Second G20 Sustainable Finance Working Group (SFWG) Meeting

21-23 March 2023

Co-Chairs' and Presidency Summary[1]

Introduction

The second G20 Sustainable Finance Working Group (SFWG) meeting was held on 21-23 March 2023 in Udaipur, Rajasthan, India. The G20 Presidency, led by Ms. Geetu Joshi, and SFWG Co-Chairs, Dr. Victoria Gunderson and Mr. Wang Xin, welcomed the delegates from G20 countries, guest countries and International Organizations (IOs). During the three days of the meeting, the SFWG discussed the three priority areas of the 2023 workplan:

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 meeting was complemented by two G20 workshops, one on 'Non-Pricing Policy Levers to support Sustainable Investment' and the second one on 'Enabling finance for the Sustainable Development Goals'.

The Presidency opened the meeting by highlighting the ongoing work undertaken since the first meeting and sought guidance from members in achieving the planned deliverables. The Co-chairs shared their thoughts on the importance of improving nature-related data and reporting, scaling-up social impact financial instruments, mobilizing resources for climate finance as well as enhancing capacity-building efforts.

SFWG Member Discussion

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

The session opened with a presentation from the European Investment Bank (EIB), in its capacity as Chair of the MDB Joint Working Group on Climate Finance, to inform the discussion on the role of Multilateral Development Banks (MDBs) in de-risking climate projects. The EIB provided an overview of Paris alignment history, joint MDB reporting on mobilization of private capital. The EIB presented one example of a highly catalytic climate finance facility at each MDB, informed by a survey it had conducted in advance of the meeting.

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

The Presidency emphasized the need for mobilisation of climate finance, including the importance of private sector financial flows into climate change mitigation and adaptation projects. SFWG members broadly noted that transformation of economies towards carbon-neutrality would not be achieved with public funds alone. They underscored the importance of mobilizing private sector finance, with the public sector serving as a catalyst. Members broadly noted that the SFWG can play an important role in continuing to support the financial sector market infrastructure in channeling private sector investments to support the climate transition. A few members added that it is pertinent to support the mobilization of private investments aligned with the Paris Agreement and the 2030 Agenda. In order to build and develop predictable and conducive business environments that can attract local and international investors, a few members also advocated to enhance efforts to improve the transparency of sustainable finance markets, such as strengthening market infrastructure, disclosures, reporting, transparency and policy reforms.

Some members urged the SFWG to consider how to develop a strong pipeline of bankable projects to which private funds can be channeled, mentioning also the need to look for regional solutions. Many members highlighted the importance of public sector efforts to unlock private finance through risk sharing instruments and mechanisms, such as blended finance. Many members also stressed the critical role of MDBs in mobilizing private sector climate finance. Several members highlighted the importance of policy and regulatory enabling environment reforms when discussing the leveraging potential of public finance.

In addition to public-private partnerships, one member urged the SFWG to examine the supplementary role that philanthropies can play in raising climate finance.

Members, in general, acknowledged the value in exploring appropriate non-pricing policy levers, noting that they can be a useful and sometimes necessary complement to pricing policies. A few members highlighted the urgency of considering non-pricing policy levers for mobilizing capital for climate adaptation measures, in tandem with climate mitigation. Many members underscored the importance of taking a comprehensive policy approach to foster investment in sustainable finance, and more generally consider ways in which business cases can be made more attractive to crowd in private finance. In the context of challenges in the transition, including distinct challenges for emerging market economies, many members highlighted the importance of the interplay between pricing and non-pricing policies. One member suggested that non-price levers are not to be viewed as a substitute for pricing measures, but rather as a useful complement, in particular to take into account aspects such as political feasibility, global competitiveness, as well as the need to support new energy sources and technologies. Another member suggested that non pricing tools can play a critical role in reducing emissions. A few others mentioned that each country has different optimal pathways and policy mixes, given different starting points and country circumstances.

Many members found the focus on investment in low carbon technologies appropriate and timely. A few members highlighted the need for public-private collaboration in mobilisation of capital for technologies that contribute to reduction in carbon emissions. Others also articulated the important role of the private sector in supporting the deployment of low-carbon technologies.

A few members urged the SFWG to also work on digital solutions that will assist with sustainability reporting, identification and labeling in line with Action 17 of the G20

Sustainable Finance Roadmap. A few members underscored the need for transparency, consistency and reliability of sustainability data to make informed investment decisions.

2. *Enabling finance for the Sustainable Development Goals*

The Presidency emphasized the need to collectively develop the deliverables taking a consensual and collaborative approach to improve data and reporting on biodiversity- and nature-related information and social impact investment instruments, keeping in mind country specific circumstances. Members were supportive of SFWG's focus on nature-related data and reporting, noting that this work would provide an opportunity to deepen members' understanding of the tools for improving data accessibility and reporting on nature-related risk, dependencies, and impacts. Members welcomed the stocktake of social impact investment instruments and considered it to be helpful for a better understanding of existing instruments for scaling up financing for achieving social SDGs. Members also underscored the importance of sharing policy experiences and best practices to better inform the G20 membership on how to enable financing for SDGs. Several members highlighted that reporting on nature-related information is an important next step for improving transparency and assessing risks in financial markets and that better global data standards on nature will help firms and relevant authorities around the world manage and capitalize on the increasing appetite for investment in nature-positive activities. A few members noted that nature-related reporting is a critical priority for some regulators and a key challenge for the private sector.

Some members noted that nature and biodiversity issues are nascent and more complex than climate and hence the SFWG should consider a gradual and phased approach in this territory. While acknowledging that the SFWG is venturing beyond climate, a few members underscored the importance of retaining a continued focus on climate as the group deliberates on SDGs beyond climate. Others underlined the importance of drawing explicit links to the G20 Sustainable Finance Roadmap when discussing nature- and biodiversity-related issues.

A few members emphasized the importance of considering an integrated approach between nature and climate, as these are interlinked and often mutually reinforcing. One member noted that some discrete actions taken to combat climate change are not always nature-positive. On nature-related information, one member stressed the importance of following a double materiality approach i.e., not just focus on financial risk, but also on how businesses impact nature.

On the agenda of social impact instruments, a few members underscored the need for the SFWG to focus and deliberate on areas where it can add greatest value, such as on structures or instruments that might be particularly scalable in the financial markets, both public and private. One member sought clarity in understanding the specific roles that Ministries of Finance and Central Banks could play to facilitate the scaling up of social impact investing. Drawing reference to the UN's SDG Stimulus, one member highlighted the need to extend the financing capacity of MDBs to achieve the goals set in the 2030 Agenda.

A few members reminded the group that it is important to have a data driven approach to impact investing and noted that the availability of reliable and consistent data is a cross cutting issue.

One member also highlighted that as social impact data is predominantly qualitative, it is essential to build on the methodological efforts put forward by knowledge partners to close data gaps. Many members supported the idea that closing data gaps is one of the most important enabling conditions to attract more private capital in these areas.

Some members underscored that the recommendations being developed should avoid a prescriptive approach to allow flexibility and to consider national circumstances. Many members welcomed the development of the TNFD framework, while some members stressed the importance of cooperation between TNFD and ISSB.

On the analytical framework for SDG-aligned finance, a few members urged SFWG to consider how to present the framework in a way that adds maximum value and that informs the development of succinct and targeted recommendations. One member suggested that the analytical framework for SDG financing could inform how nature and social SDGs could be integrated into financial institution climate commitments and transition plans, as social SDGs are important in the context of achieving just climate transition.

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

Members expressed a strong support for the stocktaking on capacity building, with many members advocating for the Technical Assistance Action Plan (TAAP) to focus on targeted outcomes such as the development of transition finance frameworks and addressing climate and sustainability data gaps to ensure achievable outcomes in line with the G20 Sustainable Finance Roadmap. There was a strong momentum to enhance capacity building efforts targeted at SMEs, in both developing and developed markets. Some members suggested that the TAAP should also consider the role of non-state entities such as industry associations and net zero alliances in capacity building. Members appreciated Presidency input paper on, 'Building Capacities to Accelerate Sustainable Finance and Manage Climate and Sustainability Risks' essentially focusing on the capacity building needs for both transition finance and climate and sustainability data.

Some members proposed that the SFWG's work on capacity building could consider how to ensure that the resources and partnerships are in place to advance sustainable finance agenda. Some members suggested that capacity building exercises and the scope of TAAP should not be limited exclusively to climate-related projects as social impact is a key factor in achieving the 2030 Agenda. A few members emphasized the need for targeted recommendations that account for the specific needs and challenges of countries. One speaker emphasized that sustainable finance practitioners should be equipped with the tools needed to transform learning into practice.

One member urged to avoid duplication of work and identify the options for unique contributions of the SFWG. Another highlighted the value in engaging subject matter experts to identify sustainable finance skill gaps in international organizations and countries.

Other comments, closing remarks and next steps

The stocktakes[2], as one of the deliverables, were appreciated by the members as good starting points for developing a greater understanding of respective policy landscapes.

Other areas discussed included the 2023 SFWG timeline, the role of insurance in adaptation, importance of ESG disclosure requirements, and exploring synergies between the NGFS and the SFWG. Members also expressed that there is a need for continuous monitoring and evaluation of the implementation of actions under the G20 Sustainable Finance Roadmap.

The Presidency and SFWG Co-chairs noted the importance of the work on addressing data gaps as well as recognizing the particular needs of developing countries and SMEs. They further highlighted that advancing SDGs is one of the most urgent challenges of our time. They also emphasized the importance of ensuring complementarity between the SFWG work and other ongoing work in other fora on biodiversity and nature. They recognized that members have indicated that both public and private sectors have crucial roles in mobilization of climate finance where the public sector acts as the catalyst for private investment.

The Presidency thanked all the delegates for their participation and feedback and announced the third SFWG meeting would be held from 19th to 21st June 2023 in Mahabalipuram, Tamil Nadu.

[2] Financial Instruments for Social SDGs, Assessing & Reporting Nature-and-Biodiversity-related Risks & Opportunities and Mapping of existing capacity - building activities.