



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

Financial Services

Promoting the role of financial services in sustainable development

Background: The Finance Initiatives have their roots in the concept of sustainable development, which reaches as far back as the 1972 Stockholm Conference on the Human Environment. The 1992 United Nations Conference on Environment and Development (UNCED) clearly underlined the importance of integrating environmental, social and economic considerations as environmental concepts were being developed in isolation from mainstream economic policy. Founded in 1992, the *UNEP Financial Institutions Initiative on the Environment* (formerly: Banking Initiative) is designed to engage a broad range of financial institutions including commercial banks, investment banks, venture capitalists, asset managers, multi-lateral development banks, and agencies in a constructive dialogue exploring the nexus between economic development, environmental protection, and sustainable development.

In 1995 a group of insurance and reinsurance companies, as well as pension funds, developed a "Statement of Environmental Commitment for the Insurance Industry", which forms the basis for the *UNEP Insurance Industry Initiative*. In this voluntary initiative, enterprises pledge that they will strive to achieve a balance of economic development, social welfare, and a sound environment. The statement acknowledges the principles of sustainable development and the precautionary principle. It also calls upon insurers to incorporate environmental considerations into their internal and external business activities. There are now over 260 signatories between the two Statements worldwide who are members of these Initiatives.

Since 1997, the global financial system has witnessed a series of structural changes, shocks and a period of accelerating corporate consolidation. These shifts have created new opportunities and challenges related to the manner in which financial services organisations manage their environmental and sustainable development responsibilities. Financial institutions, with activities in asset management, trade, and corporate financing, are instrumental in shaping Foreign Direct Investment (FDI). The global financial services sector is in a pivotal position to influence a more rigorous integration of sound environmental and sustainable development practices into a wide range of industrial, trading and commercial activities.

In 2000, developing countries received US\$ 190 billion in FDI, which was a decline on the previous year, whereas global FDI flows surpassed the one-trillion-dollar mark for the first time, having doubled since 1997. It is imperative that governments and the financial services sector work closely to enhance their understanding of the environmental and ecological risks associated with public and private investment, and develop policies and incentives which promote the implementation of sustainable public and private investments. With this objective in mind, the UNEP Finance Initiatives (UNEP FI) work programme is based on three key pillars: generation of a series of practical management tools to encourage environmental and sustainability best practice within the financial sector, including export credit agencies; the creation of synergies with UNEP's trade and economics work, notably to strengthen the financial communities contribution to the trade and environment debate; and ensuring that the financial sector makes a significant contribution to the Rio+10 Summit.

Goals and Objectives

- promote the integration of environmental and sustainability considerations into the business choices of the financial services sector;
- foster private sector investment in environmentally sound technologies;
- raise awareness of policy and decision makers within governments and financial institutions about the relationship between trade, finance, environment and development;
- encourage public and private partnerships for sustainable development;
- deepen the level of the commitment by signatories, translating it into a voluntary code of conduct with verification and sanction mechanisms in place;
- aid national governments and financial institutions to further develop programme activities, helping to guide the flow of private capital into sustainable development, particularly in developing countries and countries with economies in transition, and aligning them with UNEP priority areas (Energy, Water, Land, Natural Resources and Climate Change);

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- develop and assist enterprises and institutions in the use and application of assessment and incentive tools, including impact assessment, valuation, natural resource accounting and economic instruments, including the application of life cycle assessments of products and services, as well as the “polluter-pays-principle”;
- further the understanding of these tools, particularly risk assessment of business activities by governmental and intergovernmental entities;
- enhance the capacities of the sector to understand the economic implications of environmental standards, Multilateral Environmental Agreements (MEAs), and the potential business opportunities involved;
- foster endorsement of the UNEP Statements by the finance sector and increase the number of signatories to each Initiative so that by 2003 at least 1% of the sector globally, by market capitalization, have endorsed the principles; and
- enhance the sector’s contribution in a way that the Initiatives become self-sustaining.

Approach

- position UNEP FI signatories as pro-active sectoral leaders in the run-up to the World Summit on Sustainable Development (WSSD) in 2002;
- building capacity through a participatory approach in response to environmental, socio-economic needs in all regions of the world;
- involving local institutions and experts in the formulation and implementation of projects sponsored by UNEP or partners joining with UNEP;
- develop regional working groups, addressing region and country-specific issues in order to find implementable responses to the sustainability challenges;
- working closely with signatories and other enterprises to ensure that environmental as well as developmental concerns are taken into account;
- actively approach CEOs and CIOs to enable policy-shifts and revisiting of corporate policy priority setting;
- working closely and promoting collaboration with UNCTAD, UNDP, CSD, UNIDO, The World Bank Group, WTO and other relevant international and non-governmental organisations (NGOs); governments and the press;
- forging and strengthening of partnerships. Towards this, UNEP’s Finance Initiatives co-operates with UNCTAD, UNDP, WBCSD, WHO, WRI, WTO, the Convention Secretariats, multilateral and national banks, export credit agencies, trade associations, trade unions, academia, selected industry sectors, NGOs and other civil society organisations.

Activities

UNEP’s work in the financial services sector is based on attracting sectoral actors to engage themselves as partners in voluntary initiatives which lay a foundation for the development and implementation of a range of research, capacity building and consensus building activities coordinated by UNEP.

Research: on the development of assessment, policy and methodological tools to identify, integrate and benefit from environment-related opportunities to improve sectoral actors’ long-term financial performance.

Capacity Building: to enhance sectoral actors’ capacities to develop an integrated approach to environmental issues and establish sustainable investment policies.

Consensus Building: Seeks out areas of shared perception and approach among major stakeholders to implement sustainable development strategies through awareness raising, consultations and dialogue.

Further Information on UNEP’s Finance Initiative is available at the website: www.unep.ch/etu and through numerous publications available in electronic format online and in hardcopy format through the Online UNEP EarthPrint Bookshop.

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