Financing the Transformation to a Fair and Green Economy
Second dialogue of the Video Conference Series “One UN for Accelerating a Fair and Green Economic Transformation”

Summary Report

Table of Contents

- Background .................................................. 2
- The Second Dialogue to Accelerate Green Economic Transformation ........................................... 2
- Key messages .................................................. 3
- Going Forward ................................................. 5
- Resources and Links ......................................... 6
- Participant List ............................................... 7
Background

The COVID-19 pandemic has disrupted investment flows to sectors relevant for the SDGs, particularly in developing countries, at the risk of setting back years of progress in sustainable development. According to the OECD, the financing gap for the SDGs increased by 70% from $2.5 trillion to $4.2 trillion due to the global pandemic, as countries shifted their attention to the urgent health crisis. Sustainable investments remain a small share of the global market and there needs to be greater efforts to channel sustainable finance to developing countries.

Despite these challenges, there are some encouraging global trends. According to the World Investment Report (UNCTAD, 2021), the value of sustainability-themed investment products in global capital markets grew by 80% from 2019, despite volatile markets in 2020. The Green Finance Measures Database, launched by the Green Growth Knowledge Platform (GGKP) and UNEP Inquiry, reports that since 2015, there has been a 180% increase in the number of green financial measures, signifying that progress towards a global sustainable financial system is advancing rapidly in more than 75 countries around the world.

The Second Dialogue to Accelerate Green Economy Transformation

To highlight the critical role that sustainable finance plays in supporting countries with the transition to low-carbon economies, PAGE focused the second dialogue of its series “One UN for Accelerating a Fair and Green Economic Transformation” on sustainable finance. The dialogue, which took place on the 2nd of November 2021, was a platform for UNEP FI and UNDP Finance Sector Hub to present their offers in sustainable finance to UN Resident Coordinators and UN RCO Economists from PAGE countries as well as economists, project coordinators and focal points from PAGE agencies. The dialogue also demonstrated the unique capacity of the UN system to facilitate joint delivery efforts in scaling up sustainable finance in PAGE countries, demonstrated through a case study presentation from Thailand.

Links to presentations:
- UNDP: Linking Finance with Impact
- UNEP-FI: Mobilizing Private Finance for Sustainable Development
- Joining Forces on Sustainable Finance: Thailand

UN Economists Dialogue Series for a Green Economic Transformation

PAGE through the PAGE Economic Policy Advisory Group is hosting a series of dialogues that bring together economists from PAGE agencies and from UN resident coordinator offices across PAGE partner countries. It offers a dedicated platform for colleagues at the UN to exchange ideas, knowledge and visions, and share best practices on accelerating fair and green economic transformations.

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“Policies need to be aligned with the SDGs. I want to underscore that this is critically important for the whole de-risking effort as well. If we have policies in place that are predictable and clearly aligned with the SDGs, that sets a very clear sign for any investor and reduces some of the uncertainty of policy, a major complement to any other attempts at de-risking.”

Elliot Harris
UN Assistant Secretary-General for Economic Development and Chief Economist, UN DESA

Key Messages

I. **Aligning the financial system with the SDGs and the objectives of the Paris Agreement is essential to attract investments.**

   a. The current financial system is driving the world towards an unsustainable future and making sustainable finance the norm requires systemic changes.
   
   b. The challenge lies in misalignment of the system, which remains in both private and public capital, resulting in an investment gap to finance the SDGs.
   
   c. Climate risk is investment risk and strategic policy frameworks can help reduce policy uncertainties for sustainable investment – an area where policy work of PAGE can be useful.
   
   d. Another barrier to scaling up sustainable finance includes ESG/SDG-washing concerns. The credibility of sustainable funds needs to be enhanced to attract investment flows and reduce risks.

   „We need to be looking at the systemic change... We have to look to see how the Resident Coordinator system can work with the countries to be able to create that systemic shift in terms of both public and private finance opportunities that exist."

   Sheila Aggarwal-Khan
   Director, Economy Division, UNEP

II. **The UN system offers unique expertise to respond to countries’ need for mobilizing finance needed to achieve the ambitions for a green and inclusive recovery and long-term economic transformation.**

   a. 5 agencies are working together across 71 countries to support governments with the implementation of the Integrated National Financing Frameworks (INFFs), helping to strengthen planning processes and overcome existing impediments to finance the SDGs at the country level.

   b. UNDP developed the SDG Impact platform to inform investors with decision-making in investments for SDGs, produce data and insights needed for increasing financial flows to the SDGs, and facilitating collaboration to realize investments.

   c. UNEP FI is working with financial institutions to integrate sustainability into their strategies to align with the SDGs and the Paris Agreement, as well as with policymakers to drive systemic change to create enabling policy environments for sustainable finance.

   d. As a country example, in the case of Thailand, under the leadership of the UNRCO, there are ongoing efforts to coordinate the UN support to the country in this area by exploring how the INFFs can be connected to the efforts in developing the Thai green taxonomy as well as how the work on INFFs can be aligned with the Principles of Responsible Banking. For catalyzing stakeholder commitments, the UN has promoted the signature of a “Statement of Commitment for Sustainable Thailand”.

   UN environment programme | UNDP | UNICEF | UNIDO | UNITAR
III. There is a new awareness of the opportunities to scale up sustainable finance.

a. The INFF approach is an opportunity for countries to implement a systemic change by fully aligning the national budget with the SDGs and using the INFF as the main financial planning and budgeting tool.

b. The UN-led Net-Zero Banking Alliance, which currently represents 89 banks worldwide and USD 66 trillion in assets, offers an opportunity to accelerate the implementation of decarbonization strategies in banks.

c. Learning networks for capacity building can promote awareness and accelerate the development of sustainable finance in countries. UNEP FI will be focused on capacity-building at the regional level to develop technical capabilities for financial institutions and to support implementation of industry frameworks.

d. In addition to government expenditure, new flows of private capital will be key to re-route existing capital flows towards innovative products and services focused on finding solutions to achieve the SDGs in areas such as clean energy, low-carbon infrastructure, green bonds, green real estate, sustainable forestry and agriculture.

e. There is an opportunity for the UN Resident Coordinators to play a critical role in mobilizing different parts of the UN system and bring together all agencies with their comparative advantages that can contribute to policy reform in finance.

UNEP Finance Initiative (UNEP FI) is a partnership between UNEP and the global financial sector to mobilize private sector finance for sustainable development. UNEP FI works with more than 400 members – banks, insurers, and investors – and over 100 supporting institutions – to help create a financial sector that serves people and planet while delivering positive impacts. To sign up to receive UNEP FI’s newsletters, please send an email to info@unepfi.org.

UNDP SDG Finance Sector Hub (FSH) offers a comprehensive package of services and tools in support of the organization’s efforts to support the governments, private sector and international financial institutions to accelerate financing for the SDGs. The FSH currently offers four flagship initiatives: Integrated National Financing Frameworks (INFFs) SDG Impact, Insurance and Risk Facility, and Digital Financing and other service offers available on UNDP’s SDG Finance Knowledge Platform. Please subscribe to the monthly newsletter to get updates.
“It is about time that governments are taking a serious look at the sustainable finance and the SDG market. I think it is impossible to solve market failures just by market-based solutions. Bringing the G20 and governments to fully regulate this aspect and to promote and incentivize the behaviour we want to see will be a huge complement to all the financial instruments, policies and standards that we are putting in place.”

Marcos Neto  
Director, Finance Sector Hub (UNDP)

Going Forward

- PAGE can serve as a UN platform to facilitate the coordination and support to UNRCoS and UNCTs to provide an integrated approach on Sustainable Finance to partner countries in mobilizing finance to achieve key SDGs targets.

- PAGE partner agencies offer tools and services that are complementary and can be used for joint delivery at the country level. From UNDP’s work on INFFs to UNEP FI’s work in private finance sector, PAGE has an opportunity to bring together the different portfolios of the UN system to provide countries with a demand-driven approach and support the UN RC system with its commitments to tackle the Triple Planetary Crisis.

- UNEP FI, in collaboration with UNDP, will be exploring the possibilities of joint delivery on the SDG Finance Task Team’s work as a next step to engage country teams and Resident Coordinators on the INFFs and private sector engagement. More specifically, the Task Team will work towards capacity-building for the UNCTs and RCs to analyze the barriers and opportunities for private finance and reflect these within the Common Country Analysis, which will inform the Cooperation Frameworks through facilitated workshops and webinars. Participants will include private financial institutions and relevant stakeholders with UNCTs and RCs, piloted in up to 5 countries by the end of March 2022.

- As the Secretariat of the Sustainable Finance Working Group for the G20, UNDP will contribute to implementing the 5-year Sustainable Finance Roadmap, which consists of five focus areas with 19 actions. The roadmap includes policy levers that can promote and accelerate sustainable finance, digitization, capacity-building and fundamental ways to measure risks to the financial system stemming from biodiversity, climate and social measures.

- The priority of the UN lies in promoting the Sustainable Development agenda, as it is uniquely placed to harness the capacity of its different agencies across the system to support countries to align sustainability with national development policies and encourage the private sector to follow the same path.
Leveraging UN Reforms and Economic Expertise

A fully reformed UN System offers a unique opportunity to bring together specialized expertise on economic policy and provide a coherent package of support to PAGE partner countries for green recoveries and broader economic transformations. To this end, PAGE with its expertise and experience in the field of green economic transformation is contributing to the work of the UN Economist Network, which is comprised of economists from the UN system, including country economists working in UN RCOs. The network provides, inter alia, research and policy analysis on key current and emerging economic, financial, social and environmental issues with a view to advancing the 2030 Agenda. Additionally, PAGE has established an Economic Policy Advisory Group (PEPAG) to provide deeper support on economics to partner countries — aiming to deliver transformative results for the whole economy and the economic recovery from impacts of COVID-19, paying special attention to shifting transformational levers, while keeping an eye on fairness and social justice.

Resources and Links

- UNEP FI
- UNDP Finance Sector Hub
- SDG Investor Platform
- Integrated National Financing Frameworks (INFFs)
- World Investment Report 2021
- PAGE E-learning course “Introduction to Sustainable Finance” on UN:CC Learn
- UNESCAP MPFD Policy Brief

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