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Deutsches Institut für
Entwicklungspolitik



German Development
Institute



Inquiry: Design of a
Sustainable Financial System

FINANCING SUSTAINABLE DEVELOPMENT

The Role of Financial Governance in Greening
Financial Systems

#berlingreenfin

Berlin, November 9 2015

WELCOME & INTRODUCTION

- **Peter Wolff**, Head of Department, World Economy and Development Finance, DIE
- **Simon Zadek**, Co-Director, UNEP Inquiry into the Design of a Sustainable Financial System

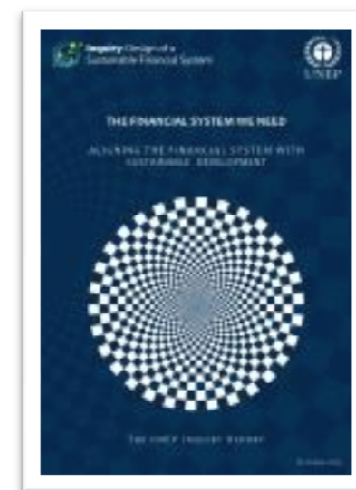
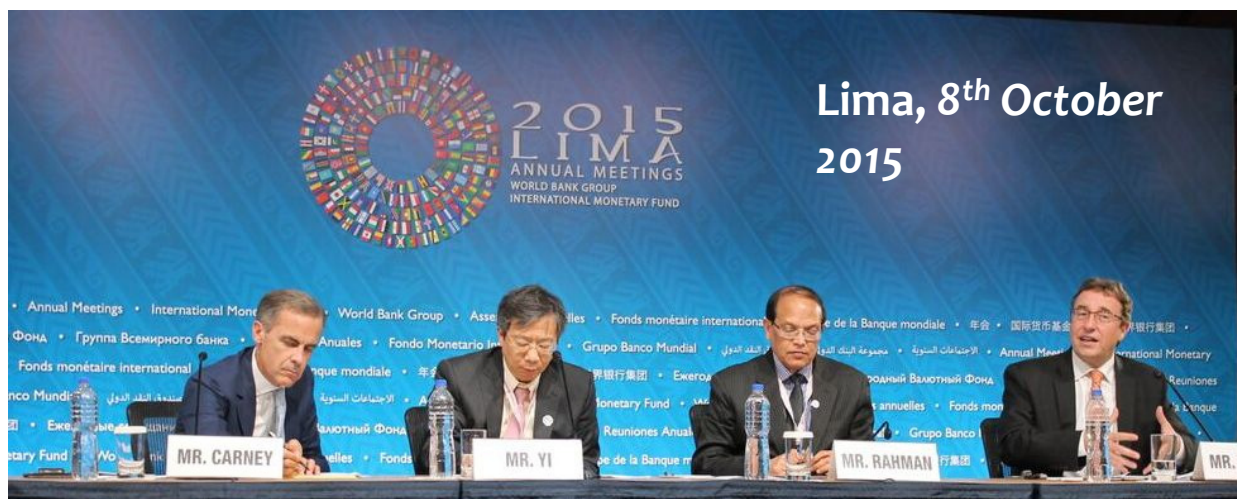
Chair: Ulrich Volz, Associate Professor, SOAS, University of London & Senior Research Fellow, DIE

THE FINANCIAL SYSTEM WE NEED

- **Presentation: Simon Zadek**, Co-Director, UNEP Inquiry into the Design of a Sustainable Financial System
- **Comments: Jürgen Zattler**, Deputy Director General, German Federal Ministry of Economic Cooperation and Development

#berlingreenfin The Role of Financial Governance in Greening Financial Systems

UNEP CONVENES FINANCIAL COMMUNITY IMF/WORLD BANK ANNUAL MEETINGS



Mark Carney, Governor,
Bank of England

“Green finance cannot be a niche”

Atiur Rahman, Governor,
Bangladesh Bank

“Developing economy central banks have been trying to address the risks of instabilities and imbalances at sources, by promoting sustainable financing”

Yi Gang, Deputy Governor,
People`s Bank of China

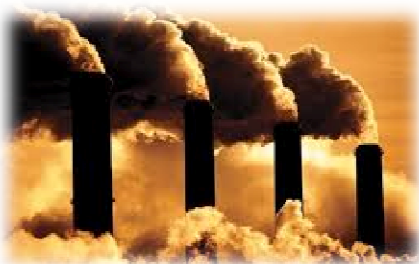
“China will advance green finance during its presidency of the G20 in 2016”

MANDATE AND PROBLEM STATEMENT

Advance policy options to improve the financial system's alignment with sustainable development



TOO MUCH OF THIS



NOT ENOUGH OF THIS



FINANCING CHALLENGES (ILLUSTRATIVE)

US\$16
trillion

Annual global investment
All needs to be green and resilient

US\$5-7
trillion

Annual investment needed for sustainable development goals
e.g. in infrastructure, energy, agriculture

US\$7
trillion

Annual environmental externalities – need to be costed into decision making

US\$6
trillion

Reduction in fossil fuel and power investment need (2015-2030)

“Finance overwhelms the real economy. The lessons of the global financial crisis have not been assimilated, and we are learning all too slowly the lessons of environmental deterioration.”

Pope Francis

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Financial
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Authority, UK



Financing for sustainable development can be delivered through measures focused on the financial system, as well as the real economy.

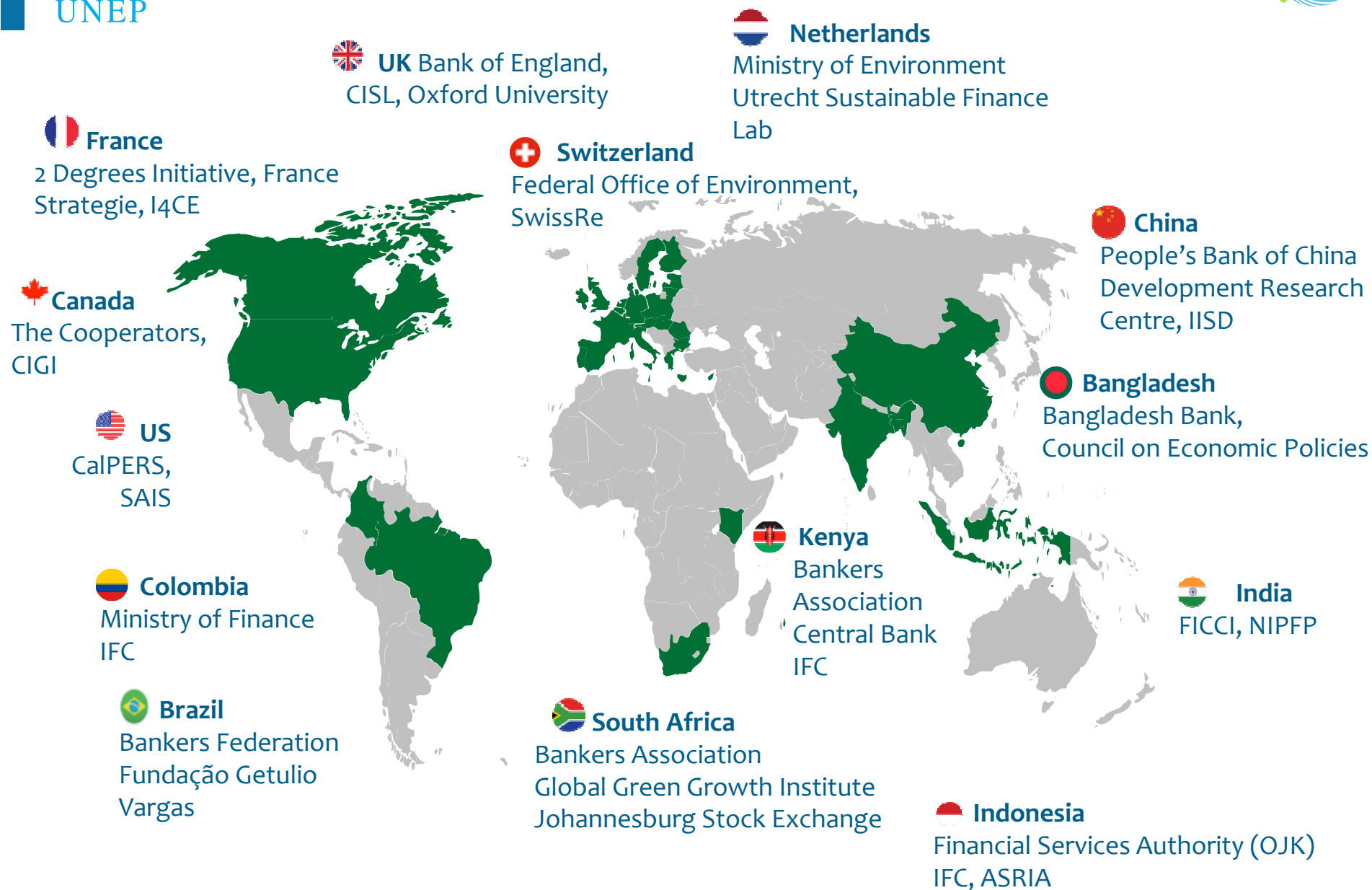


A growing number of policy innovations have been introduced by both developing and developed countries, demonstrating how the financial system can be better aligned with sustainable development.



Systematic national action can now be taken to shape a sustainable financial system, informed by current trends and complemented by international cooperation.

FOCUS ON PRACTICE



BUILDING KNOWLEDGE NETWORKS





The People's Bank of China (PBC) has co-convened with the Inquiry a Green Finance Task Force to draw up proposals for a green financial system.



The Federation of Indian Chambers of Commerce and Industry (FICCI) has catalysed a high-level dialogue between the industry, government and regulators.






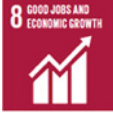




The Swiss Federal Office for the Environment launched a national consultation with the Swiss Sustainable Finance Initiative.



The Bank of England worked with the Inquiry on the international dimension of its prudential review of insurance and climate change.

LINKS TO SUSTAINABLE DEVELOPMENT GOALS



AREA WHERE SIGNIFICANT CAPITAL COSTS ESTIMATED	SDG
Food security	
Water and sanitation	
Energy for all	
Small and medium enterprises	
Green infrastructure	
Climate change	
Ecosystems and biodiversity	 

INQUIRY RESEARCH PORTAL POST LAUNCH COMMUNITY



www.unepinquiry.org

**54 publications/research
pieces published**

15 more by end of 2015



Global Report
(English + 6 languages)

Policy Summary

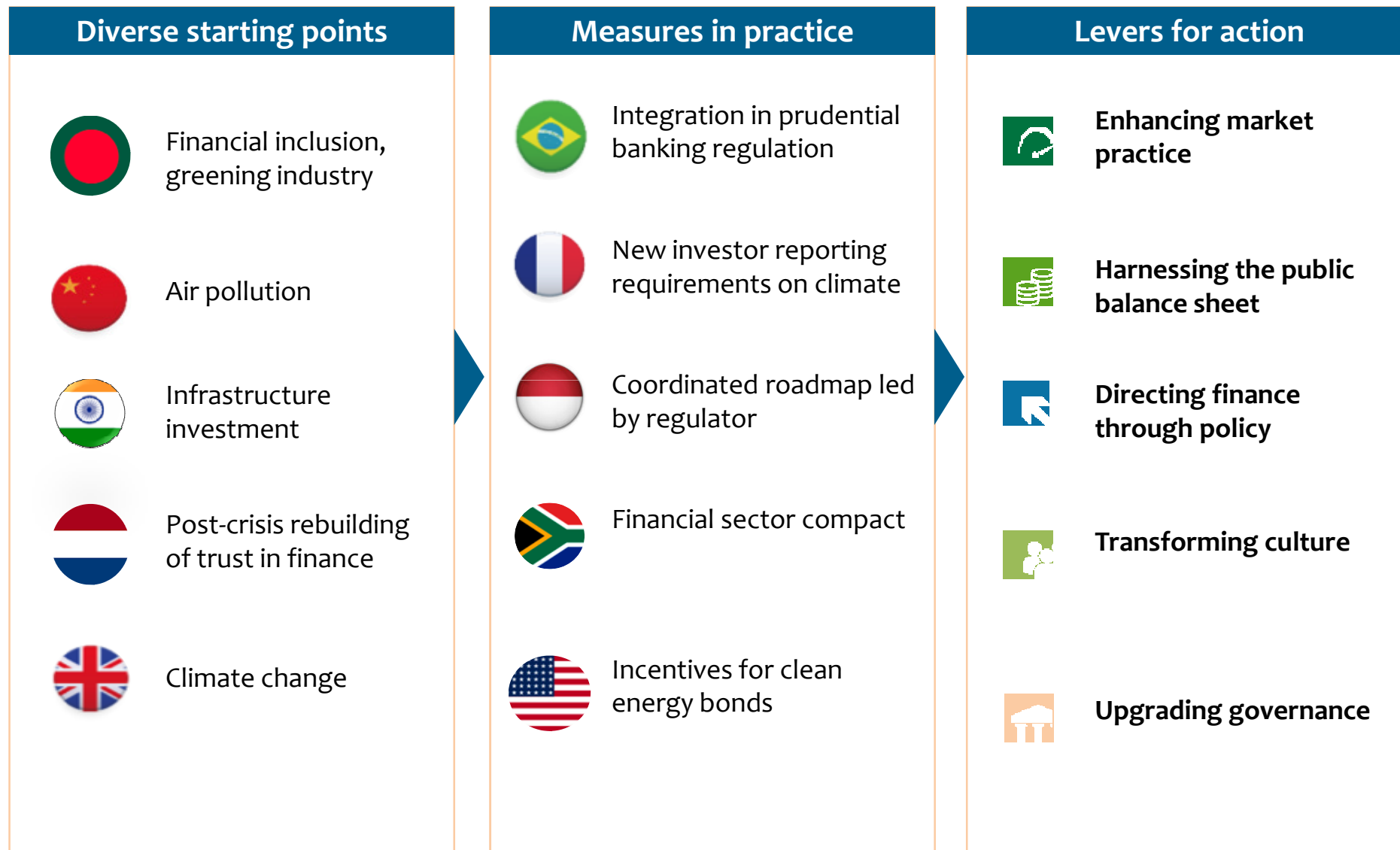
Country research

Other reports

Working papers



FINDINGS: 'a quiet revolution' - 100+ measures globally



A FRAMEWORK FOR ACTION



Enhancing market practice:
disclosure, analysis, risk management



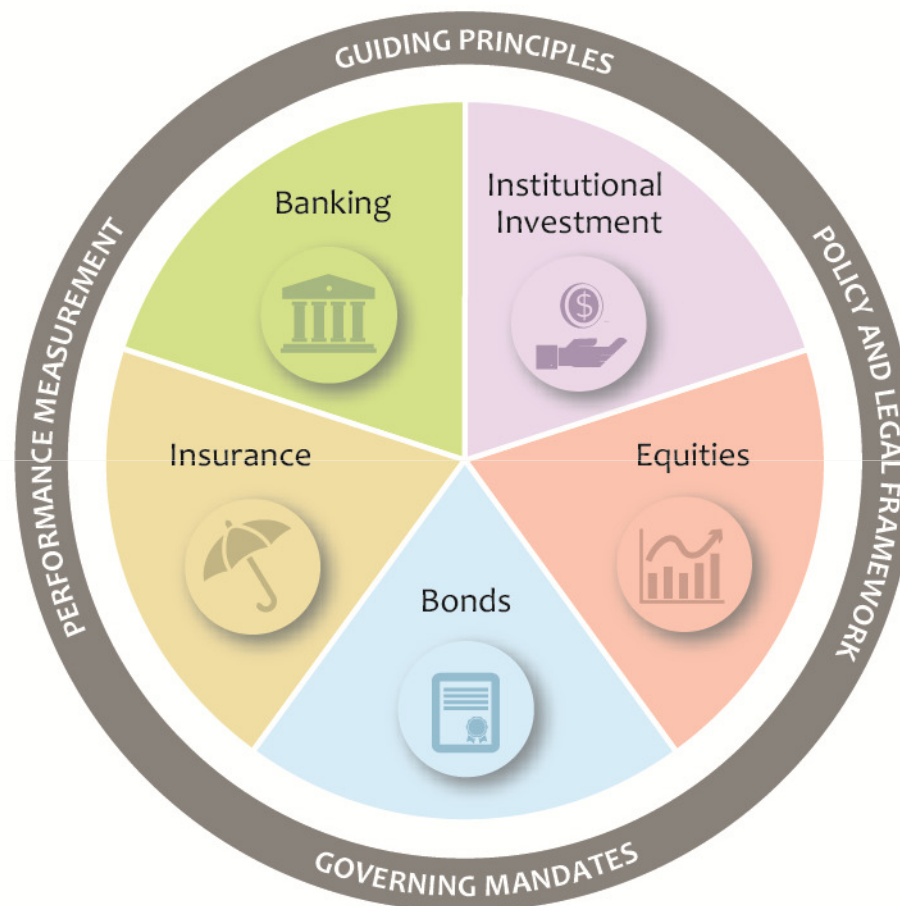
Harnessing the public balance sheet:
fiscal incentives, public financial
institutions and central banks



Directing finance through policy:
requirements and prohibitions,
enhanced liability



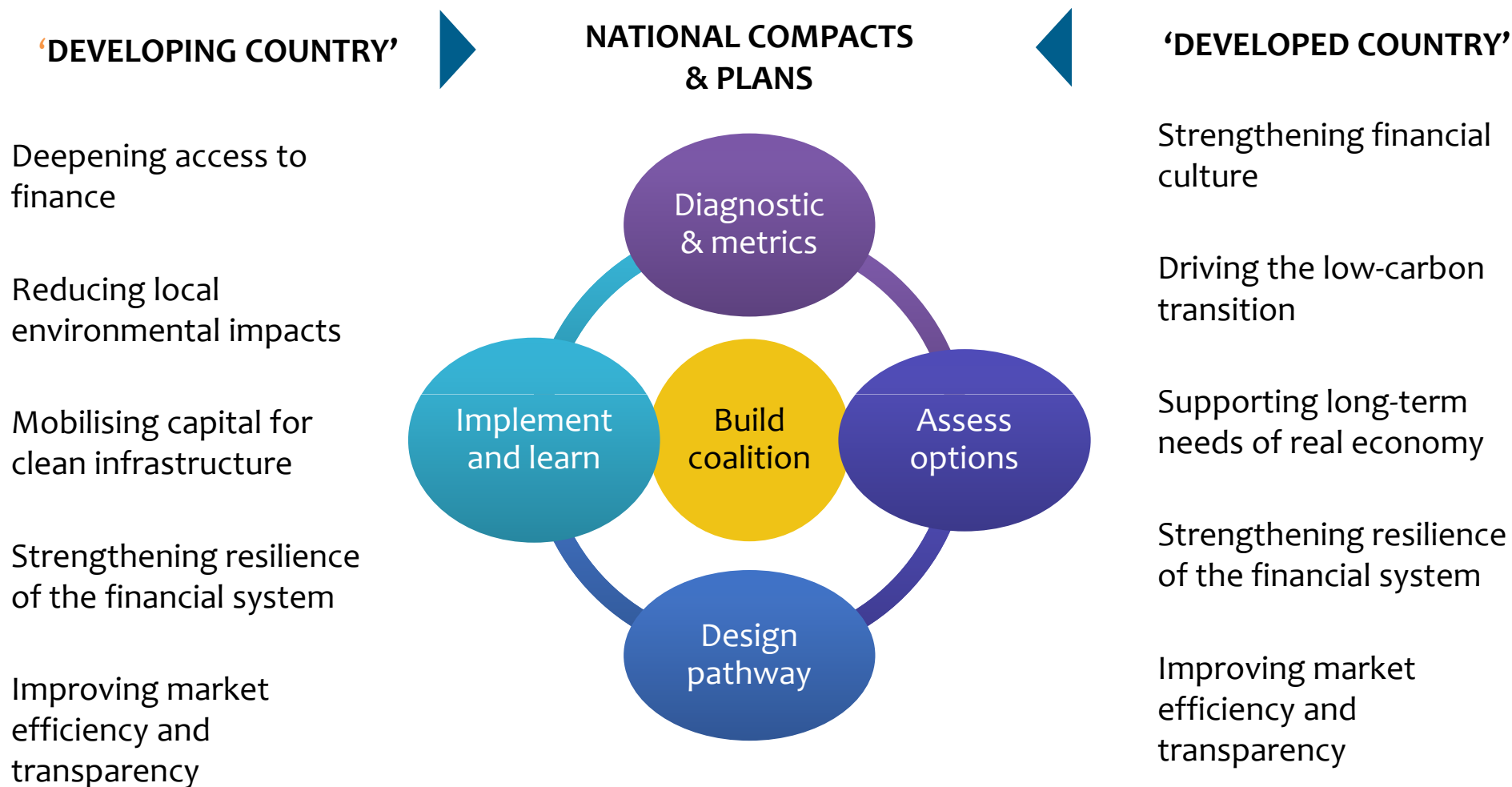
Cultural transformation:
capacity building,
behaviour, market structure



“The sustainable finance programme is not only intended to increase financing but also to improve the resilience and competitiveness of financial institutions”

Muliaman D. Hadad, Chairman, Indonesia Financial Services Authority (OJK) Board

TAKING A SYSTEMATIC APPROACH: *acting nationally*





Sharing experience, such as the Sustainable Banking Network of developing country regulators



Building new tools, for example, environmental stress testing of critical threats



Developing common principles, for example, for the growing green bond market



Drawing up practical guidance to enable insurance regulators to address threats of natural hazards and climate change



Strengthening the policy architecture, for example, work on green finance during China's G20 in 2016

STAKEHOLDER PERSPECTIVES



- **Yi Gang, Deputy Governor of the People's Bank of China** - *"delivers a vision of embedding sustainable development into the core of financial and capital markets. It should be a very useful guide and reference for many governments, financial institutions and international organizations in thinking about how to advance green finance"*
- **John Lipsky, former first Deputy Managing Director of the IMF, member of the Inquiry's Advisory Council** - *Reforming the financial system remains unfinished business - we have stabilized the system, but have a long way to go in designing a financial system that meets the needs of sustainable development"*
- **Murilo Portugal, the President of Brazil's Federation of Bankers, FEBRABAN, and a member of the Inquiry's Advisory Council** - *"The Inquiry has catalyzed awareness of the need to align financial markets to sustainable development, and highlighted practical pathways to improving such an alignment"*
- **Naina Kidwai, Chairman, HSBC India, Director, HSBC Asia Pacific, and a member of the Inquiry's Advisory Council** - *"The Inquiry has shown for the first time how to systematically connect the dots, demonstrating practical ways in which we can mobilise the scale of capital needed in emerging markets, particularly for clean energy and clean water"*
- **Henri de Castries, Chief Executive of AXA** - *"I welcome the Inquiry, as only a financial system with a sustainability orientation serves the economy and society, and so provides a sound foundation for fostering the long-term orientation of finance"*

FOR MORE INFORMATION



www.unepinquiry.org

www.unep.org/inquiry/



[@fininquiry](https://twitter.com/fininquiry)



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Chair: Ulrich Volz, Associate Professor, SOAS, University of London & Senior Research Fellow, DIE

BANKING

- **Rong Zhang**, Global Coordinator for Sustainable Banking Network, IFC
- **Jiajun Xu**, Executive Deputy Director, Center for New Structural Economics, Peking University
- **Annette Detken**, Head of Financial Sector Competence Center, KfW

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CAPITAL MARKETS

- **Ilmi Granoff**, Head of Green Growth Unit, ODI
- **Corli le Roux**, Head of SRI Index & Sustainability, Johannesburg Stock Exchange
- **Sony Kapoor**, Managing Director, Re-Define
- **Timothée Jaulin**, Associate, Amundi Investment Solutions & Strategic Advisory

Simon Zadek, Co-Director, UNEP Inquiry into the Design of a Sustainable Financial System

THE WAY FORWARD

- **Wolfgang Bücker**, Head, Financial Systems Development, GIZ
- **Brindusa Fidanza**, Founder and CEO, The Ground_Up Project
- **Sharmala Naidoo**, Climate Finance and Strategy Leader, Climate Resilient Infrastructure Development Facility

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Thank-you