The Alliance of Religions and Conservation (ARC)
International Meeting on Faith in Finance
Zug, Switzerland,
October 30-November 3, 2017

The vision of the SDGs – Faith, Finance and Civil Society

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The Sustainable Development Agenda – what is different?

I need not spend too much time explaining the vision of the Sustainable Development Agenda. At its heart, the agenda is about people, the planet and prosperity. It integrates the three dimensions of development – economic, social and environmental – and underscores that no one should be left behind.

Unlike the Millennium Development Goals that preceded it, the 2030 Agenda is universal and applicable to all countries. It addresses all salient aspects of our economic, societal, and ecological aspirations. It aims for individual and social, economic and environmental resilience; just, equitable and sustainable patterns of economic growth; the equality and empowerment of women and girls and of marginalized and vulnerable groups. And it seeks to integrate ecological considerations into economic and social policies and decisions at all levels.

The Agenda is far more complex than all preceding development paradigms, and it is different in ways that affect how it will be implemented:

- First, it promotes an integrated approach to policy-making, where policy in each dimension is formulated taking into account spillovers and interlinkages to and from the other dimensions.
- Second, it aims at a set of fundamental transformations, of the economy, of society, of the way we deal with the environment. It therefore requires massive investments, well beyond the capacity of any public sector, and above all, well beyond the reach of Official Development Assistance, which is irrelevantly small, compared with the overall needs.
- Third, it is not a North-South paradigm—it addresses problems that exist in every society to varying degrees. Bear in mind that the entire structure of the development community, including within the UN, is articulated around this paradigm.

- Fourth, the social and environmental objectives introduce into all policy a more pronounced longer-term, multigenerational, perspective that previous paradigms lacked.
- And finally, its very complexity means that the 2030 Agenda cannot be successfully implemented by any one player acting alone, including governments. It requires technological innovations that typically governments do not have, and its social objectives imply the involvement of other stakeholders, CSOs, FBOs. It cannot be achieved, except through partnerships.

The success of the 2030 Agenda therefore depends on private sector involvement, and private finance, and due to its complexity, it can only be achieved in partnerships. This poses a challenge for public policy and, by implication, for the work of the international development community, including the agencies of the UN Development System.

Partnership requires different frameworks of accountability, not just among and between governments or of governments to their citizens and parliaments, but also of public sector entities toward non-state partners, CSOs and private. And among the varying priorities of the partners, whose results are to be monitored?

Private Finance obeys other incentive systems, and has a shorter time horizon and different focus than most publicly funded development activities. This means that considerations beyond those of public policy come into play—the bankability of projects, the profit motive. And private finance/private business is unlikely to consider the full range of sustainability objectives in making their decisions, although increasingly the positive impact investing approach is gaining currency.

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Private Finance for the SDGs

The most stinging indictment of the previous development paradigm is that the problem was not finance. There was always enough money to go around, several times.

The problem was two-fold. First, the underlying economic paradigm did not take into account concerns of equity/equality, longer-term costs, including environmental ones, or intergenerational consequences. This encouraged unbalanced patterns of growth in developing countries with a heavy dependence on commodities, and too little attention to funding the "social" investments (in education, health and institutions) that enable lasting development.

Far more importantly, it was a development paradigm that was predicated upon public intergovernmental assistance. It never really sought to engage the private sector as an essential driver of development. Hence, the development process lost out on some of the dynamism, expertise and finance that the private sector could have brought in.

This time, things are different – everyone now recognizes, however reluctantly, the role of the private sector and, above all, the centrality of private finance, in enabling the SDGs. The private sector itself is engaging in this agenda to an unprecedented extent; in part, anticipating the changing rules of the game and evolving consumer preferences, but more often, as a rational business decision to manage the risks and the costs of an unsustainable future for their core businesses (carbon footprint, resource scarcity, reputational risk).

All who engage in the agenda will inevitably at some point have to engage the private sector. The non-state actors engaged in the development process have evolved relationships that are predicated on the old development cooperation model. They too face the challenge of developing new modes of working with other actors whose approach may differ significantly from that of government agencies.

Looking now more specifically at the private finance side of the equation, I'd like to give a very superficial overview of our work in the private financial sector and with financial regulatory authorities to set the stage for considering how traditional development actors will need to adapt going forward.

The UNEP Inquiry into the Design of a Sustainable Finance System was set up four years ago to better understand why private finance was not flowing into sustainable investment in significant amounts. The first phase of the Inquiry focused on country experiences and documented a wave of far-reaching changes in financial practices, what we called "a quiet revolution". These changes were happening countries as diverse as China and Colombia, Indonesia and Italy, Sweden and Singapore, (though interestingly, the more advanced changes were in the developing markets, not the usual suspects).

The changes were at times fragmentary, and they were motivated by different factors, sometimes led by the government, sometime driven by the private sector. [For example, China's green finance efforts were part of a government-led move to green the entire economy, under the concept of ecological civilization. Brazil's private bankers association wanted to understand the environmental profile of their portfolios and the associated business risks. Colombia's private bankers wanted to support the transition of their oil-based economy to a green growth strategy for OECD access; and in Indonesia, the financial regulator set out a roadmap toward sustainable financial practices that is obligatory for all financial institutions.]

The key problems we identified included the lack of an established and common risk assessment model, which hindered the acceptance of new sustainable projects; the absence of a pipeline of bankable sustainable projects at scale; and the short-term orientation of markets.

The second phase of the Inquiry sought to foster a better understanding of what would be needed from the public policy perspective to encourage and enable green finance. The Inquiry engaged with the G20 as the Secretariat of the Green Finance

Working Group in the finance track, under China's Presidency, work which has continued through the German and into Argentina's presidency.

The Study Group identified seven key options for promoting green finance, and substantial progress is being made in most G20 countries across most, if not all, of the options, driven by three mutually reinforcing trends. First, there is *increasingly systematic action on green finance at the country level*, reflected in national action plans and roadmaps with the long-term strategic objective to enhance the ability of their financial system to mobilize private finance for green investments. Second, there is *broader and deeper international cooperation on green finance,* for example, the work on green finance in the G20 and in the G-7; or the FSB's industry-led Task Force on Climate-related Financial Disclosures; the Sustainable Banking Network hosted by the IFC; the OECD's Green Finance and Investment Center; and our own efforts in the Inquiry and the UNEP Finance Initiative. And third, there is *increased market leadership and innovation*, both at the individual and the country levels, driven in part by national and global policy signals, increasing client demand for green financial services, and technological advances, such as digital finance.

Implications for Other Actors

As private sector engagement in the sustainable development agenda become *broader* and deeper, and as private financing flows increase, so too will the private sector's way of thinking and working gain influence in development policy circles. For us in the United Nations that presents a challenge, a challenge shared, I think, by many faith-based traditions. And it is this.

The UN, like the Faiths, operates under a set of guiding principles and values, initially codified in the Convention on Human Rights, and since elaborated upon in countless instances of normative work, standards-setting activities, and rights-based approaches. The Faiths, too, are guided by their principles, embodied in value systems. These value systems thus far have set the boundaries of what the Faith-based organizations will not invest in.

However, the private commercial sector operates with a much narrower focus, and this will be reflected in its investment decisions. Private companies have a product or a suite of services usually in one specific area from which they earn their living. Even the major international companies tend to be rather specialized (information technology companies, or automobile companies, or consumer durable companies, etc.). Few if any, will operate according to a system of values as wide as that of the Faith Traditions, or the UN.

The same, by the way, is also true to some extent of many civil society organizations. These are often coalitions of individuals coming together around a certain issue or set of closely related objectives. One would seldom find an NGO that devotes equal attention to all 17 of the Sustainable Development Goals. The Faiths do, by vocation, and the United Nations do, by mandate.

So what are the implications of the greater private engagement in the sustainable development processes for the Faiths, for civil society, and for the United Nations?

I spoke earlier today about the combination of moral authority, social legitimacy, the infrastructure of engagement and financial clout that makes the faith-based organizations a very influential actor in advancing the sustainable development agenda. I would suggest to you now that with that moral authority and social legitimacy comes a responsibility—namely, to ensure that other actors in sustainable development agenda keep in mind that sustainable development is a holistic and integrated endeavor. You can remind your partners that objectives and goals that differ from their own may be equally valid, and should be taken into account. And you can continually insist that we each consider the spillovers and impacts of our actions and policies on others as part of our decision- and policy-making processes.

The demonstration effect of your investment decisions is a powerful tool here, but it would be even more powerful when combined with an active advocacy. I do not propose here to instrumentalize the Faiths as spokespersons for the UN's SDGs. But with your Zug Principles you make a powerful statement that links your value systems to the values and principles underpinning the SDGs. You point out that your financial assets can be a lever for furthering the SDGS by including sustainability and impact investing in your investment activities.

Your Zug Guidelines for Faith-Consistent Investing set out what the Faith-based Organizations are for, as contrasted with what they are against, how your values translate into value-based investment decisions. Given your moral authority and your social leadership, such a public stance can lead your adherents, and others, to internalize the values that should guide their own behavior, as investors, and as private consumers.

And on this basis, you can take positions whenever you see public policy that is not consistent with the SDGs—governments may claim refuge from your scrutiny in their secularism, but they all committed to reach the SDGs, and they should not be allowed to neglect that commitment with impunity.

And you can call your civil society partners to order when, as is likely, they begin to insist a little too much on their own agenda, and overlook the need for balanced and integrated policies. The Faiths can be a lynchpin in the system of accountability that will drive effective implementation of the Sustainable Development Agenda.

I wish I could stand here and say that the United Nations has the same moral authority and the same social legitimacy. Sometimes, however, as an intergovernmental institution, we are judged along with the governments that oversee us. And yet we too have a similar responsibility. In particular, we can and must support governments to move ahead in the area of integrated policy-making, strengthening the institutions of good governance, measuring progress in a suitably disaggregated manner, and insisting that no one is left behind. These are messages that are sometimes uncomfortable to receive as a government, and they are equally uncomfortable to deliver. But this is a part of our mutual responsibility, and a part of the fabric that will support the sustainable development agenda into the future.

That this agenda is consistent with your faith-based traditions and value systems is perhaps, one of its greatest strengths.

Thank you