

DRAFT

2018 October Days for Sustainable Development

FINANCING THE SDGs

CONCEPT NOTE AND AGENDA

Dates: 11 October 2018 (Afternoon) and 12 October 2018 (Morning)

1. BACKGROUND

The Agenda 2030 calls for an effective, coherent and sustainable financial system to be set up promptly. It is well acknowledged by the scientific and political community that the sustainable goals require a significant mobilization of financial resources to implement large-scale sustainable investments at a global level, and specifically in the poorer regions. This can be done only with a significant revamping of the financial system to embrace the sustainability principles of the Agenda 2030.

The 2018 edition of the October Days will contribute to addressing this challenge and will focus on **SDG 17: Strengthen the means of implementation and revitalize the global partnership for sustainable development**, with a particular attention to means of implementation related to financial resources for the sustainable goals and – as specific areas of implementation – on **water infrastructure (SDG 6), gender equality (SDG 5), and health and well-being (SDG 3)**.

The Conference will strike a balance between the very different perspectives of developed and developing world.

2. FORMAT

- A. Experts from academia, scientific community, financial institutions, public and private sectors and stakeholders from civil society.
- B. Each Panel—starts with an overview of the issues to be discussed (setting the scene) - (5 minutes with a power point presentation). Afterwards, open interactive discussion with no power point presentations from the other panellists.
- C. Graphic designer for visualization.
- D. Poster session on Luxembourg and other guest's best practices –
- E. A summary video of the conference will be produced.

3. CONCEPT NOTE AND ISSUES TO BE DISCUSSED

Session 1: The Financing GAP

This session will focus on who is doing what in the international community and at a domestic level to support and encourage the transition towards a fair and sustainable finance. The needed resources are huge and beyond the public funding capacity. Therefore, it is key not only to strengthen public financial capacity, but also to mobilize the private financial sector creating the appropriate incentives and regulatory changes. Experts from international institutions and financial actors will be asked to assess the state of the art and discuss what changes are on the table for the future.

- **Which actions and innovative financial mechanisms could help fulfil the goals of the Agenda 2030?**
- **What are the challenges for the public sector for enhance public funding capacity and mobilize private resources?** First of all, what role the public authorities need to play in order to settle the ground rules? Removing market failures such as unpriced pollution and resources and setting an accountable framework is key to make the green and sustainable economy appealing for the private capital. Moreover, public finance plays the essential role to provide collective goods that the market would not offer and stimulate private action through incentives and subsidies. What changes to the tax and subsidies system would need to be put in the policy agenda to shape the road map to sustainable finance?
- **What incentives could better drive private capital mobilization to contribute to the Agenda 2030?** Private financing resources are critical to integrate the limited capacity of public funding. A large variety of innovative tools and initiatives are in the pipeline to integrate private sector incentives with public goals. At the keystone, there is an innovative and profitable partnership between public and private sectors that need to be framed. All possible forms of *blended finance* are key to drive private capital towards environmental and social projects that contribute to sustainability objectives and the new technologies and digitalization can further strengthen this process and disclose new opportunities. Fiscal incentives, microcredit, crowdfunding and inclusive policies of the commercial bank sector are key actions in this direction, together with green bonds, investments guarantees, insurance schemes, investment promotion regimes. At the same time, what kind of disincentives and standards could be recommended to support this transition?
- **How reporting and disclosure can ensure a greater mobilization of savings towards sustainable finance?** In order to encourage long-term vision investment, financial actors would benefit of a more appropriate regulatory system safeguarding from long-term uncertainty and economic instability. From the citizens' perspective, a greater transparency and labelling of financial assets would encourage investments in portfolios that reflect their sustainable preferences and would incentive philanthropic donations, which are becoming a significant component of the capital flows. In addition, literacy training campaigns are essential to make professionals green finance literate, and finance institutions could incorporate these into training programs

- **Best practices** of financial tools and regulatory standards worldwide and in Luxembourg

• Greening the banking lending: Mainstreaming Climate Action Initiative
• Greening the stock-exchange market: innovative instruments to facilitate access to green companies, green bonds (Luxembourg Green Exchange LGX), raise the level of disclosure, introduction of a voluntary certification scheme on the sustainability of funds (e.g. the LuxFlag , sustainable finance labelling agency) could also help transparency and accountability, EU-wide taxonomy for sustainable finance
• Greening the equity and debt capital markets
• Green Bond Market.....
• Greening the insurance market: innovative schemes to cover risk from natural catastrophes (CAT bonds, ILS, collateralized...)
• Public-private partnership: Climate Finance task force between Luxembourg government and EIB; G20 Green Finance Study Group (GFSG)
• Crowdfunding, microfinance
• Literacy campaign: build professional skills

Session 2: Financing SDG 6 - Ensure access to water and sanitation for all

This session will focus on financing specific infrastructures and projects that aim to create better access to water services. Infrastructures have inherently long-term horizon, ethical and social implications, strong uncertainty, irreversible nature that keep back private capital. At the same time, they need to mobilize a huge amount of resources – around \$90 billion per year in the water sector (.....), where the current level of obsolescence could create additional risks of financial losses.

- **How could sustainable finance help address key water issues?**
- **Financing of water infrastructure (EIB case studies)**
- **What strategy of incentives and blended finance could mobilize private funding without jeopardizing the ethical and social contents of these key public goods?** What lessons can we learn so far regarding the transformative process of the financial system in this sector? What are the challenges to be faced and what does practically mean to foster a greater financial stability by incorporating environmental, social and governance factors into the specific decision-making of this sector?

Experts will be invited to assess key initiatives and best practices in the social and economic infrastructure sectors: design sound business model to raise incentives for private capital, promote public-private partnership (PPP) contracts to ensure predictability, reduce transaction costs and reduce uncertainty in the regulatory environment, implement voluntary, contractual mechanism to reduce differences in the cost of capital across countries.

- **Best practices, Challenges, Opportunities and obstacles and barriers in the water sector:**

- Infrastructure Europe: new incubator to accelerate high quality infrastructure project

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| - Green Infrastructure Investment Coalition to construct pipelines of sustainable assets (such as green bonds) with attractive risk/return characteristics. |
| - Risk-mitigation instruments that reduce political and regulatory risk (like the Renewable Energy Cost Reduction Facility (RES-CRF)) |

Session 3: Financing SDG 3 - Good Health and wellbeing

This session will focus on financing specific projects that aim to create better health and wellbeing

- **Improving health care for all is a major objective of the Agenda 2030.** Not only owing to health direct contribution to increasing quality of life, but also for its impact on economic resilience. In fact, accessible and well-functioning health care systems guarantee a healthier workforce, a longer life expectancy and a higher share of well-educated children who could attend school longer and more effectively.
- **However, there are urgent financial issues that need to be addressed to ensure health systems sustainability.** Over the last decades health care costs have raised faster than GDP. Moreover, pressure on public budgets has increased due to structural factors on the demand side - such as population aging and changing lifestyles - and the increase in health treatment costs per capita due to the introduction of advanced medical technologies. Furthermore, in mature economies, guaranteeing equal access to high quality health services to different population groups is still a major challenge. While, quality of services and health care accessibility in developing countries are still well below the western standards, despite some undisputable improvements.
- **Experts will be asked to appraise the current debate and envisage new financial models for escaping the financial trap.** The challenge is to deal with the increasing financial burden of health care for the public sector – exacerbated by fiscal pressure and productivity slowdown - while enhancing quality of services and accessibility for all. In particular, how to strengthen tax and social contributions funding health care while containing health costs without undermining universal health coverage? How to engage the no-profit private sector – including civil society organization – to complement public financing and help provide health services for all? At the same time innovative schemes need to be put in place in order to attract financial resources from the private sector. How to leverage this contribution, harnessing the crucial economic value-creation ensured by a sound health care system, while preserving equitable access and long-term development goals? Finally, the still consistent gap in health provision worldwide requires urgent measures: how can fiscal space for health improvements in low and middle-income countries be generated and what is the role of the international donors?
- **Best practices, Challenges, Opportunities and obstacles and barriers in the health and wellbeing sector:**

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| - Infrared Infrastructure S.A.S à capital variable: Launched in 2010 by CDP, together with the EIB, Caisse des Dépôts, Caisse de Dépôt et de Gestion Maroc and EFG Hermes, with an initial commitment of €385 million and a final fundraising target of €1 billion, InfraMed represents the largest infrastructural investment fund dedicated to the South Mediterranean area, comprehensive of the Middle East and Northern Africa |
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Session 4: Financing SDG 5 – Gender Equality

This session will discuss how to leverage public and private financing resources for gender equality.

- **Enhancing gender equality has crosscutting returns in building sustainable communities:** these range from fostering respectful social relationships among individuals to labour market fairness, from improving personal safety in domestic and public space, to enhancing gender representation in public and private institutions. Moreover, strengthening gender equality is proven to be a smart economic choice with important side-effects on improving economic efficiency, systemic organizations and climate mitigation. This is due to the specific contribution that women play in educational and knowledge transmission and common goods care.
- **How to channel financial mobilization towards initiatives that have women’s economic empowerment as a principal objective?** Experts will be asked to discuss existing and prospective mechanisms that could induce an upward shift in the financial value of gender equality’s targeted investments and commit private actors to invest in social and ethical returns: from computing the ‘right’ price of projects by incorporating the cost of gender bias, to the role of government regulation and taxation in broadening long-term view, from incorporating reputation constraint and normative societal bounds to stakeholders participation in the decision-making and monitoring.
- **What practical financial initiatives have been so far experienced and what can we learn from them?** What lessons can we learn from alternative financial schemes, such as microcredits and other forms of ethical financial tools? What role for the civil society?
- **Gender lens investing**
- **Gender perspective on EIB projects**
- <http://www.unwomen.org/en/digital-library/sdg-report> (UN Women report on SDG Gender) Presentation of the report?



- <https://www.mckinsey.com/global-themes/gender-equality> - Presentation of the report?
 - **Best practices, Challenges, Opportunities and obstacles and barriers in gender equality:**
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| • Morgan Stanley (2017). An Investor’s Guide to Gender Diversity. |
| • the Addis Abeba Action Agenda (AAAA) identified area of commitments to enhance investments on gender equality |

Background section

Literature and link to initiatives and authors

The Agenda 2030 include sustainable finance in the first section of the 17° SDG. This goal highlights the need to “strengthen the means of implementation and revitalize the global partnership for sustainable development”. A special attention is dedicated to recognise the role of the financial effort both of the private and public sector. For the financial system, the SDGs set out a high-level roadmap for generating ‘shared value’ – shifting capital away from damaging ‘business as usual’ trends and towards an end to poverty, increased prosperity with social inclusion and environmental regeneration-

The Paris Agreement on Climate Change agreed to “making financial flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development”.

The Agenda 2030 targets for financing the SDGs builds on the **Addis Abeba Action Agenda (AAAA)** in 2015 that stressed how a powerful, coherent and blended financial framework is at the heart of the efforts to achieve the sustainable goals.

The AAAA raised - at this early stage of the Agenda 2030 process – the need to challenge the national and international financial system in order to develop priority actions for a more functional and tuned financial system. These actions are still priorities and mainly require to strengthen and transform the domestic public resources with new mechanisms and innovative financial tools and the private finance’s contribution to the Sustainable goals.

The EU High-Level Group on Sustainable Finance (HLEG) - established by the European Commission in late 2016 – has just realised recommendations to ‘hardwire’ sustainability into the EU’s regulatory and financial policy framework, as well as to accelerate the flow of capital towards sustainable development objectives. The Group began its work in January 2017, published an interim report in July 2017 and completed its work with this final report in January 2018. The recommendations of the HLEG form the basis of the action plan on sustainable finance adopted by the Commission in March 2018

https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance_it

https://ec.europa.eu/info/sites/info/files/180131-sustainable-finance-final-report_en.pdf

UN Environment is running an inquiry on design a sustainable financial system, next report in March 2018

<http://wedocs.unep.org/bitstream/handle/20.500.11822/22914/CPR%20Presentation%207%20March%20Master%20Slide%20Deck%20Final%20presentation.pdf?sequence=15&isAllowed=y>

http://unepinquiry.org/wp-content/uploads/2015/11/The_Financial_System_We_Need_EN.pdf

EIB

OECD, report on blended finance

<http://www.oecd.org/dac/financing-sustainable-development/development-finance-topics/blended-finance.htm>

WORLD BANK

<http://documents.worldbank.org/curated/en/903601510548466486/Roadmap-for-a-sustainable-financial-system>

Better finance

<http://www.betterfinance.eu/> jella benner

URBIS: Urbis investment support hub

- Sustainable Insurance Forum
- G20 Sustainable Finance Study Group, co-chaired by China & the UK
- Climate Bonds Initiatives - Green Bonds – GreenInvest Platform
- Principles for Responsible Investment, leading credit rating agencies to integrate environmental, social and governance factors into their analysis.
- Sustainable Digital Finance Alliance – Fintech development –
- Patient Capital (UN Environment)
- The New Climate Economy
- The SDIP, Sustainable Development Investment Partnership
- Countries initiatives:
 - Italy: Partnered with Ministry of the Environment on National Dialogue for Sustainable Finance, launched at central bank jointly with finance ministry.
 - Luxembourg: LuxFlag, Climate Finance Taskforce, Luxembourg Green Exchange.

Academics/Experts

- ✓ Nick Robins, Co-Director UNEP Inquiry "***Financing the Future - Report of the Italian National Dialogue on Sustainable Finance***"
- ✓ Dirk Schoenmaker, 'Investing for the common good: a sustainable finance framework'. Senior Fellow at Bruegel. He is also a Professor of Banking and Finance at Rotterdam School of Management, Erasmus University Rotterdam.
- ✓ Shiller, R. (2012) Finance and the Good Society, Princeton University Press, Princeton