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Agenda item 10 : Briefing on the final options report of the *Inquiry into the Design of a Sustainable Financial System.*

1. The UNEP Inquiry into the Design of a Sustainable Financial System was established in early 2014 to explore how to align the financial system with sustainable development, with a focus on environmental aspects.
2. Over the last two years, UNEP's Inquiry into the Design of a Sustainable Financial System has explored how changes in financial system design can bring sustainable development considerations more effectively into financial decision-making and mobilize capital towards a green and inclusive economy.

Inquiry's 3 Core Questions

- **Why** – under what circumstances should measures be taken to ensure that the financial system takes fuller account of sustainable development?
 - **What** – what measures have been and might be more widely deployed to better align the financial system with sustainable development?
 - **How** – how can such measures best be deployed?
3. The Inquiry has considered aspects of financial and monetary policies and financial regulations, and standards, including disclosure requirements, credit ratings, listing requirements and indices. The Inquiry has focused on the roles of financial system's rule-makers including central banks, financial regulators, finance ministries, other government departments, standards institutions, and market-based standard-setters such as stock exchanges, and key international organizations and platforms.
 4. The Inquiry has explored innovative experiences in advancing sustainable development through the actions of the financial system's governing institutions, notably central banks and financial regulators, government bodies and standard setters. Such experiences have been examined in some depth in Bangladesh, Brazil, China, Colombia, the European Union, France, India, Indonesia, Kenya, the Netherlands, South Africa, Switzerland, the UK and the USA.
 5. The Inquiry has also drawn on extensive international engagement and research on topics as diverse as green bonds, value-based banking, fiduciary responsibilities, human rights and electronic trading (A full list of research papers is included in Appendix V). A high-level Advisory Council has guided the Inquiry, which has also drawn on UNEP's green economy activitiesⁱ and its Finance Initiative (UNEP FI).ⁱⁱ

6. The Inquiry has contributed to a growing number of real-time initiatives seeking to integrate sustainable development with the evolution of financial and capital markets, from co-convening China's Green Finance Task Force with the People's Bank of China to catalysing and supporting the Swiss Government in launching a national consultation with the Swiss Sustainable Finance Initiative. Other activities include supporting a national inquiry into the green economy and the financial system by Brazil's banking association, the Federação Brasileira das Associações de Bancos.

7. The UNEP Inquiry will launch its global report on the 8th October in Lima, which will summarise its 18-month investigation across 15 countries in how financial policies, regulations, standards and market leadership have sought to advance green and sustainable financial flows. Its findings are quite fascinating, with clear leadership from a number of developing countries, particularly led by Brazil, China and Indonesia, and also Kenya and South Africa, with leading developed country examples including France, and the UK.

8. At the same time of the launch of the Global Report, the Inquiry will launch the "Inquiry LIVE" website which will house a dedicated platform for a body of knowledge and research materials (over 60 documents) encompassing the Inquiry's work over the past 20 months. The website will provide a one stop shop to all of the Inquiry's research materials plus a password protected and dedicated portal for partner countries to enable communication and sharing of knowledge between countries, facilitated by the Inquiry. The country portal will initially be dedicated to the 15 countries where there has been enhanced country engagement, including a country report.

Key messages

- Financing for sustainable development can be delivered through action within the financial system, as well as the real economy.
- Policy innovations from developing and developed countries demonstrate how the financial system can be better aligned with sustainable development.
- Systematic national action can now be taken to shape a sustainable financial system, complemented by international cooperation

9. The financial system underpins growth and development. In 2008, the world witnessed some of the most sophisticated financial systems spawn the worst global financial crisis seen in decades. As markets in some developed countries collapsed, others in both developed and developing nations were inevitably dragged down. In the wake of this global financial crisis, recognition has grown that the financial system must be not only sound and stable, but also sustainable in the way it enables the transition to a low-carbon, green economy. Therefore, to achieve the sustainable development we want will require a realignment of the financial system with the goals of sustainable development. Aligning the financial system for sustainability is not some far-off notion, but is already happening.

10. A "quiet revolution" is taking place as policy makers and financial regulators address the need to forge robust and sustainable financial systems for 21st century needs. Concepts such as natural wealth and the circular, green economy have moved from the margins to become the substance of economic strategies and policies for businesses and nations. Clean energy will underpin tomorrow's global energy system and there is little doubt that the challenge, although considerable, is essentially one of transition.

11. The Inquiry's findings and proposals for action drawn from its work through dozens of partners both at the national and international level, indicate that the financial system can be transformed to better serve the needs of sustainable development. Moreover, the Inquiry has highlighted the simple truth that such a transformation is essentially a matter of public choice – a positive choice that is being made in an increasing number of countries and across a growing portion of the financial system. Progressing the alignment of the financial system with sustainable development will involve new actors, coalitions and instruments. Whilst much remains to be done, we believe that UNEP's Inquiry has established a grounded appreciation of the practical potential, and of the policy choices that can be made in setting out to realizing that potential.

ⁱ UNEP (2011). Ibid.

ⁱⁱ UNEP FI's membership includes 200 financial institutions, principally banks, insurance companies and investors: <http://www.unepfi.org>