

Accelerating SDG Implementation through Green Finance

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Financing for Development: 2030 Agenda & Addis Ababa Action Agenda Outcome Documents



Integrated national financing frameworks for sustainable development

“develop policies and strengthen regulatory frameworks to better align private sector incentives with public goals, including incentivizing the private sector to adopt sustainable practices, and foster long-term quality investment”

Comprehensive framework that aims to:

- ✓ Mobilize and align public and private investment for the SDGs
- ✓ Increase and strengthen coordination of ODA

Sustainable finance means integrating environmental (green), social and governance criteria into business or investment decisions for the SDGs.

While the term ‘green finance’ is increasingly used globally, it does not have a universally agreed definition. The G20 Green Finance Study Group in 2016 described green finance as the “financing of investments that provide environmental benefits in the broader context of environmentally sustainable development”.

Why a Focus on Green Finance



Need to increase green investments to mitigate and adapt to environmental impacts on lives and livelihoods : People in Asia and Pacific region are particularly vulnerable with rapid economic growth, changing consumption impacts, massive population growth, and rapid urbanization trends; climate change impacts here are estimated to have a higher cost than global averages

- Extreme weather-induced disasters in the Asia and Pacific region resulted in about \$750 billion of losses from 2003 to 2013;
- An additional annual expected 400,000–700,000 deaths from climate change;
- 4.5 million to 5.3 million deaths every year projected for 2010–2030 attributed to carbon intensive energy practices and corresponding health impacts;
- 10 of the world’s 18 most severely polluted megacities can be found in this region.

Increasing demand for green finance:

- In ASEAN alone, green investment demand from 2016 to 2030 is an estimated US\$3 trillion. infrastructure (US\$1,800 billion), renewable energy (US\$400 billion), energy efficiency (US\$400 billion) and food, agriculture and land use (US\$400 billion).
- Current annual ASEAN flow of green finance supply was estimated at US\$40 billion against an average annual demand of roughly US\$200 billion.
- Approximately 75% of current flows come from public finance and 25% from private finance.

The need therefore is for all financing decisions toward development, and especially infrastructure development with all its large-scale impacts, to be greened.

UNEP's Work on Promoting Green Finance



Greening the Banking sector

The linkages between environmental factors and financial risks are complex and often require the development of new capacities which can be challenging, especially for small and medium-sized financial firms. UN environment can:

- **Environmental and Social Risk Assessment training** courses/Guide to Banking and Sustainability
- Capacity building on the use of **scientific climate scenarios** to undertake forward-looking climate risks and opportunities assessments of lending, investment and insurance portfolios.
- Awareness raising for banks on **Principles for Responsible Banking** that commit banks to aligning their business strategies with the Paris Agreement and UN SDGs. to transform the banking industry. More than 50 banks have committed to signing so far.

Greening Stock exchanges

The growth of green finance depends on both promoting green finance products as well as greening mainstream financial markets. Support can be provided to stock exchanges to develop green finance action plans. Capacity building for:

Environmental and social governance reporting

Green finance action plans – bonds, indexes, climate and ESG disclosure.

UNEP's Work on Promoting Green Finance cont.



Greening insurance sector

Sustainable insurance is a strategic approach where all activities in the insurance value chain, including interactions with stakeholders, are done in a responsible and forward-looking way by identifying, assessing, managing and monitoring risks and opportunities associated with environmental, social and governance issues. Sustainable insurance aims to reduce risk, develop innovative solutions, improve business performance, and contribute to environmental, social and economic sustainability. Tool: **Principles for Sustainable Insurance**

Greening investments

Strengthening EIA and FDI investment review processes

Mobilizing and aligning public finance

- Sovereign green, blue bonds feasibility assessments and impact reporting
- Emissions tagging in national and provincial budgets
- NDC financing strategies

Governance

National green finance roadmaps

Developing National Green Finance Roadmaps



Why?

- ✓ Strong governance is critical in driving progress in green finance. Demonstrated leadership in developing domestic green policy guidelines and markets have resulted in the increase in demand and issuance of green finance products and can further support green finance growth.
- ✓ Green finance is central to broader National Integrated Financing Frameworks for SDGs

A UN ENVIRONMENT - WORLD BANK GROUP INITIATIVE

ROADMAP FOR A SUSTAINABLE FINANCIAL SYSTEM



How?

- **Identify national leadership and convene all relevant green finance partners**
- **Assess overall needs.** Green finance requirements over a particular time period; needs assessment will also cover the broad financial characteristics of each major component—such as infrastructure or energy efficiency—within the national sustainable financing requirement such as the ratio of public to private finance, debt to equity ratios, and the tenor of finance required, as well as typical transaction sizes.
- **Estimate necessary flows.** To understand the magnitude of the challenge, this element estimates green finance stocks and flows to generate a estimate of the green investment gap.
- **Identify potential barriers.** Barriers can hinder the flow of green finance and investment they can either be generic (such as underdeveloped capital markets or weak/overburdened EIA systems) or they can be specific to green finance (such as a lack of clarity over green finance definitions, or information about green projects and sectors might be poor).
- **Identify suitable measures in a ‘roadmap’ of action.** The specific measures that promote green investments. Common measures include those related to disclosure, business practices, financial instruments, green financial products and green finance knowledge-sharing networks.

- **Measuring progress.** There is growing recognition that progress toward aligning the financial system with sustainable development must be measured. Existing data are often fragmented, incomplete, and do not allow for effective analysis within a country or between countries. An effective framework for measuring progress can help highlight areas for market, policy, or regulatory improvement and can also help assess the effectiveness of measures that have been introduced. Key questions that need to be addressed in the measurement and reporting framework are:
 - what are the key green finance performance indicators;
 - who is responsible for measuring and reporting;
 - to whom the reporting should be submitted/disclosed; and
 - when or how frequently should such measuring and reporting occur.

Next steps



Regional Workshop on Green Finance & National Integrated Financing Frameworks for SDGs

Regional Workshop with representatives from member states Ministries of Finance, Ministries of Environment, \ (as well as other relevant national public and private finance stakeholders and development partners). Objective of the workshop is to:

- ✓ Strengthen understanding of green finance in context National Integrated Financing Frameworks and role in achieving the Sustainable Development Goals
- ✓ Present progress and good practices to date in promoting green financing for development in the region and elsewhere.
- ✓ Review, revise and validate a process for the preparation of national green finance roadmaps

Preparation of pilot national green finance roadmaps

Support to implementation of the roadmap in at least one country

To pilot and demonstrate the added value of such roadmaps

Potential partners: UNEP, ADB, UNDP, World Bank ??

Thank you



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