

UKSIF Annual Lecture: October 2001

The Rt Hon Michael Meacher MP, Minister for the Environment

The UK Financial Services Initiative for the World Summit on Sustainable Development (WSSD) 2002

The Rt Hon Michael Meacher MP, Minister for the Environment, delivered the UK Social Investment Forum Annual Lecture on Tuesday 23rd October to a packed audience of representatives of the financial services industry, NGOs and UKSIF members. The event was held in the magnificent Guildhall in the heart of the City of London.

Andrew Robinson, UKSIF Chair, opened the event and *Martyn Baker*, Director, Economic Development Unit, Corporation of London welcomed the audience on behalf of the Corporation. The Corporation provided the venue for the lecture and reception, as well as for UKSIF's AGM during the afternoon. *Michael Heathcoat Amory*, Director, Jupiter International Group made some opening remarks on behalf of Jupiter Asset Management. Jupiter sponsored the lecture and the reception.

The full text of Michael Meacher's speech follows below.

Introduction

Thank you for giving me the opportunity to deliver the UK Social Investment Forum Annual Lecture 2001. I want to talk about UK preparations for the World Summit on Sustainable Development in Johannesburg next September and the challenge we are facing. In particular, I want to talk about the contribution the private sector can make focusing on the UK financial services initiative.

1. The scale of the challenge

We are facing a huge challenge. Following the events of 11 September, the World Bank has reported that the world's poorest countries will be hardest hit by an economic downturn. As many as 10 million more people face life below the global poverty line of \$1 a day. That is on top of the 1.3 billion who already "live" in such poverty, the 24,000 people who die of starvation and the more than 6,000 children who are killed by diarrhoea every single day.

The Prime Minister in his recent speech to the Labour Party Conference has called for a coalition against terrorism and "above all justice and prosperity for the poor and the dispossessed, so that people everywhere can see the chance of a better future".

This highlights the importance and the potential of the World Summit in just a year's time. The only conceivable response, now more than ever, must be coordinated international action to help tackle chronic problems of global poverty, environmental degradation and social injustice. The Johannesburg Summit **must** achieve agreement on practical action that will help improve the lives of millions.

But to successfully meet the challenge we must also take action domestically. We cannot press others to take action unless we are prepared to take action ourselves. We must move the UK further towards sustainable patterns of consumption and growth as envisaged in the Rio agreements. I would like to pay a tribute to the very many genuine people who are striving to do this. I wish to come back later to this point of domestic action.

2. Overseas Development Assistance and Foreign Direct Investment

There are several tools for funding international sustainable development. Overseas Development Assistance and Foreign Direct investments are two of these tools.

The UK Government is committed to meeting the UN target of 0.7% of GNP for Overseas Development Assistance. We have committed ourselves to increase Overseas Development Assistance to 0.33% by 2003; and to further substantial increases over the next few years. But assistance levels will never be sufficient to deliver the level of development that is required. It has been estimated that Africa needs to achieve a growth rate of around 7% a year in order to meet the international poverty reduction targets. Growth of this order will require the mobilisation of African financial resources at levels not seen to date, as well as significant foreign investment.

Even now, foreign direct investment to developing countries is more than three times the level of development assistance. It is true that currently the majority of foreign direct investments is focused on only 12 of the G77 countries and let's be honest, not by any means the poorest there, and that ODA remains essential to meeting the needs of the very poorest. However, the level of private investment can be enhanced and distributed more equitably if developing countries can create the right conditions for foreign investment. Leaders of African nations, for instance, have recognised this. In the New African Initiative, they stress the importance of regional co-operation in order to provide markets large enough to attract investment. National good governance, very easy to say, very difficult to deliver, and Overseas Development Assistance targeted on capacity building are also both necessary if we are to harness the full potential of foreign direct investment.

There is more we could do domestically. Good governance in recipient countries is but one barrier to private finance flows to the developing world. I believe we can take actions at home. We in Government are investigating which additional domestic solutions may reduce barriers to private finance flows to developing countries. I would really like to

hear your views on identifying ways of increasing the flow of **responsible** private finance.

3. Existing initiatives

Tony Blair has also emphasised the importance of a "green industrial revolution" to boost resource efficiency, I think that this will be one of the big ideas of the next decade, and help decouple economic growth from adverse environmental effects.

This is why the UK is taking the lead on climate change. We are committed to the EU's aim of ratification and entry into force of the Kyoto Protocol by 2002. We are also setting up an emissions trading scheme that will be operational early next year. This will be the world's first economy-wide greenhouse gas trading system. It will represent a significant opportunity to the City.

This is why my Department, working in close consultation with the Department of Trade and Industry and businesses from many sectors, is developing new general guidelines on environmental reporting. They will be announced very shortly. I pay tribute to those in the FTSE 100 who do report their environmental performance, but far too many in the FTSE 350 don't.

This is why my colleague Douglas Alexander, the Minister for Corporate Social Responsibility launched the new socially responsible investment disclosure guidelines developed by the Association of British Insurers. These are aimed at increasing the flow of information between companies and their shareholders.

This is why I will be a member of the UK delegation in Doha, and I believe this will still go ahead, where the EU will press strongly for the next WTO Round to include negotiations on the trade and environment relationship. The EU's three priorities are:

first - to clarify the relationship between Multilateral Environmental Agreements and WTO rules so that the equal standing of these two bodies of law is formally recognised;

second - to clarify the WTO compatibility of eco-labelling initiatives - These are not eco-protectionism. Consumers are demanding more information about the environmental impacts of products - the international trading system should recognise the right of producers to meet this demand;

and thirdly, to examine the role of the precautionary principle in the multilateral trading system - the science and policy of risk assessment have moved on since the end of the Uruguay Round and the WTO needs to take that on board.

This is why my department and our Foreign and Commonwealth Office funded an experts' workshop to explore how international financial institutions can enhance their contribution to global sustainable development. The main conclusions of the workshop were the need for international financial institutions to focus on leveraging in private

finance that will help promote rather than hinder sustainable development, something that they do but could do more of. To this end, international financial institutions must ensure that sustainable development objectives are incorporated into all areas of their activities and that they include stronger developing country participation in decision-making.

This is also why, for the World Summit. the Prime Minister has challenged CEOs in key sectors, together with leaders of NGOs, to develop innovative strategies to promote sustainability. Initiatives are under way in the UK in the forestry, energy, tourism, water and financial sectors. I want to say more about the financial initiative.

4. The unique position of the City

The City has a unique position. Its financial power is immense. Many of the existing direct investments to developing countries are channelled through the City.

The City is fully international. There are more foreign banks in London than in any other financial centre world-wide. Foreign banks manage over half of the assets of the UK banking sector, totalling over £3,000 billion in July 2000. 81 out of the 830 odd, authorised UK insurance companies are owned by companies based in other EU Member States.

But with power and international prominence comes **responsibility**. It is clear to me that any progress that the City makes in the area of financing for sustainable development will have a wide impact. A world-wide impact.

The "London Principles for Sustainable Finance"

This is why I am really delighted to announce today that the Corporation of London is sponsoring a significant piece of work in the lead up to Johannesburg. This will be part of the UK business initiative for the financial services sector that the Government aims to present at the World Summit next year.

The Corporation has commissioned **Forum for the Future** to develop a set of principles with the working title of the "**London Principles for Sustainable Finance**". The Principles will cover three areas: pricing assets and exercising ownership, providing new finance and risk management. They will recommend a set of best practice in financing for sustainable development. The Principle will be used to encourage the adoption of best practice across the sector.

Brian Pearce of Forum for the Future's Centre for Sustainable Investment is carrying out a series of interviews with leaders and innovators in sustainable finance within the City. These will inform the development of the "London Principles". A wide stakeholder workshop will be organised in December to discuss and refine these. Then the endorsement of the Principles I trust, will be sought from CEOs and other leaders in the City.

Given the unique profile of the City, I am convinced that the development of the "London Principles" has the potential to make a very real contribution towards sustainable development world-wide.

In order to achieve this I am keen for the project to ensure the widest participation and I urge you all to participate at the stakeholder meeting in December to help deliver maximum benefit and ownership, this is really key, of the Principles.

WSSD and the involvement of the private sector

There is a steadily growing recognition that the private sector needs to play a meaningful role at the Johannesburg Summit. At the Rio Summit was mostly a matter of Governments. The Rio conference and the launch of Agenda 21 were significant events, but follow-up action has not been as effective as many people would have liked. Governments have a lead responsibility to put this right. But I am convinced that we must also engage the business community and civil society, the NGOs, if substantial progress is to be achieved.

That is not to say that the private sector should bankroll the Summit or its outcomes. Rather, we need a genuine partnership between government, business and civil society which can deliver benefits that neither party can achieve alone. Forging this partnership could be one of the most significant outcomes of the Johannesburg Summit.

The South African Government has suggested that Johannesburg aim for some sort of tripartite global deal or partnership for implementation. This idea has exerted considerable influence in the UK and within the EU.

The precise terminology - "global deal", "global partnership" or whatever! - doesn't really matter. The important thing is to build a partnership for delivery. To encourage **all partners to commit** themselves to **practical action**.

And I simply say to you, are you prepared to make that commitment?

*The Rt Hon Michael Meacher MP
Minister for the Environment*

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