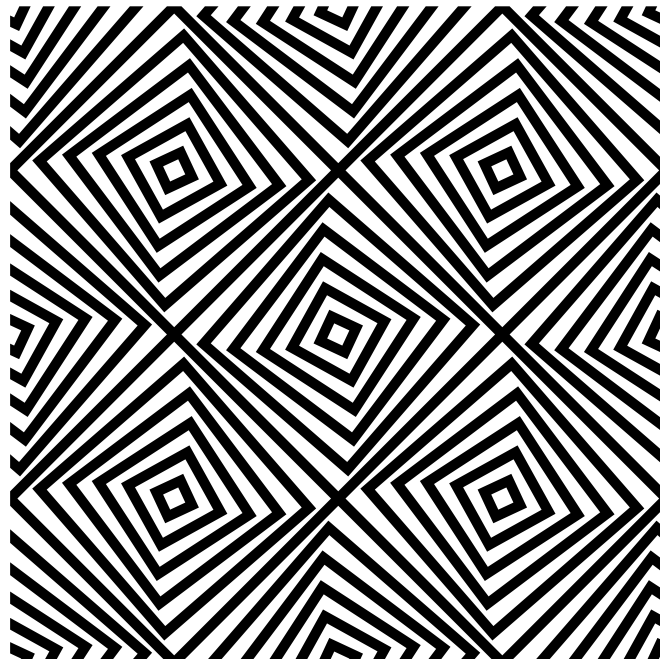




**ALIGNING**  
THE FINANCIAL  
SYSTEM WITH  
SUSTAINABLE  
DEVELOPMENT

**INSIGHTS** *from practice*



SECOND UPDATE BRIEFING

## The Inquiry

The Inquiry into the Design of a Sustainable Financial System has been initiated by the United Nations Environment Programme to advance policy options to deliver a step change in the financial system's effectiveness in mobilizing capital towards a green and inclusive economy – in other words, sustainable development. Established in early 2014, it will publish its final report in the second half of 2015.

More information on the Inquiry is at: [www.unep.org/inquiry/](http://www.unep.org/inquiry/) or from:

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## This Paper

This paper has been prepared by the Inquiry team as the second progress report on the Inquiry's ongoing work. It is a follow up to the first update 'An Invitation' which is available to download (in English and Mandarin, with summaries in French, Spanish, Arabic, and Russian) from [www.unep.org/inquiry/Knowledge/Reports/](http://www.unep.org/inquiry/Knowledge/Reports/)

The report draws on work of many others, including Council Members, Special Advisors and Participant-Observers, country partners and wider networks, commissioned work and publications cited in the text, as well as interview participants in the Inquiry's scenarios work. Quotes from Council Members in the text are drawn from the 2nd Advisory Council Meeting held in New York on September 26<sup>th</sup>.

Comments or questions about the paper, or general enquiries, can be addressed to:

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Errors and omissions remain the responsibility of the Inquiry.

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## UNITED NATIONS ENVIRONMENT PROGRAMME

Programme des Nations Unies pour l'environnement

Programa de las Naciones Unidas para el Medio Ambiente

Программа Организации Объединенных Наций по окружающей среде

برنامج الأمم المتحدة للبيئة

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Financing remains one of the greatest challenges in advancing sustainable development. Hundreds of trillions of dollars need to be invested over the coming decades to drive economic progress. The challenge will be ensuring that this investment is consistent with and supportive of sustainable development.

UNEP is active alongside other parts of the UN and many other partners in creating the conditions to meet this challenge. It contributes to the development of national environmental policies and international agreements including, economic measures that steer sustainable production and consumption. Such measures range from engagement in macroeconomic planning, to fiscal action and public procurement, support to small and medium sized enterprises, research and development and technology deployment.

The Inquiry into the Design of a Sustainable Financial System was initiated in early 2014 to develop policy options for better aligning the financial system to the long-term needs of a healthy economy, which requires it to deliver inclusive prosperity within environmental boundaries. With its focus on the rules governing the financial system – financial and monetary policies, financial regulations and standards, and financial market-facing fiscal measures and policy-guided investment institutions - the Inquiry's work complements and builds on UNEP's on-going finance work.

Designing a robust and efficient financial system has been the topic of much policy debate and action following the 2008 financial crisis. Financial sector development, furthermore, is a key focus of many emerging and developing economies in ensuring that adequate finance is available to support their development ambitions. There is, perhaps, a unique window of opportunity today in advancing the place of environmental and social considerations in these developments.

The Inquiry, which will complete its work in the second half of 2015, is operating in the specific context of several key international developments. A new set of Sustainable Development Goals will be agreed in 2015, and the international climate negotiations will reach their next milestone in Paris in late 2015. Finance is a keystone of these and other international and national processes, recognised in findings of the Intergovernmental Expert Committee on Sustainable Development Financing. The Inquiry is seeking to contribute to these processes on an on-going basis, as well as by providing its ultimate conclusions and design options as an input to the processes.

Currently the Inquiry is partway through its work and it is now working with partners in more than a dozen countries, initiating and participating in many international initiatives, as well as engaging with key international institutions. The championing by Advisory Council members of the Inquiry's investigations has also been much appreciated. In addition, the Inquiry continues to receive many thoughtful and productive contributions in response to its published, open Invitation. This high level of open-debate and innovation is providing the energy, ambition and technical basis for the Inquiry's productive endeavours, and hopefully, success.

Achim Steiner

Under-Secretary-General

Executive Director, UNEP





# CONTENTS

LETTER FROM THE UNEP EXECUTIVE DIRECTOR	i
HIGHLIGHTS	v
THE INQUIRY'S MISSION AND APPROACH	2
MOBILISING FINANCE FOR SUSTAINABLE DEVELOPMENT	5
PERSPECTIVES	9
WHY INTERVENE?	9
INNOVATION IN PRACTICE	13
BANGLADESH	13
BRAZIL	14
CHINA	14
EUROPEAN UNION	15
INDIA	16
SOUTH AFRICA	16
USA	16
LESSONS FROM THE INQUIRY'S WORK-IN-PROGRESS	17
WHAT WILL THE INQUIRY DO NEXT?	19

## Highlights

**Achieving sustainable development depends on mobilising sufficient capital to finance the long-term health of the real economy.** Concerns are mounting that recovery and growth are being held back not only by the current debt overhang and reduced risk appetite but also by structural factors (including within the financial system). Despite of the increasing competitiveness of many clean technologies, and concern over the valuation and market volatility risks of carbon-intensive assets, there remains a structural under-investment in sustainable assets and an overinvestment in resource-intensive assets.

**Even with strong real economy policies to correct market failures and deploy public capital, some interventions in the financial system will be needed to realise sustainability ambitions.** Inadequate information, misaligned incentives, ill-defined responsibilities and over-discounting of future risks and returns are among the factors that constrain the efficient deployment of capital for long-term value creation, taking full account of environmental and social factors.

**Key cross-country policy themes are emerging including:**

- (i) Improving the pricing of **sustainability risks**
- (ii) Harnessing **institutional capital** for sustainability in the developing world
- (iii) **Rebalancing debt capital** allocation and
- (iv) Realising the **strategic potential of central banks**

# INSIGHTS from practice

*The Inquiry is working over 2014-2015 to explore how the rules that govern the financial system – standards, metrics, incentives and regulations – can better mobilize capital for sustainable development.*

**Diverse perspectives are shaping the debate about financial system futures.**

The Inquiry is working with the OECD's Strategic Foresight Counsellor developing scenarios to assist in policy dialogue.

**Countries are developing policy innovations to improve the sustainability performance of the financial system.**

The Inquiry has on-going and planned partnerships in 12 countries, exploring experience with a range of partners including central banks, business associations & think tanks.

**The international momentum for further financial policy innovation is set to intensify in 2015.**

The Inquiry is working on crystallizing lessons from country experience, clarifying core theoretical issues and deepening dialogue and collaboration with key international institutions.

## **BANGLADESH**

The Central Bank is acting on sustainable development objectives, targeting funds towards SMEs and green infrastructure.

## **EUROPEAN UNION**

The traditional focus on disclosure is moving onto the critical question of mobilizing long-term capital for a sustainable recovery.

## **BRAZIL**

New central bank requirements on environmental and social risk in the banking sector have evolved out of a long national dialogue.

## **SOUTH AFRICA**

The Financial Charter delivered a new social contract for post-Apartheid transformation and sustainable development.

## **CHINA**

A system-wide focus on green finance is taking shape, involving banking, insurance and capital markets.

## **USA**

New research on the economic risks of climate change provides extra impetus to make disclosure on sustainability factors routine in capital markets.



# THE INQUIRY'S MISSION AND APPROACH

The Inquiry into the Design of a Sustainable Financial System aims to advance policy options that would deliver a step change in the financial system's effectiveness in mobilizing capital towards a green and inclusive economy – in other words, sustainable development.

- 3 Increasing the effective development of capacity and transfer of experience.
- 4 Assessing progress of financial centres in adopting aspects of the portfolio.
- 5 Encouraging key international institutions to embrace the vision of a sustainable financial system and encourage action towards that end.

## THE INQUIRY'S THREE CORE QUESTIONS

**Why** and under what circumstances should the rules governing the financial system be deployed in pursuit of sustainable development outcomes ?

**What** rules governing the financial system have been, or could be, deployed for achieving sustainable development ?

**How** can rules be most effectively deployed for sustainable development, given the complexities and competitiveness concerns of financial actors ?

*“We are struggling to address the fundamental challenges of mobilising massive investment in the countries that are growing and retrofitting the countries that are developed. Can we do that while safeguarding clean water, clean air and a resilient environment?”<sup>33</sup>*

*“For South Africa, we are particularly concerned with financial inclusion. Sustainability doesn't start and end with green. It is about the long-term survivability of a country.”<sup>33</sup>*

The Inquiry's approach is to crystallize relevant experience and proposals into a coherent framework to support and encourage action by

The Inquiry is running over two years, and has operationalized its approach over its initial eight months through country-level and international

预览已结束，完整报告链接和二维码如下：

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