

# G20 WORKSHOP

## CAPACITY-BUILDING OF THE ECOSYSTEM FOR SCALING-UP SUSTAINABLE FINANCE

### FEBRUARY 3, 2023

#### OVERVIEW

The G20 workshop on capacity building of the ecosystem for scaling-up sustainable finance was hosted by Indian Presidency in Guwahati, Assam on 3 February 2023. The workshop provided a platform to inform the G20 [Sustainable Finance Working Group](#) (SFWG) agenda by capturing the views and varied experience of a wide range of stakeholders, including the public sector, private sector (finance practitioners' and non-core finance professionals), and academia. It gave a unique opportunity for G20 delegates to interact with private sector actors and institutional partners to build understanding among G20 members and strengthen policy and other recommendations towards concrete actions.

This note captures key messages of the various sessions and keynote speeches and summarizes the main outputs related to the following topics:

- A. Specific areas in which sustainable finance capacity building is most needed,
- B. How technical assistance programs can help overcome data-related barriers to sustainable investment.
- C. Existing and prospective initiatives to provide capacity building, and approaches to further support and collaboration.

#### Key messages from participants:

- Building capacity of the ecosystem for scaling-up sustainable finance is a daunting task which will require collective action.
- **Trade-offs** to manage when designing and implementing capacity building or technical assistance programs: (i) speed versus impact, (ii) purity versus progress.
- **Speakers highlighted challenges in effective capacity building such as the lack of localized solutions suitable for low-income countries; availability of appropriate granular and accurate data across all sectors in ESG spectrum; scaling up transition finance to climate solutions; and aligning sectors.**
- Additional investment is required for training courses and fostering the availability of talent. Beyond training, there is also a need to work on how to seek and **retain specialists**.
- The Institute of International Finance recommended that G20 member states work towards developing coherent standards, based on existing frameworks, to maximize the impact of capacity building efforts.
- The Global Green Finance Leadership Program (GFLP) suggested the G20 SFWG to facilitate the creation of a network to coordinate various capacity building programs, including via leveraging the resources of MDBs, NGOs, research bodies and think tanks. The GFLP also recommended a greater focus on supporting sustainable finance capacity building, especially in EMDEs.
- Members also suggested that the efforts aimed at strengthening sustainable finance ecosystems should take a value-chain approach: assessing needs within the financial sector and beyond, taking a multiple stakeholder approach and examining multiple delivery channels.

## KEYNOTE ADDRESS

The keynote speeches were delivered by Mairead McGuinness, European Commissioner for financial services, financial stability and Capital Markets Union and Petr Wagner, Deputy Head of Unit, European Commission DG Financial Stability, Financial Services and Capital Markets Union. They highlighted the various efforts made by European Commission to collaborate with partners, especially low- and middle-income countries to provide technical assistance and capacity-building services. Commissioner McGuinness outlined the Commission's efforts to provide expertise, avoid fragmentation and better meet the expectations of its stakeholders. These efforts would help support private investors make informed decisions and help local and private partners to accelerate financing towards green activities.

For instance, the EU launched a High-Level Expert Group that will make recommendations on how best to support low- and middle-income countries scale up sustainable investment, and technical assistance will be a core area. With sustainable finance frameworks and policies evolving worldwide, the presenters noted a need for continuous and consistent technical assistance to help minimize fragmentation and build frameworks that attract local and international investors.

### A. Specific areas in which sustainable finance capacity building is most needed.

**There is a general consensus on (a) huge capacity gap in terms of talent available to fill positions related to sustainable finance and (b) the need for continuous and consistent technical assistance / capacity-building at local and systemic levels.** However, at least for central banks, additional details on these needs would be welcomed, especially with a clear breakdown at basic, intermediate and advance (specialist) level. Most organizations (market players, public actors, regulators, etc.) plan to upskill their workforce. In the past 5 years, sustainable finance-related training has advanced at universities. While specialist and institution-wide training of finance professionals is still needed, senior management also needs to be trained so that the knowledge can trickle down. Some speakers noted that the lack of consistent financial support for capacity building or technical assistance activities continues to be a challenge.

The drivers of capacity-building exercises include fast evolving science, the development of sustainable finance frameworks, change in policies and regulation, pressure for banks systems and processes to evolve. One panellist proposed a conceptual framework to bridge capacity and technical gaps, by mobilizing four groups of stakeholders: regulators, financial institutions, market players and the international community (including academia, networks, international organizations, development finance institutions). The importance of providing conceptual frameworks was discussed as it helps build understanding among all parties involved.

On the **demand side**, areas of needs mentioned by speakers cover most of the topics key to the G20 Sustainable Finance Roadmap (i.e., approaches for identifying sustainable investments and activities, such as taxonomies or labels (FA1), sustainability disclosures and reporting (FA2), risk/ impact assessment and management (FA3), managing the transition (FA5)). Prioritization of these needs depends on the identity of seekers, more precisely:

- According to the NGFS speaker, the most cited training topics for **regulators** include risk assessment, scenario analysis, and taxonomies. However, additional details on these needs, especially with a clear breakdown at basic, intermediate and advanced level would be welcomed.
- A survey of **banks'** approaches conducted by IIF (2022) indicated that priorities for capacity building efforts for financial institutions include: a) recurrent needs: assessment and management of sustainability-related risks, scenario analysis, data & metrics, b) emerging needs: net zero

transition planning and practice (including gaining a better understanding of the evolving landscape of frameworks, policies and regulations, and stakeholder expectations).

- A survey conducted by FC4S in 2022 across **financial/professional institutions (banking, insurance, asset management, funds administration, pension funds, and professional services)** revealed that (i) most respondent organizations plan to upskill their workforce, (ii) the most mature and urgent priority is the 'E' of ESG, with 'S' and 'G' gaining importance: the former expanding through various regulatory mechanisms and the latter being perceived as increasingly important, and (iii) strategy, data integration and understanding client value are the most important learning topics in the near future.
- UNEP-FI conducted a survey in 2020 to assess **member banks'** needs and priorities for sustainable finance, with capacity building to enhance technical capabilities being the most important priority. Need for additional support was also expressed on: (37%) developing performance measurement methodologies, (30%) conducting impact analysis to identify significant social, economic and environmental impacts of the bank's portfolios, (30%) setting SMART targets in the bank's areas of most significant impacts, (27%) data management for sustainability performance measurement, (27%) developing action/transition plans to implement targets.
- A survey carried out by the GFLP prior to the COVID-19 pandemic showed that participants from various geographies are very keen to learn more about the following topics: concept of green and sustainable finance, products, cases (both success and failures); taxonomies for green and sustainable finance; tools and methods to quantify environmental benefits; climate and environment risk analysis; sustainability related disclosure and regulations; incentive policies to encourage private sector capital flows; access to international learning resources.

### Key messages from participants

- NGFS mentioned that **specialists and institution-wide capacity building is a real challenge** across all NGFS membership.
- **Challenges** identified in capacity building include segmentation of capacity building activities (the lack of adequate coordination at the international level and lack of localized solutions, especially for low-income countries) and the lack of consistent financial support for these activities.
- It is crucial to **build knowledge across the entire spectrum of climate, nature and social**.
- Several speakers raised the need of **training the trainers**, especially in areas of growing demand: Sustainability Reporting, Guarantees/ De-risking, Carbon Policy, Carbon Markets, Climate & Nature Stress Testing, Sovereign GSSS+ bonds.
- In addition to capacity building initiative, to scale up sustainable finance, a speaker suggested that technical assistance could be provided to support improved project bankability, investability, and insurability.

### **B. How technical assistance programs can help overcome data-related barriers to sustainable investment.**

**Financial institutions, regulators, and other sustainable finance actors face several data-related challenges.** From a risk perspective, the lack of credible, timely and granular data can misinform about various aspects of risk, be it perception, mitigation, management and transfer. From an alignment perspective, many of the prevailing alignment tools (including net-zero alignment metrics, sustainable finance taxonomies, ESG-labelled securities, and climate-aligned financing principles) require

granular, climate-related data from recipients of financing that may not presently be available. From both perspectives, access to data can be difficult and costly, and there is a lack of skillset to analyze, disseminate and deliver data. Hence, there is a need to work towards designing technical assistance to provide and process relevant data.

**To address the challenge of data generation, especially from a risk perspective, speakers mentioned the benefit of working on corporate disclosure**, and the value-add of technical assistance programmes for corporate disclosure, like the one run by TCFD. More broadly, it was also mentioned that successful initiatives are underway at the international level: the new G20 Data Gaps Initiative launched in 2022, tackling 7 environmental and climate change data gaps; the FSB Climate action plan, the Irving Fisher Committee on Central Bank Statistics or the new expert networks within the NGFS. Many speakers urged all these bodies to work closely together. As an example of institutional level initiative, the Bundesbank set-up, internally, a sustainable finance data hub, which centralizes sustainability data collection, engages in innovative projects for data creation that operates with universities, addresses methodological questions, and helps to ensure data quality control.

A speaker further highlighted that several **internationally endorsed sustainability-related accounting frameworks<sup>1</sup> can already form the basis for countries to develop environment and climate change statistics, that can in turn inform policy making on sustainable finance and investors' decisions. However, very few countries have invested in the development of sustainability statistics programs.**

**To overcome data barrier**, speakers provided details on their organizations' technical assistance programs. GFANZ is structuring regional assistance networks. The IMF recently built capacity to assist countries in the development of environmental and statistics programmes and has adopted 3-pronged approach:

- **Engage** in diagnostic work with producers and users to identify the need for the data in different countries to undertake the analysis, energy flows and sources of finance to advocate for adaptation financing.
- **Work** with countries to secure the resources needed to develop those statistics, including the political support and sources of data.
- **Develop** a worldwide roster of experts that would stand ready to provide technical assistance to design and disseminate statistics.

### Key messages from participants

- **Technology is an enabler to improve statistical capabilities**, especially in developing economies.
- All countries don't need the same dataset. **Support must be tailored to local context.**
- **One Central Bank representative mentioned that financial institutions and regulators should come up with well-justified data needs** to not over burden companies.
- **On data integration and management for sustainability performance measurement**, one participant raised the issue of data needs which seems always to be the challenge and the need for reducing the information and disclosure burden for SMEs. A speaker suggested that there is more data on SME than usually imagined, and pointed to the fact that verification and auditing and capabilities of the accounting profession could be a bigger challenge.

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<sup>1</sup> Ex: the System of Environmental-Economic Accounting (SEEA)

- **Improving data credibility and accuracy is a key challenge.** Solutions are emerging, for example by checking divergence of data sets from various providers. One central bank shared its experience of comparing company-level information with information from financial institutions, employment a multi-source approach to increase data accuracy.
- There is a need for **technical assistance on how to use data sources**, including, how different data sets can be integrated together to address multidimensional questions. Statisticians need to upskill to shift their approach from producing ad-hoc statistics answering to a defined research question, to making sense of available data. A speaker mentioned that it could be beneficial for regulators to enhance their ability to use new ways of gathering data (e.g., private, and non-traditional sources).
- Both **international cooperation, as well as collaboration** within institutions are key. Speakers pointed out that it is essential to **avoid duplication of work**, especially for data collection and quality control.
- Many speakers called for an **open data approach**. Many sources of data are publicly available but exploited by private data providers. Speakers encouraged a sharing culture between countries and across organizations. Speakers cited the Net-Zero Data Public Utility, under development and supported by public actors as well as large data providers, which will be an open, free, and centralized data repository, allowing all stakeholders to access climate transition-related data, as one example of such approaches.
- On **forward looking data**, GFANZ outlined its ongoing efforts that would allow users to gain granular information on metrics & targets related to decarbonization targets and portfolio alignment. Furthermore, GFANZ underscored that cooperation among institutions is key to enabling the greatest benefits from forward looking data.

### C. Existing and prospective initiatives and approaches to further support and collaboration

**Speakers outlined various technical assistances programs and capacity-building services. Several entities are working on dissemination of knowledge and mainstreaming access to international and/or publicly available learning resources.** For instance, the NGFS SKILL (Sustainability Knowledge and Information Learning Library) was published in December 2022 on Climate Training Alliance Portal. It contains more than 40 courses. For the private sector, UNEP-FI discussed their technical capacity building support, training programmes, peer-exchanges, webinars, regional/global roundtables and one to one support. The Institute of International Finance also mentioned their capacity-building work revolves around 3 main topics: (i) policy and regulatory engagement for market development, (ii) research (including on sovereign debt), analysis, and thought leadership, (iii) sharing industry practices.

Highlighting capacity-building initiatives in Mexico, one speaker provided an overview of Mexico's Capacity Building Hub on sustainable finance. Publicly owned but privately administered, the Hub aims to (i) contribute to the development of awareness and capacities in sustainable finance among financial authorities, financial and non-financial institutions (including youth and local/indigenous communities), and the general public, and (ii) offer guides and pre-recorded audio-visual and support materials, in Spanish, that help different target audiences to define a personalized training plan based on their interests and knowledge. It is a public good accessible to all, at all times, free of charge. In order to define the content and create 'guided tours' for visitors, an expert survey was conducted with over 30 experts from

national and international organizations (e.g., World Bank, IFC), followed by bilateral interviews with 23 of them. They identified 11 areas of knowledge<sup>2</sup> with over 200 materials.

Commenting on the **supply of capacity-building**, speakers identified the following key issues:

- Offer of **technical assistance and capacity building could be structured and compared** in terms of key questions: WHO are the actors involved in capacity-building and technical assistance, WHAT are their offerings, for WHOM is it targeted and the state of coverage, WHAT are the delivery methods, and WHEN are they delivered.
- NGFS mentioned that a majority of NGFS members and observers are at **an early stage with respect to climate-related and environmental trainings**. An upcoming NGFS Guide (how to build up capacity and skill up staff), will cover the main functions of central banks and supervisory authorities.
- In the past 5 years, sustainable finance-related **training at universities has advanced**. One speaker noted that a strong training in sustainable finance requires a balance between ‘pure’ finance and green/sustainability.
- One **key driver of success of sustainable finance trainings is to bring finance and non-finance actors together** (banks, consumers, etc.). Financial institutions tend to focus mostly on risks, even if climate scenarios include opportunities, but as an add-on only, while non-financial actors are open to other types of risks (e.g., reputational risks).
- One panellist mentioned that a strong government commitment and private sector engagement had proven to be key to accelerate the sustainable finance agenda at a policy, regulatory and market level.
- Egypt encouraged holding workshops and trainings for various ministries focusing on financing and implementing sustainability projects.
- Speakers highlighted that **a training the trainers’ approach** would be key to address the entire market.
- Capacity-building service providers need to take into account **local circumstances** and facilitate the development of localized solutions.
- Some speakers emphasized **capacity building and technical assistant efforts to take a value-chain approach** by assessing needs within the financial sector and beyond (including real economy firms), supporting standardization and consolidation, taking a multiple stakeholder approach (e.g., exploring public-private collaboration models), and leveraging multiple delivery channel.

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<sup>2</sup> Areas of knowledge identified: 1. Science of climate change and biodiversity loss; 2. Circular economy and natural capital; 3. Introduction to sustainable finance; 4. Disclosure and reporting standards on the sustainability of firms and communities; 5. Taxonomies and labels of sustainable economic activities and financial products; 6. Economic and financial risks associated with climate change and sustainability; 7. Strategic and long-term vision of opportunities and risks associated with climate change and biodiversity loss; 8. Capital mobilization for a sustainable economy; 9. Key stakeholders in sustainable finance: investors, consumers, banks, insurers, rating agencies, civil society organizations, technology developers, communities and youth; 10. Transition to sustainable activities and organizations; 11. Participatory model: social, gender and inclusion considerations for a just transition.

## ANNEX – EVENT AGENDA

Friday, 3 February 2023, 9.00 – 14.30 (UTC+5.30 IST)

Venue: Guwahati, Assam, India
<p>9.00 - 9.15 / <b>Welcome and Introduction</b></p> <ul style="list-style-type: none"><li>• Geetu Joshi, Adviser, Ministry of Finance, India</li><li>• Larry McDonald, Deputy Assistant Secretary, US Treasury</li><li>• Wang Xin, Director General of Research Bureau, People's Bank of China</li><li>• MC: Marcos Neto, Head of the SFWG Secretariat and Director for UNDP's Sustainable Finance Hub</li></ul>
<p>9.15 - 9.40 / <b>Keynote speeches - Working together to scale up sustainable finance</b></p> <ul style="list-style-type: none"><li>• Pre-recorded speech by Mairead McGuinness, European Commissioner for financial services, financial stability and Capital Markets Union</li><li>• Keynote speech by Petr Wagner, Deputy Head of Unit, European Commission DG Financial Stability, Financial Services and Capital Markets Union</li></ul>
<p>9.40 - 10.55 / <b>Session 1: Identifying areas in which sustainable finance capacity building is most needed: Demand, provision and gap in capacity building</b></p> <ul style="list-style-type: none"><li>• Moderator: Saurav Sinha, Executive Director, Reserve Bank of India</li><li>• Jeremy McDaniels, Senior Policy Advisor, Sustainable Finance, Institute of international Finance</li><li>• Dr. Paul Ryan, Head of International Finance and Climate Division, Ministry of Finance Ireland</li><li>• Liu Wei, Coordinator, Global Green Finance Leadership Program</li><li>• Rong Zhang, Global Coordinator of Sustainable Banking and Finance Network (SBFN), Lead of ESG Networks and Thought Leadership, International Finance Corporation (IFC), World Bank Group</li><li>• Sherine Hamed El Sharkawy, Deputy Minister of Finance for Economic Affairs, Egyptian Ministry of Finance</li></ul>
<b>Coffee and Yoga Break</b>
<p>11.25- 12.40 / <b>Session 2: How to improve, supplement and scale up sustainable finance related capacity building services</b></p> <ul style="list-style-type: none"><li>• Moderator: Dr. Nina Seega, Research Director for Sustainable Finance, Cambridge Institute for Sustainability Leadership (CISL)</li><li>• Jean Boissinot, Deputy Director, Financial Stability at Banque de France and head of the NGFS Secretariat</li><li>• Rafael De Villar, Head of the Environmental and Social Risks Analysis and Policy Directorate, Banco de México</li><li>• Nirnita Tulakdar, Regional Coordinator, Asia Pacific, UNEP FI</li></ul>
<b>Lunch</b>
<p>13.40 - 14.25 / <b>Session 3: Designing &amp; implementing relevant TA to overcome data-related barriers to sustainability-aligned investments</b></p> <ul style="list-style-type: none"><li>• Moderator: Namita Vikas, Founder &amp; Managing Director, ESG Auctus</li><li>• Alex Michie, Head of Glasgow Financial Alliance for Net Zero, GFANZ</li><li>• Erika Renneke, Head of Section G20/G7 Policies, Multilateral Development Banks, Deutsche Bundesbank</li><li>• Jim Tebrake, Deputy Director, Statistics Department, IMF</li></ul>
<p>14.25 - 14.30 / <b>Concluding remarks</b></p> <ul style="list-style-type: none"><li>• Sunil Nair, Chief General Manager, Reserve Bank of India</li></ul>

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