

UNEP FI, Issue 2, March 2002

# 0.618...

The golden ratio... building quantity without sacrificing quality

## UNEP FI starts 2002 in Africa

A senior South African official laid down a challenge to global financial institutions at the start of the UNEP Finance Initiatives two-day African outreach conference in South Africa.

Speaking to more than 120 participants gathered from across Africa, Mr Iqbal Sharma-Meer, of the Department of Trade and Industry, Government of South Africa, explained: "On a recent visit to the US, 35 sub-Saharan trade and foreign ministers took part in a roundtable meeting. One of the key themes for the event was - 'Capital is a coward, it flees from risk.' I disagree; capital is an inanimate object. The claim that capital is a coward, is more an indictment on the owners of capital rather than capital itself."

The UNEP FI event was one of the first major international sustainability meetings in South Africa at the start of the Johannesburg World Summit for Sustainable Development (WSSD) year.

The South African trade negotiator's thought provoking keynote speech set the tone for the UNEP FI double roundtable which was hosted by the Development Bank of Southern Africa (DBSA) at their headquarters in Midrand (January 28-30, 2002). The keynote also touched upon the hidden dimension of capital: its possible racial, political and geographical preferences.

The critical question was raised as to whether it is capital itself, and the systems within which it flows, or the powers behind it that should be held accountable for neglecting socio-environmental

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## Global financial institutions gather in Rio

Financial institutions from around the World will gather in Rio de Janeiro, Brazil, on March 14 - 15 for the UNEP Finance Initiatives 2002 Global Roundtable.

This meeting, coming just five months ahead of the Johannesburg World Summit for Sustainable Development (WSSD), is a critically important opportunity for the finance sector to highlight its achievements, lessons learned and challenges ahead prior to the landmark event in South Africa. Some 300 plus finance executives, government representatives, civil society opinion formers and leading NGOs are expected to gather just a stones throw from Sugar Loaf Mountain for two days of rigorous discussion dissecting the complex finance-sustainability nexus.

The event is being hosted by the Development Bank of Brazil (BNDES), with additional support from the Corporación Andina de Fomento (CAF) and Business Action for Sustainable Development.

UNEP FI chose Rio as the location for its 2002 annual roundtable as a symbolic gesture to remember the spirit of the

**continued on page 3**

# Climate change

## Multi-billion \$US market is waiting

Leading banks and insurance companies met in Marrakech, Morocco, as observers to the United Nations Framework Convention on Climate Change (UNFCCC) negotiations. Their message to the negotiators was clear: finance is ready to provide financial products and services to tackle the threat of climate change.

Estimates indicate a potential market for emissions trading alone upward of USD 100 billion a year. However, the lack of a clear regulatory framework is still preventing the market from coming to life. The firms called on governments to build on the Kyoto Protocol and speed the creation of a framework that encourages a dynamic market.

### Unveiled

During a two hour briefing for governments, business and environmental groups, member companies of the United Nations Environment Programme Finance Initiatives (UNEP FI), unveiled a new policy document on key climate change issues.

Supporting companies, including CAF, the Gerling Group, Munich Re, Swiss Re and UBS, have stressed the need to act now to effectively manage the risks of climate change to the environment, society and the economy. The institutions predict a dramatic increase in economic losses due to natural disasters.

Thomas Loster, Munich Re, explained: "The number of really big weather disasters have increased four-fold if we compare the last decade to the 1960s. The economic losses have leapt seven-fold and the insured losses are eleven times greater. This worsening trend looks likely to further increase and deepen in its severity."

He added: "Prevention and loss mitigation are the most important steps and the Kyoto Protocol, if implemented successfully, will be a first step and will trigger a huge wave of positive developments."

### Trigger

The companies also announced the launch of a major finance sector study on the future greenhouse gas emission market. The new study, which will also explore the critical issues of "mitigation and adaptation", will be presented to the 2002 World Summit for Sustainable Development in South Africa.

Erik Schmausser of Swiss Re, the Chairman of the UNEP FI Climate Change working group, commented: "Both the new policy paper and the launch of this study are major initiatives for the financial sector. UNEP FI brings together some of the leading companies in the banking, insurance and asset management worlds with the growing consensus that the precautionary approach is the appropriate way to deal with climate change."

He continued: "It is not possible to quantify all the environmental, economic and social effects before taking action to reduce greenhouse gas emissions. Research can reduce the uncertainty, but never completely eliminate it."

Government negotiators at the UN climate talks, the companies say, should set in place a clear, effective international regulatory framework that allows innovative market responses to tackle the menace of global warming. A framework that promotes the development of global emissions trading markets and encourages climate friendly investment flows will be the most effective way to respond to climate change.

Concluding, Erik Schmausser, Swiss Re, said: "Internationally compatible, easy to understand greenhouse gas emission schemes with clear reduction targets and based on market mechanisms will be the most effective and cost-efficient measure to address climate change." ●





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1992 Earth Summit ahead of WSSD in South Africa. Recommendations from the private sector finance community generated in Rio in mid-March will be taken on to WSSD and to the United Nations Financing for Development (UNFFD) meeting taking place in Monterrey, Mexico, immediately following the UNEP FI roundtable. The UNFFD meeting starts on March 18 and will feature a UNEP FI panel event to deliver the Rio Roundtable recommendations to governments.

Michael Hoelz, of Deutsche Bank, a Co-Chair of the UNEP Financial Institutions Initiative (FII), explained: "We hope to relive the spirit of the 1992 Rio Earth Summit at our meeting and then take it on to Johannesburg in late August for WSSD. The finance sector is proud of its achievements during the decade since Rio 1992 but we are aware of the formidable tasks ahead. Our UNEP FI Roundtable will enable us to focus on next steps and thereby allow us to deliver strong and realistic messages in Monterrey and Johannesburg."

Carlos Joly, of storebrand, recently elected chair of the UNEP insurance industry initiative, commented: "After a decade of significant work by many insurers and asset managers we need to take stock to see what we have accomplished and, most importantly, what still needs to be done. Significant breakthroughs have been made in some areas, for example,

environmental standards for real estate property we own and also portfolio management that seeks to take environmental factors into account. But much still needs to be done, particularly in the area of insurance underwriting. We also want to motivate more companies in our field to take environmental challenges seriously. Rio will hopefully serve to guide us forward."

The Rio Roundtable follows UNEP FI regional outreach meetings in Asia-Pacific, Latin America and the Caribbean, and Africa, held between April 2001 and January 2002. This global UNEP FI rolling road show enabled financial institutions from around the world to provide their unique sustainability perspective as part of UNEP FI's preparations for WSSD. The one outstanding regional UNEP FI event will take place in Budapest, Hungary, in June 2002.

Jacqueline Aloisi de Larderel, Director, UNEP Division of Technology, Industry and Economics, said: "UNEP FI brings the diverse financial services community from around the world together. Private finance will play a critical role in the realisation of sustainability. UNEP FI, as the Rio Roundtable shows, is a powerful mechanism to both engage the finance sector and understand the important role our leading institutions play in bringing development which respects the Planet, People, Prosperity ethic." ●

*"If we don't have banks, insurers, asset managers and capital markets on board then sustainability runs the risk of becoming a talking shop only."*

*Paul Clements-Hunt."*

UNEP FI

**continued from page 1** risks. Finance executives and government officials, as well as participants from broader business and civil society, explored the business case for a sustainability approach by the African financial community and examined how a sustainability dynamic can be created for foreign direct investment in the continent. The African event was the third in a series of UNEP FI outreach conferences building on earlier events in Asia-Pacific (Manila, The Philippines, April 5-6, 2001) and Latin America and the Caribbean (Santiago, Chile, November 28-30, 2001). The final UNEP FI outreach meeting in preparation for WSSD takes place for the transition economies in Budapest, Hungary, in June 2002. ●

*This section of 0.618... is reserved for practitioners deeply involved in sustainable development in the south.*

**Danilo Nicodemus Pahati is a Manila based environmental advocate who works with children in impoverished communities.**

## Southern Perspectives

# Eco-advocacy: harnessing mass media and pop culture

I want to begin by thanking UNEP FI for opening up its quarterly to the perspectives of those who face poverty and environmental degradation on a daily basis. There is a global trend towards increased environmental consciousness; but many believe we have to speed up the process. It is all a matter of having the right information in the right time and in the right kind. The issue of our present environmental status must be brought to our mass attention.

Eco-advocacy is the call of the day, the hard solution and the clinical prescription that I would suggest. The issue of the environment must be fought in the battleground of public perception, we have to access the mass-mind; the global village.

Information is a key variable in achieving this goal. It is a principal commodity that we have to work with to foster knowledge, understanding, awareness, and action. Simply put, we have to deal with the challenge of packaging and presentation. Here, we have to call in the movers and shakers to join in the crusade of the centuries. Harness mass media and pop culture to the aid of our beleaguered environment. Common sense dictates that preserving the planet eventually would lend to protecting your profit. Sales pitch: publicity is not only capital conscious but civic minded.

This project must not be without its

incentives that will make it more palatable to the capitalistic mind. National government is advised to make tax cuts for companies sponsoring environmental causes with an added extra if their sales and promotions, advertisements are environmentally inspired. We are not only saving money, we are saving the planet, another positive pitch for the private sector.

That being done money-movers will go to the promoters. Star power has often been able to generate mega-bucks and celebrities have also been known to sponsor worthwhile causes, environmental or otherwise, bringing to them this same capacity to influence public perception. Instances of this include Ricky Martin advertising for Puerto Rico, the late Princess Diana and land mines; Kim Basinger for animal rights and Angelina Jolie for refugees.

Product launchers/Product ads or merchandising packages must be built around these stars. This investment, done well, will create a tangible market value in the same way Tommy Hilfiger and Coca Cola maintain margins on their products; via their marketing campaigns.

If people can create market demand for these products, I see no reason why they cannot do the same for sustainability. The key is manufacturing incentive. ●





# Australasian activities

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## Ethical Investment Association Conference

On September 3rd and 4th 2001 the Ethical Investment Association (EIA), in association with the United Nations Environment Programme's (UNEP) Finance Initiatives and EPA Victoria, held its second annual event in Melbourne. After last year's inaugural conference had been attended by over 200 delegates, this year the excellent line up of speakers from both overseas and Australia attracted over 300 financial planners, stock brokers, fund managers, as well as delegates from government, community and green groups, ratings agencies and companies wishing to gain from inclusion in the "accepted" list of screened funds.

Attendees participated in sessions on topics as diverse as:

- global performance and success of socially responsible investment funds
- growth of the Australian industry
- SRI performance attribution
- ethical banking
- ethical venture capital
- corporate social responsibility
- shareholder activism
- metrics and corporate performance
- institutional and retail investor issues

[www.eia.org.au](http://www.eia.org.au)

## Ethical investment clause included in financial services reform bill

The Australian Senate in August passed an amendment to the Financial Services Reform Bill (FSRB) requiring all financial services product disclosure

statements to state "the extent to which labour standards, environmental, social or ethical considerations are taken into account in the selection, retention or realisation of the investment." The requirement is similar to changes made to the UK Pensions Act in July 2000, however the Australian amendment includes all managed investment products.

The Australian Securities and Investments Commission (ASIC) will draft the regulations and oversee implementation. Groups such as the Ethical Investment Association, the UNEP FI Australasian SRI Committee, industry bodies and financial institutions plan to work with ASIC to ensure that the spirit of the legislation is passed into the regulations.

## Advisory committees

The Australasian branch of UNEP FI has established advisory committees covering the following four topics:

- Socially Responsible Investment
- Environmental Credit Risk
- Insurance and
- Operational Environmental Management

The committees are made up of financial institution representatives and are advising EPA Victoria and UNEP on the nature of activities and programs to run in Australasia. Successful meetings have so far been held for 3 of the 4 committees. Possible projects the committees are looking at include: running educative SRI fora in New Zealand, consolidating government environmental data for use by SRI Funds and the rural implications of environmental credit risk. ●

## UNEP/EPA Victoria Australasian newsletter

EPA Victoria is publishing a quarterly Australasian newsletter, complementing the UNEP FI newsletter 0.618.... This provides up to date information on Australasian and international environmental and social developments within the Finance Sector.

Victoria EPA signed an MOU with UNEP FI in November 2000. They coordinate UNEP FI activities in Australasia.

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# The energy for

Emerio Terra

According to the World Economic Commission the conditions conducive to attracting foreign direct investment (FDI) into the energy sector include: political and economic stability, a functioning legal framework, a regulatory regime independent of arbitrary political intervention, the necessary physical infrastructure, and skilled labour.

Two key questions emerge when these conditions are not in place:

- Given market failures, or imperfect markets, how can we develop the conditions for investment in an emerging market?
- What can firms do to find and exploit profit potential given an imperfect marketplace?

The conditions for attracting FDI that the first question speaks of are important. However the fact that some or all of these might not be in place in a given system is by no means reason to abandon opportunities that might be covered by increased costs that the lack of these elements imposes on an actor in that market.

In many wealthy nations markets continue to function and flourish given a multitude of imperfections such as IBM anti-trust suits that last for ten years, beef tariffs, and government subsidies for the logging industry.

Markets function capably under more trying circumstances than most people think. Indeed, opportunities to profit are often exploited in even the most obscure corners of the

marketplace. The ability to find and to innovate, to seek profit and be the first to capture it, is a key factor of production and development.

The last question speaks specifically of understanding local markets and discovering the pathways that make the market function by first developing an understanding of costs and benefits, then finding ways to lower costs and gain access to those benefits. By changing the way we approach a market, we change the marketplace.

While there are many innovative ways that people are answering this question in the energy sector only four will be introduced here: financial intermediaries, micro-finance, networks, and sustainability.

## **Financial intermediaries**

Financial Intermediaries active in the renewable energy sector facilitate the flow of funds from investors to developers, profiting from the spread between the operational costs (including their own concessional borrowing) and the rate at which they lend to developers. Glenn Hodes identifies several ways that intermediaries engage with the renewables sector to buy down development costs and reduce project risks. :

**Flexible Capital** provides less stringent investment guidelines coupled with smaller investment thresholds. This gives smaller companies developing renewable energy



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# profit

projects access to early-stage funding, increasing opportunities to access greater, later-stage funding while simultaneously applying repayment pressure that translates to market pressure.

**Knowledge:** Entrepreneurial and technical knowledge capital is invested in borrowing firms so as to support and expand the existing skills base and to secure the investments. The sector-specific knowledge accumulated by intermediaries also lowers transaction costs.

## Micro finance

Micro finance is a system of subsidized loan provision that provides clients with little or no collateral and/or credit history small loans to help them engage in the market. Emphasis is placed on rapid disbursement to enhance the performance and sustainability of targeted sectors.

Jose Goldemberg notes several ways that micro finance can increase market accessibility in the energy sector :

**Financing through dealers:** Banks transfer the collateral problem from the end user to dealers by lending to dealers, who in turn lend to purchasers using payment schemes compatible with their income. Dealers must bear the financial risk along with technical risks. This system is best suited to large, relatively high-income rural markets and has been applied to sales of rural PV systems and energy efficient

appliances.

**Loan aggregation through cooperatives:** To avoid the high costs of servicing many small Loans, prospective borrowers form a community association (or enlarge the functions of an existing village or farmer cooperative). Banks lend to the cooperative or lease the energy systems but retain ownership of the equipment in case of payment defaults.

**Concessional funding for public sector objectives:** The government contracts and pays a firm to provide energy services that meet development objectives, such as photovoltaic lighting for schools. This provides entry capital for the company to offer credit and expand its business to other local markets, such as photovoltaics for households, health clinics, and community centres.

## Networks

Networks, whether realized via print, electronic, or audio media help lower the information component of transaction cost. Networks also promote technological innovation and spread best practices in managing technical risks. An example is BP's worldwide knowledge network for managing technological issues. The UNEP Finance Initiatives and BASE (the Basel Agency for Sustainable Energy) are also actively supporting this area via the production of an inventory of sustainable energy funds ([www.unepfi.net/invent/isef](http://www.unepfi.net/invent/isef)).

## Sustainability

Sustainability. A firm seeking to maintain the capacity to innovate and to capitalize on innovation must also have an interest in the stability of the market in which it acts. By investing in maintaining the quality of the labour and land supply i.e. communities and the environment, firms can help maintain two key factors of production in the long term, ensuring opportunities for profit will continue to exist.

Markets are only as inaccessible to firms as the capacity of their employees to think up ways to access them, and as these examples show, new ways are being innovated every day. ●

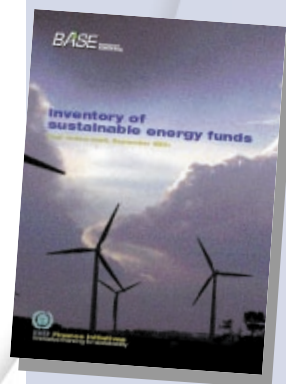
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**Emerio terra, Latin for "to earn the earth" is a regular column in 0.618... that examines emerging technologies and their impacts. This month we examine the shape of emerging markets for renewable energy infrastructure.**

Jacob Malthouse is with UNEP FI in Geneva





## Through a different lens

**Through a different lens is a regular column in O.618... that dives below the surface of the sustainability and finance debate. In this issue, Luke Danielson examines the finance mining sustainable development interface.**

# The role of the financial sector

by Luke Danielson  
Director, Mining Minerals and Sustainable Development Project

Financial institutions are being increasingly thrust into prominent decision-making roles regarding sustainable development in the minerals sector.

There are a number of signs that, as a result of this situation, a new business environment is emerging for those who invest in, lend to, or insure mining companies or projects. One of the most obvious is public pressure campaigns. There are numerous examples:

- Private banks are subject to worldwide electronic campaigns not to approve loans to some – or all – mining projects.
- Insurance companies are concerned that alienation of local communities will lead to new and hard to predict levels of losses from environmental accidents, interruption of production, legal problems, or permitting issues with government.
- Managers of equity portfolios receive increasing levels of inquiries about whether their investors' funds are being administered according to socially responsible investment principles, which in some cases currently preclude most or all types of investment in the minerals sector.

The big challenge this poses to managers of financial institutions is how to respond to, evaluate, or understand these and other new developments affecting the context in which minerals projects are developed. Where government has clear legislation, open and transparent permitting processes,

agency managers with a good deal of capacity, and access to an independent judiciary for those dissatisfied with the results, the centre of gravity of the dispute may still lie in these government organs.

But where these factors have not been established by government, the principal forum for resolving the dispute may be a bank, an insurance company, or a fund manager. This shift to seeing financial institutions as tribunals for hearing disputes has been most obvious in the case of public sector entities who fill these roles: the World Bank's International Finance Corporation, which lends to and invests in private mining ventures, MIGA, OPIC, and other public sector insurers. But the disputes are clearly starting to spill out of these public sector financial institutions into the private sector.

Ultimately, how the public and private sector financial institutions resolve these issues is of great importance for the minerals sector. Even for companies reporting no trouble finding financial backing, interest rates on borrowing, insurance rates, the performance of their stock, and transaction costs and delays in securing financial backing is always of interest to any corporate manager.

There is every reason to believe that those who lend to, insure, or invest in minerals ventures will be increasingly in the spotlight. There are perhaps three major groups of options for financial managers faced with responding to this challenge.

One clear option is simply to grit it out: to ensure that the institution has in place policies it is comfortable with, and proceed with business as usual, fending off criticism as best as can be done in the circumstances. This presents a number of risks: that the financial institution starts to put its own reputation at risk, or that the concern mounts to a point that the project cannot go forward, sometimes because the concerns are indeed well founded. It also poses the risk that projects with real defects, which are not supporting sustainable development, are built. A second option is to decide that the public concerns about projects are too frequent – and likely to become more so – that the sector as a whole is just too problematic. If public concerns rise to the point where they pose unacceptable levels of risk,

delay, or distraction, or the transaction costs become too high, the institution can simply decide to get out of the minerals sector. After all, prices of mineral commodities have generally fallen over the long-term, which some take to indicate oversupply. By and large equity investments in mining companies have underperformed the market. There is plenty of economic pessimism to support such a strategy.

The total market capitalisation of the twenty largest mining companies is less than that of General Electric. At the end of 1999, the 150 largest mining companies had a market capitalisation of 320 billion USD.

Indeed, there is a campaign being led by a number of prominent non-governmental organisations urging the World Bank, including the International

by other financial institutions even where there is no World Bank participation in a project. However they have raised a number of questions:

- Many, inside and outside the Bank, believe they can be and should be improved;
- They clearly do not address the whole range of concerns which are sometimes raised about mining projects;
- If the Bank is involved, it has specific mechanisms to oversee compliance with the Policies and deal with complaints. Where the Bank is not involved, it is not clear what mechanisms private financial institutions can use to fill these functions.

This third option – engaging with public concern in an effective way – cannot be implemented by any one financial



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Finance Corporation and other Bank Group entities, simply to stop lending to most or all minerals projects. See [www.foei.org](http://www.foei.org).

The third option is to attempt to understand the reasons for public concerns about minerals projects, why they are rising, and what can be done to address them in a responsible way consistent with principles of sustainable development.

The closest thing to a broadly accepted set of principles with enough operational content to be usable in project finance decisions is the set of World Bank guidelines and directives known as the Safeguard Policies. They are widely used

company or institution acting alone. The cost to any one institution of trying to develop such a set of standards or mechanisms would be excessive and its public acceptability questionable. It appears the best path forward is a collective approach.

It is that perception that has led three institutions to begin a process of discussion to evaluate what needs to be done, the feasibility of doing it, and what will be required to understand and cope with the changing business environment.

The World Bank Group, the United Nations Environment Programme (UNEP), and the Mining, Minerals and

*“Ultimately, how the public and private sector financial institutions resolve these issues is of great importance for the minerals sector.”*



**Through a  
different lens**

*“To attempt to understand the reasons for public concerns about minerals projects, why they are rising, and what can be done to address them.”*

Sustainable Development (MMSD) Project jointly convened two scoping meetings in January 2000 to review the concerns and roles of financial institutions, governments, labour, civil society organisations, mining companies and others about sustainable development and the mining and minerals sector.

Those initial scoping meetings laid the groundwork for a much broader workshop held at the World Bank on April 9 of 2001, “Finance, Mining and Sustainability.” This meeting focussed some of these issues. It also identified some things we do not know, and pointed to a need for some targeted research.

That research is now well underway and was presented at a workshop called by the same three institutions hosted by UNEP in Paris in mid January 2002. ([www.mineralresourcesforum.org](http://www.mineralresourcesforum.org))

### **What is needed?**

The pace of globalisation has far exceeded the pace at which we have developed governance structures capable of making decisions that stick, or providing rules of the road which can be trusted.

In the minerals sector, that could mean among other things an agreed set of standards for what should and should not be done, accepted procedures for deciding whether a particular action complied with those norms, and a set of ‘carrots and sticks’ to encourage compliance.

National governments have an important part in this process. But compliance with national requirements clearly does not solve the entire problem. There are numerous examples of mining projects which host governments have determined to be in compliance with all applicable national legislation, but are still the focus of intense opposition and concern.

But the problem is neither simply one of capacity nor confined to developing countries. In a globalising economy individual governments cannot alone do everything that needs to be done. Canada has a reputation for an efficient and competent civil service, but the Bre-X mining fraud occurred on Canadian markets. The United States has a

reputation for well-resourced environmental agencies, but the Summitville debacle occurred in the United States.

Globalisation requires cooperation and the building of structures of cooperation on an unprecedented scale. In richer countries we may be used to waiting for government to step in and propose solutions to problems. On a global scale there is no one but us to do the job.

In trying to create a system of increased order and predictability on a global basis, we must take maximum advantage of what existing international organisations can offer. That is why it is significant that institutions such as the World Bank and the United Nations Environment Programme are part of this initiative. There are other international organisations that also need to be part of this solution.

But neither the Bank nor UNEP is designed to be, or is capable of being a world government, and many would be uncomfortable with them in such a role. They are important actors but there are also others who are key if progress is to be made.

Getting the voluntary cooperation of these other actors, including banks, insurance companies, investment fund managers and others in the financial community, requires that it be in their interest to cooperate.

What would be the scope of standards for sustainable development? One of the insights we have gained in the Mining, Minerals and Sustainable Development (MMSD) Project is that a number of seemingly disparate issues are in fact quite closely linked. The problems of environment, poverty, corruption, community health, human rights abuse, and others cannot, we believe, be resolved individually but must be resolved together. Attempts to address one of them without addressing the others are bound to have at best limited success.

We believe that to be an accepted part of the solution the industry will have to cooperate in responding to eight key challenges. It cannot, we must emphasise, solve any of these challenges alone. Government, consumers, civil society organisations, researchers, and the financial sector all own or control part of the problem, and all must be part of the solution. The eight key challenges are:

- The industry must provide an increasing quality of livelihood to the people who work in it, diversify its skills base, have access to capital, improve its management systems, and be profitable enough to stay in business.
- The minerals sector must clearly support national aspirations for sustainable economic and social development, particularly in the poorest countries.
- Mining and other minerals projects must lead to and support sustainable development at the local level in the communities in which they operate.
- Everyone occupies, uses and needs land. We must develop means through which industry desires to occupy and use land are balanced with the rights, priorities and desires of others in ways that are regarded as fair and transparent. These concerns are particularly important to address in the cases of indigenous land claims and protected areas.
- Development, processing and use of minerals must strengthen environmental management and promote increased health of the ecosystems they affect.
- The markets into which minerals are

sold must create incentives rather than barriers to a stronger sector role in sustainable development.

- Quality, availability and communication of information are fundamental to increasing the minerals sector's contribution to sustainable development.
- None of these challenges can be successfully addressed without creating appropriate and consensual systems of governance at the local, national, and global levels.

Such systems of governance to not imply governments, top-heavy bureaucracies, or permanent authorities. Wolfgang Reinicke's descriptions of what he terms "public policy networks" may be close to the mark of what we need.

The solutions, whatever they turn out to be, will be based on the realisation that it is a small planet, that none of us who live on it have anywhere else to live, that today's enemy will still be our neighbour tomorrow, and that sustainable development is about the only model we have come up with that has a realistic chance of attracting broad enough support, North and South, rich and poor, to bring success. ●

*"The pace of globalisation has far exceeded the pace at which we have developed governance structures."*



## Why “0.618...”?

The new UNEP FI quarterly newsletter is named: “0.618...”. Many readers will ask “Why?”. The reason behind our choice of name for the newsletter is given in Peter L. Bernstein’s book: “Against The Gods. The Remarkable Story of Risk.”

In a fascinating section in Chapter two – covering the very beginnings of our modern day understanding of risk – Bernstein explains: “The Greeks knew this proportion and called it ‘the golden mean.’ The golden mean defines the proportions of the Parthenon, the shape of playing cards and credit cards, and the proportions of the General Assembly Building at the United Nations in New York ... The golden mean also appears throughout nature – in flower patterns, the leaves of an artichoke, and the leaf stubs on a palm tree”

Also known as the Fibonacci ratio, after the 13th century Italian mathematician of that name, the ratio defines the shape of a spiral which appears in some galaxies, seashells and the coil of ocean waves. The journalist William Hoffer remarked: “the great golden spiral seems to be nature’s way of building quantity without sacrificing quality.”

“0.618...” believes that for financial institutions the challenges and opportunities posed by sustainable development centre around an ability to build wealth for shareholders and communities while contributing to the protection of the natural environment, in essence, building quantity without sacrificing quality.

Editor Paul Clements-Hunt  
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The views expressed in 0.618 are not necessarily those of UNEP or UNEP FI, or of its signatories, nor does UNEP FI or its signatories take any responsibility for actions taken as a result of views or opinions expressed in this quarterly.

## Innovative financing for sustainability

### **Mission**

To identify, promote, and realize the adoption of best environmental and sustainability practice at all levels of financial institution operations.

### **UNEP FI**

The United Nations Environment Programme Finance Initiatives (UNEP FI) is a unique global partnership between UNEP, the Financial Institutions Initiative (FII), and the Insurance Industry Initiative (III).

### **Financial Institutions Initiative (FII)**

FII was founded in 1992 to engage a broad range of financial institutions in a constructive dialogue on economic development, environmental protection, and sustainable development. Signatories to the UNEP FI Statement by Financial Institutions on the Environment and Sustainable Development commit to the integration of environmental considerations into all aspects of their operations and services.

### **Insurance Industry Initiative (III)**

In 1995, UNEP launched another partnership with the Insurance Industry. Signatories to the III statement of environmental commitment have played a high profile role in various intergovernmental negotiations, notably those

under the United Nations Framework Convention on Climate Change.

### **Quality Services**

We provide our signatories with practical research; capacity building; and information exchange services. The products we provide range from professional development programmes and action-oriented reports to international conferences that bring together professionals from around the globe.

### **Practical Support**

Our job is to provide quality support for your organisation. In addition to our dedicated team, UNEP FI opens up a vast network of sustainable development contacts, information and networking services that are dedicated to helping you and your organisation make a difference.

### **Structure**

UNEP is headquartered in Nairobi, Kenya. UNEP has six divisions through which it carries out its activities, including the Division of Technology, Industry and Economics (DTIE) based in Paris, France. The Economics and Trade Branch (ETB), based in Geneva, Switzerland, is a branch of DTIE. The Finance Initiatives is a unit of the ETU.



**UNEP Finance Initiatives**

Innovative financing for sustainability

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