SUSTAINABLE FINANCE

IMPORTANCE

Low- and middle-income countries face massive investment needs to finance their sustainable development. Accelerating private financial flows towards partner countries for sustainable investments will be critical to deliver on global sustainability commitments.

According to the OECD, the annual SDG funding gap for developing countries is estimated at USD 4.2 trillion. However, a change of just 1.1% in the allocation of global financial assets (over USD 379 trillion) could fill the yawning SDG funding gap in developing countries.

Developing credible and coherent sustainable finance frameworks is essential to build a conducive environment to scale up sustainable finance. This entails providing transparent and reliable information for investors who seek truly sustainable investment opportunities. In addition, it is fundamental to provide public support (guarantees and blending instruments) to crowd in private investors at scale for sustainable investments in low- and middle- income countries.

1. The European Commission will develop a comprehensive strategy by 2023 to help scale up sustainable finance in our partner countries with the support of a dedicated high-level expert group.

2. The EU will support efforts to scale up green bonds in our partner countries, as they are a key tool to mobilise institutional investors towards sustainable investments.

3. The EU has also set up with several partner countries the International Platform on Sustainable Finance as a multilateral forum for dialogue among sustainable finance policy makers and regulators to exchange best practices and promote the development of coherent frameworks.

4. Meanwhile, the EU and its Member States are highly engaged in sharing the EU experience and helping partner countries to scale up sustainable finance by:
   - providing capacity-building to support the development of credible sustainable finance frameworks, sharing our EU experience (taxonomy, benchmarks, standards, sustainability-related disclosures),
   - providing de-risking mechanisms to crowd in private investors in sustainable investment in developing markets by covering part of the risks that investors are not ready to take.

5. Domestically, the EU has taken major steps to build a sustainable finance ecosystem, notably with the EU taxonomy establishing a list of environmentally sustainable economic activities and the introduction of sustainability-related disclosure requirements.