

First G20 Sustainable Finance Working Group (SFWG) Meeting

2-3 February 2023

Co-Chairs' Summary¹

Introduction

The first meeting of G20 SFWG under the Indian Presidency was held on 2-3 February 2023 in Guwahati, Assam, India. A G20 Workshop on capacity building of the ecosystem for scaling-up sustainable finance was also held as a side event by inviting leading public and private sector professionals.

Mr. Sarbananda Sonowal, Cabinet Minister of AYUSH and Ports, Shipping and Waterways, Government of India, delivered the inaugural speech on the first day of the meeting. The Presidency welcomed the delegates highlighting the theme of “One Earth · One Family · One Future” aimed at ushering a people-centric, inclusive and sustainable future.

The Presidency welcomed Larry McDonald, US Co-Chair, Wang Xin, China Co-Chair, and Marcos Neto, SFWG Secretariat and thanked them for their contribution in finalizing the SFWG Presidency and Co-Chairs Note on Agenda Priorities. Co-chairs acknowledged that the G20 [Sustainable Finance Roadmap](#) (“the Roadmap”) will continue to be SFWG’s foundational guide. Co-chairs highlighted the SFWG achievements and how its work becomes more critical now and in the next decade as climate events are increasing in severity and frequency, and vulnerable countries are bearing the brunt of climate change at disproportionate degrees. The Presidency added that it is more crucial than ever to address financing towards SDGs and the goals of the Paris Agreement together as we collectively look towards rebuilding from the COVID-19 pandemic.

The Presidency and the co-chairs jointly introduced the 2023 SFWG workplan, on which a broad consensus had been reached at the first Finance and Central Bank Deputies (FCBD) Meeting in Bengaluru in December 2022. The workplan outlined three priority areas of work for the SFWG in 2023:

1. Mechanisms for mobilisation of timely and adequate resources for climate finance;
2. Enabling finance for the Sustainable Development Goals; and
3. Capacity building of the ecosystem for financing toward sustainable development.

The Presidency will report on the key deliverables of the identified priorities in the workplan to the G20 Finance Ministers and Central Bank Governors (FMCBG) in their first meeting

¹ This summary does not seek to present a consensus view, but reflects diverse feedbacks expressed by members during the meeting.

scheduled later in February 2023, and seek endorsement on the same by the 3rd FMCBG meeting in July 2023. The Presidency intends to finalize the 2023 G20 Sustainable Finance Report by the 4th SFWG meeting which is presently scheduled in August 2023 just before the Leaders' Summit.

SFWG Member Discussion

1. Mechanisms for mobilisation of timely and adequate resources for climate finance

Co-chairs proposed that the SFWG would work on three areas within the scope of this priority a) review the current practices of mobilising financial resources, including blended financing mechanisms with a focus on de-risking facilities and develop recommendations on how to scale up investments for climate action through such mechanisms, b) develop a set of options for enhancing the role of MDBs for de-risking climate projects in developing countries and emerging market economies, and c) develop recommendations on incentives and financial instruments that would enable greater capital flows for the development, deployment, and demonstration of green and low-carbon technologies.

There was a broad support for the workstream from members, however, some members asked to give more continuity to work related to the transition finance framework developed last year. In general, members supported the urgency and appropriateness of a focus on mechanisms for the mobilisation of resources for climate finance, including from the private sector recognizing the catalytic role of the public sector in this regard. Several members appreciated the input paper shared by the Presidency and reiterated how the paper can inform upcoming discussions. Several members also shared some of their experiences in blended finance/de-risking practices. Many members welcomed the Presidency's proposal to organise and host a workshop on "non-pricing policy levers to support Sustainable Investment." A few members, however were in favour of discussing both price and non-price based policy levers.

Many members highlighted the need for an increased focus on scaling up of private finance and mentioned the need to give due attention to market mechanisms and government policies, including the role of MDBs. Some members reminded the group to be mindful of different stages of capacity, development and specificity of financial markets in developing countries and emerging markets. A small number of members noted this work should take into account different national circumstances. On the role of MDBs, several members raised concern regarding potential overlap of work with IFA Working Group and recommended that SFWG should focus on de-risking mechanisms to scale up private finance. Some members emphasized that climate finance must complement, not impede, finance in other areas, such as social sectors (education, health etc.).

There was a broad consensus on the focus on green and low-carbon technologies; a few members urged the SFWG to consider a sector-based approach while developing recommendations. Others encouraged the SFWG to discuss technology transfer mechanisms for those that already exist and those that are not developed yet.

2. Enabling finance for the Sustainable Development Goals

Co-chairs mentioned that in 2023, the SFWG intends to share policy experiences and market practices and collate the views of the G20 membership on how to enable financing of a broader selection of SDGs. While significant efforts are still needed across the private sector, public actors, and international organizations to tackle the climate emergency, other SDGs merit further attention. Market actors, policymakers, and international organizations could work to shape a financial system that better facilitates the consideration of non-climate dimensions in investment decisions and allows financial actors to invest in opportunities that catalyze SDGs achievement including and beyond climate-related goals (i.e., poverty reduction, investments in health and education, etc.).

In 2023, to advance the Roadmap and enable financing of select SDGs, the SFWG will focus on aspects of select SDGs: nature-related data and reporting, and financial instruments for social impact investing. The SFWG will work on developing an Analytical Framework for SDG-aligned Finance by conducting a) a stocktaking analysis of the measures taken so far to identify and report nature- and biodiversity-related risks and opportunities, and b) a stocktaking analysis of social impact investing with a focus on investment instruments. Additionally, SFWG will also compile a compendium of best practices on financing for SDGs by jurisdictions, IOs and private sector, as an outcome of a side event.

There was a broad level of support for the proposals under this priority. Members supported expanding the SFWG's focus beyond climate and mentioned poverty, lack of basic infrastructure, gender inequality as potential impact areas. Some member stated that for SFWG, nature and biodiversity work is a logical next step after climate. Another member commented that SDGs are inter-related and mutually reinforcing. A few members noted that emerging markets overall lag behind in impact investing. By focusing on social impact investing instruments, the recommendations of SFWG could help increase emerging markets' share in global impact investing. Members welcomed the development of an analytical framework to complement the SFWG Roadmap, with initial focus on nature-related data and reporting as well as social impact investing. A few members suggested work in social areas such as education, health care, long term productivity, entrepreneurship. Some members suggested a cautious expansion of work on SDGs and not to expand the SFWG's work on SDGs too broadly, so as not to dilute its climate focus, also keeping in view the early-stage nature of work on social issues and the fact that this work may fall outside of central banks remit. A few members referred to the recently concluded COP15 for Convention on Biological Diversity (CBD).

Some members highlighted the interlinkages between climate and biodiversity. However, a few others cautioned against the work on nature and biodiversity, noting particular challenges with nature-related data and that related initiatives are still developing their work. Many members recommended that the SFWG should coordinate its work with ongoing domestic & international work in other groups such as NGFS, ISSB and TNFD as there are linkages with this priority.

Members also welcomed sharing of experiences in financing SDGs by jurisdictions, IOs and private sector, which will feed into the compendium of best practices for financing SDGs.

3. Capacity building of the ecosystem for financing toward sustainable development

The Presidency highlighted that the 2022 Sustainable Finance Report mentioned the importance of technical assistance to accelerate the transition and capacity building programs on a number of important topics, such as the development of sustainability alignment approaches, sustainable finance policies and regulation (incl. disclosure requirements), ESG rating methodologies, policy incentives, green finance product development, and application of fintech tools to sustainable finance. The workstream was summarized by the co-chair as ‘Who provides, What, for Whom, and How’, taking into consideration trade-offs between efficiency and impact.

Overall, members expressed broad support for the priority on Technical Assistance (TA) and capacity building. In addition, several members urged the group to consider national circumstances while developing recommendations while few members reminded the group to learn from experiences of countries. Some members recommended the Technical Assistance Action Plan (TAAP) mapping exercise to include both supply and demand sides with detail on the type of gap, which would be helpful for informing future TA initiatives. Members called for prioritization of work covered in the TAAP, and that capacity building should be thought of in the context of delivering implementation of agreements in previous years, namely transition finance framework issues. A few members mentioned that in developing TAAP, SFWG should ensure that sustainable finance remains not only available but also accessible, practical and implementable. Some members also advocated the TAAP to focus on SMEs due to potential positive spillovers and the challenges faced by SMEs, especially in developing countries. Several members emphasized the need to consider how to address issues regarding a temporary increase of financed emissions (GHG emissions of investment portfolios).

On the different areas to focus within the TAAP, to avoid duplication of efforts, several members urged SFWG to identify and prioritize recommendations where capacity building is most needed, and to fill gaps wherever present. One member argued that SFWG should develop a required list of skills to be included in TAAP. Some members mentioned TAAP should also focus on alternative areas besides climate mitigation/adaptation and transition plans, such as data gaps, use of technology etc. In this context, members recommended to include transition finance and financial institutions’ voluntary net zero commitments as part of its initial focus areas, demonstrating continuity of the SFWG’s work and importantly operationalizing the transition finance framework. To this end, the UK offered a presentation on the Transition Plan Taskforce’s framework. Some members also opined that there are different ways technical assistance can be delivered, and SFWG may consider the delivery which is most useful.

4. Reporting on the G20 Sustainable Finance Roadmap Progress

The SFWG Secretariat presented the ongoing work being done in monitoring progress of the Roadmap and of recommendations made under previous Presidencies. The Secretariat proposed to provide contributing IOs and SFWG members a direct access to update their progress voluntarily on their own. While data can be added at any time, members were informed that the cut-off date for updating progress on the website is set as June 30, 2023 for

progress to be reflected in the 2023 G20 Sustainable Finance Report. Progress updated after this date will be reflected in the 2024 report. Members appreciated the efforts to continue monitoring progress as the Roadmap is the cornerstone of the SFWG's work. One member proposed to develop an assessment method to better measure progress. Members agreed to illustrate ongoing and future progress made on the Roadmap and that the online dashboard developed by the SFWG Secretariat would serve as a useful repository of SFWG work.

Other comments, closing remarks and next steps

Members raised a number of additional points related to the workplan and SFWG processes. Many members supported the cross-cutting focus and side event on data-related work while highlighting the data-related barriers to scaling climate investments.

On process, one member requested that members be able to see each other's comments during the drafting of the annual report. A few members enquired about the 2023 timeline.

The Presidency and the co-chairs recognized members were broadly supportive of the proposed workplan and took note of members' asks on the need to coordinate with relevant global initiatives. The Presidency took note that a few members expressed their view to include pricing in the discussion on policy levers to support sustainable investment. However, the Presidency highlighted the value of focusing on non-pricing levers, as within that field, SFWG can come up with ambitious and effective actions.

The Presidency closed the meeting by thanking all the delegates for their participation and constructive feedback on the workplan. Members were assured that their feedback would be carefully considered and suitably incorporated in the annual report. The Presidency announced the second SFWG meeting would be held on March 21-23, 2023 in Udaipur, Rajasthan and encouraged delegates to attend in-person.