Summary

The present information document summarizes the main policy messages related to innovative finance and digital finance emerging from the three recent Economic and Social Commission for Asia and the Pacific (ESCAP) events: The South-East Asia and North and Central Asia Multi-Stakeholder Forums on the Implementation of the Sustainable Development Goals and the launch of the 2021 issue of ESCAP’s Financing for Development Series entitled “Financing the Sustainable Development Goals to build back better from the COVID-19 pandemic in Asia and the Pacific.”

I. Fifth South-East Asia Multi-Stakeholder Forum on Implementation of the Sustainable Development Goals

1. The fifth South-East Asia Multi-Stakeholder Forum on the Implementation of the Sustainable Development Goals took place online from 28 to 30 September 2021, the title: “Building Back Better from COVID-19 while Advancing the Full Implementation of the 2030 Agenda for Sustainable Development.”

2. Session 5 of the Forum, on “Sustainable Finance Recovery: Innovating Finance for the 2030 Agenda,” focused on the promotion of the use of green and Sustainable Development Goals-linked bonds as instruments to address post-coronavirus disease (COVID-19) financing needs and implement the 2030 Agenda for Sustainable Development in South-East Asia. The discussion also considered lessons learned from the practical experience of issuing green
bonds in Asia and Europe. Policymakers, practitioners, academics, and other
stakeholders provided useful information and insights for Southeast Asian
countries to consider as they develop strategies and policy options for financing
an inclusive, resilient, and sustainable socioeconomic development post-COVID-19.

3. The session was opened by Mr. Ruhimat Soerakoesoemah, Head of the
Subregional Office for South-East Asia, ESCAP, followed by Mr. Patrick
Martin, an international expert on climate finance, currently working with
ESCAP. The keynote address was delivered by Mr. Aun Pornmonirot, Minister
of Economy and Finance of Cambodia, and Mr. Pierre Gramegna, Minister of
Finance of Luxembourg. The other speakers included: Mr. Paul Chahine,
Sustainability Research Manager, Luxembourg Green Exchange (LGX),
Luxembourg Stock Exchange; Ms. Reiko Hayashi, Deputy President and
Director of the Board, BofA Securities Japan Co. Ltd.; Mrs. Patricia
Mongkhonvanit, Director General, Public Debt Management Office, Thailand;
and Mr. Aldo M. Romani, Head of Sustainability Funding, Finance
Directorate, Capital Markets Department, European Investment Bank (EIB).

A. Takeaways

4. Members states of the Association of Southeast Asian Nations
(ASEAN) issuing debt through innovative and sustainable instruments such as
green, social, or sustainable bonds face challenges that can be divided into two
categories. (a) Pre-issuance: The alignment with recognized standards is one
of the main challenges issuers need to consider. Local capacity in sustainable
finance is also a big challenge, not only in ASEAN countries but around the
world. (b) Post-issuance: Challenges include how to attract international
investors to bond issued from ASEAN countries, how to access international
markets, and how to list them on international exchanges and meet their listing
requirements. A major challenge, which is shared with issuers worldwide, is
how to track and report to investors on the use and impact of the investments
financed by the bonds.

5. The session also discussed the potential of ASEAN issuers to be listed
on international stock exchanges to gain access to international investors. In
particular, the session highlighted the role of Luxembourg Green Exchange,
launched in 2016 by Luxembourg Stock Exchange, which is a dedicated
platform for sustainable securities and issuers contributing to financing a
low-carbon and an inclusive economy. A characteristic of this platform is that
entry is restricted to issuers and asset managers that provide full disclosure and
fulfil their reporting obligations thus ensuring maximum transparency.

6. Thailand’s 15-year, THB 50 billion sustainability bond issued in
2020 is one example discussed that was initially listed on Thailand’s Bond
Electronic Exchange and subsequently listed on the Luxembourg Green
Exchange as well to strengthen access to the international investor community.
The bond raised financing for clean infrastructure projects such as the
construction of the Orange Line of the Bangkok Mass Rapid Transit, for public
health expenditures and to support small and medium-sized enterprises hit hard
by the pandemic.
B. Recommendations

7. For potential green, social, and sustainable bond issuers in the region, it is important to align bond issuances with recognized standards and principles and follow best market practices. In addition, it is important to ensure a pipeline of ready to finance projects which meets such standards and principles.

8. Because the public sector is not in a position to finance the Sustainable Development Goals and climate change mitigation alone, public-private partnerships is a good solution. Governments can mobilize additional private investment by reducing risks for private investors through well-crafted regulations. Similarly, partnership with domestic financial institutions is very important for emerging market issuers.

II. Fifth North and Central Asia Multi-Stakeholder Forum on Implementation of the Sustainable Development Goals

9. The Fifth Multi-Stakeholder Sustainable Development Goals Forum for North and Central Asia took place online from 5 to 7 October 2021. Session 7 on Financing the Sustainable Development Goals discussed key dimensions of sustainable financing in North and Central Asia.

10. Key policy issues discussed included: (a) financing the Sustainable Development Goals through thematic bond markets and resource mobilization practices for green recovery during the COVID-19 era; (b) market improvement and thematic bond issuance practices based on experiences in Asia; (c) finance ecosystems and their catalyzers; (d) climate finance sources and financial instruments structure; (e) capital markets as core mechanisms to achieve global climate targets; (f) alignment of bond issuance with international standards, principles and best practices, and building required capacities; (g) the Russian ESG bond market.

11. The session was opened and moderated by Ms. Denise Sumpf, Head of Resident Coordinator Office, United Nations, Armenia. The following speakers participated in the session: Mr. Patrick Martin, International Expert on Climate Finance, ESCAP; Mr. Jens Radschinski, Regional Lead of the UNFCCC/ Institute for Global Environmental Strategies Regional Collaboration Centre for Asia and the Pacific; Mr. Martin Dasek, Senior Climate Finance Specialist for Europe and Central Asia, Financial Institutions Group, International Finance Corporation; Ms. Asel Nurakhmetova, Advisor, Astana International Financial Centre; Mr. Suren Poghosyan, Sustainable Development Goals Finance Advisor, United Nations Development Programme Istanbul Regional Hub; Ms. Ekaterina Sidorova, Head of Fixed Income, Currencies and Commodities Research, Sberbank CIB Investment Research, Russian Federation; and Ms. Natia Tsikaradze, Acting Head, Strategic Planning and Coordination Unit, Policy Planning and Coordination Department, Administration of the Government of Georgia.

A. Takeaways

12. The impact of the COVID-19 pandemic on financing the Sustainable Development Goals has been multidimensional, including a deterioration in fiscal balances, increasing public debts, and uncertainty among potential investors. This impact is problematic amid the need to invest substantial amounts to support the Sustainable Development Goals and climate action.
13. According to the International Finance Corporation, opportunities for climate investment by 2030 in 21 emerging markets amount to $23 trillion. Currently, the main source of climate finance is debt instruments, which account for 89 per cent of the total, followed by grants (10 per cent) and equity (1 per cent). Green bonds account for 63 per cent of the thematic bond market. The market for green bonds is driven by investors seeking investments that have both a positive return and a favourable environmental impact. Important areas for green investment include the energy, transportation, and forestry sectors.

14. The Russian ESG bond market is in its initial phase, with bonds representing 1.5 per cent of the total market volume. Foreign investors express increasing interest towards the Russian ESG bonds. It is recommended to increase the government support and enable sovereign bond issuance.

B. Recommendations

15. The following recommendations were proposed at the session: (a) align bond issuance with international standards, principles and best practice, and build local capacity among the NCA region countries for that purpose; (b) establish an enabling environment and strengthening the policy and regulatory framework; (c) support the development of local capital markets.

III. Launch of the 2021 issue of the Economic and Social Commission for Asia and the Pacific Financing for Development Series No. 4

16. The launch of the 4th issue of ESCAP’s Financing for Development series, entitled “Financing the SDGs to build back better from the COVID-19 pandemic in Asia and the Pacific”, took place online on 12 October 2021. The publication reviews a range of financing instruments, strategies and mechanisms that can help Asia-Pacific economies recover from the pandemic and effectively pursue the Sustainable Development Goals. The report takes a “deep dive” on the role of innovative sustainable and digital finance strategies to address the financing gaps and support the pursuit of the Sustainable Development Goals and climate action. It suggests key regulatory and solution-oriented policy actions that can help scaling up financing in support of the Sustainable Development Goals.

17. The session was opened by Mr. Hamza Malik, Director of the Macroeconomic Policy and Financing for Development Division. Mr. Alberto Isgut, Acting Chief of the Financing for Development Section presented the main messages of the report. A panel discussion moderated Ms. Deanna Morris, Economic Affairs Officer, Financing for Development Section, included the following panellists: Mr. Youraden Seng, Director, Banking Supervision II, National Bank of Cambodia; Dr. Allinnettes Adigue, Head, Global Reporting Initiative, ASEAN Regional Hub; and Mr. Xiaochen Zhang, Principal Manager, Amazon Web Services.

18. The report contains three chapters. Chapter 1 provides an overview of selected policy options discussed at the global initiative on Financing for Development in the Era of COVID-19 and Beyond from the perspective of the Asia-Pacific region. It first provides an overview of the state of COVID-19 vaccination in the region and analyses the debt situation of the Asia-Pacific developing countries. The chapter then discusses recent global developments to tackle illicit financial flows – the report of the United Nations High Level Panel on International Financial Accountability, Transparency and Integrity
for Achieving the 2030 Agenda and the agreement at the Organisation for Economic Co-operation and Development on taxation of multinational corporations – and the role of national development banks in aligning public finance with the Sustainable Development Goals and the Paris Agreement.

19. Chapter 2 discusses innovative financing instruments, mechanisms, and policies to support climate action and the Sustainable Development Goals, covering (a) thematic bonds, (b) climate risk disclosure and reporting, (c) debt-for-climate swaps, and (d) a discussion of the enabling policy environment to finance climate action. Chapter 3 discusses digital finance with a focus on (a) the development of “digital rails,” (b) digital finance offerings and solutions in Asia and the Pacific, (c) barriers to and risks associated with the development of digital finance, and (d) an action agenda to enhance digital finance in the region.

20. The panel discussion focused on selected aspects of Chapters 2 and 3 of the report. Mr. Youraden Seng highlighted the importance of ASEAN Sustainable Banking Principles, which incorporate ESG considerations in banks’ decision-making processes and can be voluntarily adopted by ASEAN members. With regards to challenges, he pointed out to developing countries needs for capacity-building, data, and improvements in regulatory and supervisory frameworks. Dr. Allinnettes Adigue pointed out to the importance of sustainability reporting to reduce “greenwashing,” or unfounded claims by companies of positive environmental outcomes, and she noted that the private sector has a growing interest in the harmonization of reporting standards. On data needs for regulatory purposes, Mr. Xiaochen Zhang pointed out to the potential of new technologies, such as open innovation platforms, which could make data available as a public good. Such innovations can also facilitate sustainability reporting by businesses.