programme

برنامج الأمم المتحدة للبيئة • 联合国环境规划署
PROGRAMME DES NATIONS UNIES POUR L'ENVIRONNEMENT • PROGRAMA DE LAS NACIONES UNIDAS PARA EL MEDIO AMBIENTE
ПРОГРАММА ОРГАНИЗАЦИИ ОБЪЕДИНЕННЫХ НАЦИЙ ПО ОКРУЖАЮЩЕЙ СРЕДЕ

UNEP Finance Initiatives:

Innovative financing for sustainability

Recommendations from the UNEP Finance Initiatives (FI) Rio Roundtable, 14-15, March, 2002 Presented to the *World Summit for Sustainable Development (WSSD), Johannesburg, South Africa

The following statement has been prepared and approved by those financial institutions, which are supporters of the United Nations Environment Programme Finance Initiatives (UNEP FI). For full details on UNEP FI see www.unepfi.net.

Promoting a sustainability dynamic in the financial system.

Action by UNEP Finance Initiatives:

The UNEP Finance Initiatives (FI) will seek to promote further amongst its members:

1. Linking of the core competencies of the financial sector to the sustainable development agenda.
2. Increased use of sustainability criteria when investing and lending, thus promoting companies that are conducting or seeking to conduct their business in conformity with sustainability criteria. The use of such sustainability criteria should be included in investments in listed bonds and equities, and in lending for unlisted companies.
3. Annual reporting of member's progress in implementation of environmental management systems and corporate social responsibility activities.
4. For those members with international retail operations, increased access of underserved people (poor) and countries (out of capital flows) to financial services as a supplementary means to fulfill unmet social and economic development needs in developing countries. Promising examples could include microfinance products and appropriate information technologies, which support up take of financial services by the poor.
5. Raise awareness of key players in the financial markets, including analysts and financial rating agencies, towards financial risks related to non-sustainable behaviour in order to encourage them to integrate sustainability criteria in their evaluation process.

UNEP FI Recommendations to WSSD

UNEP FI recommends that the UN World Summit for Sustainable Development adopts the following recommendations, so that banks, insurers and funds managers can better implement our shared goals for sustainable development:

1. Capital markets in developed economies need to be stimulated to invest more in small and medium-sized businesses in developing economies. This requires the following points:

- a. more technical assistance for small and medium-sized businesses in developing economies,
 - b. sovereign risk reduction instruments for investors,
 - c. the creation of public and private funds and mechanisms that will facilitate private equity and listed equity investments in developing countries.
2. Promote a sound investment climate to support the confidence of investors. A sound investment climate includes a broad variety of aspects such as protection of property rights, contract enforcement, control of corruption, stability-oriented macroeconomic policies, sound financial regulation and supervision, and financial transparency. Furthermore, it should also incorporate environmental and social regulations to ensure that investments contribute to sustainable long-term growth. In developed and emerging economies, review and reform the tax, tariff and finance regulatory structures that have impeded environmentally and socially sound investment.
 3. Promote internalization of true environmental costs, including greenhouse gas emissions and climate change risks, into accounting principles and practices, thereby recognizing these risks as potential business liabilities.
 4. Promote the creation of insurance and other financial products in developing countries, which are structured to cover natural and man-made risks and thereby to introduce mechanisms and behaviors for risk avoidance, control, and reduction. Such products and mechanisms should provide additional support to public sector regulatory and planning approaches fashioned to mitigate the impacts of natural and man-made disasters.
 5. Promote transparency and responsibility in:
 - a) Official Development Assistance (ODA), particularly as regards job creation, income creation, and improvement in living, working and environmental conditions and
 - b) Foreign Direct Investment (FDI), particularly as regards reinvestment of profits in the local economies, job creation, income creation, and improvement of living, working and environmental conditions in the local economies which will make both ODA and FDI more legitimate and effective. Explore mechanisms to create innovative and integrated ODA-FDI financing mechanisms that leverage greater sustainability benefits. The strengthening of NGOs, media, local government and overall institutional capacity will enhance the transparency around and benefits stemming from FDI and ODA
 6. Use debt relief mechanisms that are environmentally and socially beneficial, and improve the investment climate thereby reducing vulnerabilities and creating new opportunities.

* Significant elements of this statement were drawn from two earlier UNEP FI documents generated at the 2002 UNEP FI Global Roundtable in Rio de Janeiro, Brazil (March 14-15). These documents were first outlined publically during a UNEP FI Panel event at the UN Financing for Development Conference (UNFfD), Monterrey, Mexico, on 18 March 2002. The final statement results from a rigorous UNEP FI member companies' consultation process implemented during the period April – end July 2002.