**Financing the SDGs – Input to the CCA**

## Introduction[[1]](#footnote-1)

Meeting the 2030 Agenda will require *unprecedented* investments in areas such as health and education, environmental protection, infrastructure and sustainable energy, rural development, peace and security and actions to tackle climate change. Every dollar will also need to be used *effectively* in support of sustainable development, and in particular reach those communities and peoples furthest behind. While financing needs for the new agenda are unquestionably high, there are also more opportunities for countries to mobilize new and additional sources of finance (public and private, domestic and international) as well as experiment with innovative new financing approaches.

The development financing landscape is dynamic and constantly changing. Many countries are now able to mobilize more domestic resources for development. Foreign direct investment (FDI) flows are on the rise combined with increased capacities to leverage finance from domestic and international capital markets. New development partners, development finance institutions, public-private ‘single issue’ vertical funds, philanthropic organizations and private ‘impact’ investors have also emerged or ex­panded their activities in recent years and now work actively alongside traditional do­nors, such as United Nations’ development agencies. These new *sources* of finance and expertise increasingly complement traditional development cooperation and create opportunities for new partnerships and collaborations which can leverage the finance, expertise and networks of each partner.

This is combined with increased diversity and sophistication in financial *instruments* or the “financing tool-box”. Financing is being used in increasingly sophisticated and creative ways to meet public policy objectives. Examples include: ‘blended’ finance (where concessional public finance is blended with non-concessional public or private finance); green and blue bonds (where bonds are issued on domestic and internation­al capital markets for the financing of environmentally-sound infrastructure); lending in local currencies and to sub-national authorities; Islamic financing instruments (such as Islamic bonds or sukuk which are asset-backed instruments); guarantee schemes (designed to reduce/share risk); diaspora financing schemes (where diaspora commu­nities are supported and incentivized to invest in projects and businesses ‘back home’); impact investment (investments that aim to create positive social or environmental returns in addition to a financial return for investors); crowdfunding (the practice of funding a project or venture by raising monetary contributions from a large number of people); social impact bonds (a form of payment for results scheme); countercycli­cal loan contracts (where debt service automatically falls when a major shock occurs); weather and disaster insurance schemes, and more.

While these developments are undoubtedly positive, important challenges remain. An unexpected consequence of this increased diversity is also a dramatic increase in *complexity*; it can be extraordinarily difficult for a country to understand how it can maximize new financing opportunities, understand new and innovative financing ap­proaches, comply with many different application requirements and understand how to blend and sequence various financing flows to achieve transformational change.

## SDG Finance Landscape in China

**SDG finance refers to all capital that could generate positive impact for the people and the planet, independent of economic return.** Investments on a massive scale are needed to create the sustainable foundation that is required to achieve the SDGs. The Addis Ababa Action Agenda on Financing for Development adopted in 2015 provides a new global framework for financing sustainable development by aligning all financing flows and policies with economic, social and environmental priorities, thereby establishing a strong foundation that supports the implementation of the 2030[[2]](#footnote-2).

**According to the United Nations Conference on Trade and Development, in order to achieve the SDGs, the annual demand of investment in developing counties is expected to be between $3.3 trillion to $4.5 trillion, still having a gap up to $2.5 trillion annually**[[3]](#footnote-3) . It is estimated that the total investment required in Asia is $1.7 trillion a year. Cities are the largest area of investment and China is the country with the largest capital requirements, accounting for almost half of the total[[4]](#footnote-4).

**Successfully financing the 2030 Agenda is therefore not only about mobilising the required scale of resources, but also about a reorientation of investments among investors, businesses and governments, which is not unique to China. Alongside public finance, there is a call for a strategic shift in the private sector's role in catalysing development** creating shared value and going beyond philanthropy and corporate social responsibility alone. International development cooperation agenda is increasingly adopting a “Blended Finance” approach to use grants to leverage private investment.

Fundamental changes in how these actors go about their business and how they interact with one another are needed. This requires not only a scaling up in the quantity of finance being invested but requires the development of systems, capacities and partnerships that ensure public and private resources are effectively, efficiently, and equitably channelled into investments that will advance the SDGs.

**Further Initiatives from both the public sector and private sector to close the gap are crucial:** strengthened policies, regulation and institutional capacities to align and enable the capital flow to the SDGs; proper instruments to lower the risks of SDG aligned investments; and innovative and digital financing approaches which have witnessed considerable traction would also go a long way.

Fiscal Expenditure

According to the annual report of fiscal policy of China (2018, 2019) [[5]](#footnote-5), fiscal policy for the coming years should not aim at ensuring economic growth but focus on employment and social security instead. Due to factors such as aging population, employment, increased subsidies for basic old-age insurance, public services, poverty alleviation, pollution prevention, economic transformation and upgrading; government expenditures from central to local will continue be increased.

**Accumulated expenditures at all government levels (Jan – Jun 2019)**

|  |  |  |
| --- | --- | --- |
| Government level | Expenditure amount (RMB 100 million) | Growth rate  (year-over-year) |
| Central General Public Budget | 16890 | 9.9% |
| Local General Public Budget | 106648 | 10.8% |
| National General Public Budget (Totally) | 123538 | 10.7% |

Source: Official website of Ministry of Finance [[6]](#footnote-6)

**Accumulated major expenditures for each subject (Jan – Jun 2019)**

|  |  |  |
| --- | --- | --- |
| Expenditure subject | Expenditure amount (RMB 100 million) | Growth rate  (year-over-year) |
| Education | 18117 | 10.5% |
| Science and Technology | 4276 | 17.3% |
| Culture/Tourism/Sports/Media | 1604 | 5.9% |
| Social security and employment | 17645 | 6.7% |
| Health | 10095 | 8.3% |
| Energy and environmental protection | 3145 | 19.7% |
| Urban/Rural communities | 14232 | 13.5% |
| Agriculture/Forest/Water | 9445 | 13% |
| Transportation | 6766 | 22.3% |
| Debt payment | 4104 | 12.1% |

Source: Official website of Ministry of Finance[[7]](#footnote-7)

Untapped SDG aligned investment opportunities

**Growing impact awareness among private sector constituents in China serves as strong platform to mobilise additional private sector resources for SDGs.** The growing demand for impact investing partly reflects demographic shifts. In China, significant amount of wealth will be transferred in the coming decades from first generation entrepreneurs to the next generation, the millennials. Younger investors increasingly favour socially and environmentally motivated investment strategies—and they’re willing to invest larger amounts in them.

An estimated $2.3 trillion worth of business opportunities in China would be opened for the private sector if it delivers the SDGs.[[8]](#footnote-8)**In China, examples of SDG-aligned investments’ opportunities are:** i) wind and solar sectors have the potential to attract as much as $782 billion in investment between 2016 and 2030 as the country tries to meet its renewable energy targets. ii) Addressing the inadequacy of cold chain logistics and other food waste challenges could lead to $97 billion business and investment opportunities. iii) $47 billion could be generated through business opportunities targeting low-income food markets and helping the poorest overcome malnutrition and calorie deficiency. iv) Aquafarming is a fast-growing industry: global production was 52.8 million tonnes in 2008 and is estimated to reach 93.6 million tonnes in 2030, of which 70% will come from the Asia-Pacific region and China alone will account for 75% of Asia’s total production. In China, business opportunities in this sector have the potential to generate a prize of $46 billion.

Emerging Innovative Finance for Development

### Green Finance

Green financeis definedas “financial services provided for economic activities that are supportive of environment improvement, climate change mitigation and more efficient resource utilization. These economic activities include the financing, operation and risk management for projects in areas such as environmental protection, energy savings, clean energy, green transportation, and green buildings”.[[9]](#footnote-9) **The green finance market in China is rapidly expanding since 2016.**

China’s **green financial bonds** are new but developing rapidly since the Agricultural Bank of China (ABC) issued China's first overseas green financial bonds in the London Stock Exchange in 2015. As reported in the China green bond market 2018, China’s green bond market has been the second largest green bond market globally, with U.S ranking the first and France ranking the third. Internationally aligned green bond issuance from China reached USD31.2bn (CNY210.3bn) in 2018, an increase of 33% compared with 2017. China’s issuance (aligned with international definitions) account for 18% of global issuance. By the end of 2016, a total of 265 **green funds** was registered with the Asset Management Association of China, of which 121 were established in 2016. In 2018, 178 new green funds were registered. By July of 2018, the outstanding **green credit** in China amounted to RMB 9 trillion, an increase of 8.6% compared to 2017.

The Ministry of Finance and the NDRC released a host of documents to support and guide the PPP model, resulting in its broader adoption in public service fields such as green infrastructure, pollution control and resource efficiency. By the end of June 2017, 7,826 green and low-carbon **Public-Private Partnerships (PPP)** projects, with a total investment of RMB 6.4 trillion ($940 billion[[10]](#footnote-10)), were included in the national PPP projects catalogue, accounting for 57.7% of the projects and 39.3% of the investments in that catalogue.

### Social/Sustainability/Impact Bonds

**Social Bonds** are use of proceeds bonds that raise funds for new and existing projects with positive social outcomes. **Sustainability Bonds** are bonds where the proceeds will be exclusively applied to finance or re-finance a combination of both Green and Social Projects. A **Social Impact Bond (SIB)** is an innovative financing mechanism in which governments or commissioners enter into agreements with social service providers, such as social enterprises or non-profit organizations, and investors to pay for the delivery of pre-defined social outcomes. They have been implemented in some countries as they seem to be an attractive proposition for financing the delivery of social services. However, SIBs remain a new financial instrument aiming at social impact with limited evidence regarding their results.

**Comparing with the Green Bond Market, the scale of social and sustainability bond is negligible.** In 2018, Bank of China issued HKD 3 billion ($0.4 billion) Sustainability bonds (in Hong Kong). It would invest in national education loans, individual entrepreneurship loans, and so on. In the same year, China Construction Bank Hong Kong Branch issued a Sustainability Bond with a total worth of $1 billion. Its overall use is for infrastructure construction like education and health service, as well as SME loans.

### Digital Finance

**Since 2013, digital finance has developed vigorously in China.** The terms “digital finance,” “Internet finance,” and “fintech” are used interchangeably in China. Various forms, such as third-party payment, P2P lending platform, online crowdfunding, online banking, online insurance and securities, online wealth management etc., are emerging rapidly.

**The demand for financial services of small and medium sized enterprises (SMEs) or households cannot be effectively satisfied by the traditional financial sector.** The ability of digital technologies to empower traditionally marginalized people and drive inclusive economic development is illustrated by financial inclusion in China. For example, an estimated 10 million SMEs sell on the Taobao platform. Nearly half of the entrepreneurs on the platform are women, and more than 160,000 are people with disabilities[[11]](#footnote-11). The development of information technology reduces the cost of financial services and expands the coverage as well. The inclusion of initial supervision also contributed to the rapid development of the digital financial industry in China.

**Nonbank digital payment.** By the end of 2016, there were more than 260 licensed institutions in the market with an annual digital transaction of CNY 119.5 trillion ($17 billion[[12]](#footnote-12)).

**P2P lending platform -** direct lending between individuals through online platforms. The overall loan balance of P2P lending industry of 2016 is CNY 816 billion, which equals to 4.3% of household loans issued by deposit-taking financial institutions in China.

**Internet-based microloans normally serve for three types of customers in China:** online shop owners use it for short-term currency flow; individuals use it as consumption loans; and farmers use it as agricultural production investment. A key reason for the rapid development of online microloans in China is that people’s wide-engagement of e-commerce has generated data resources for relevant institutions to assess the debtor’s repayment ability. It makes issuing microloans cheaper and more efficient for platforms and more convenient for customers to receive loans.

**Internet bank, internet-based insurance, internet-based wealth management and other various service are still fairly new in China.** But these has the potential to serve lower-middle-income people who are excluded from traditional markets. It presents a new way of thinking for finance and wealth management industry to reconsider how to use digital models to balance their financial return and social sustainability.

### Philanthropy

Currently, the contribution of philanthropy to sustainable development in China can be summarized as:

1. **At the individual level,** China has 819 billionaires, the largest number of billionaires in the world according to the 2018 Hurun Global Rich List and also the highest number of millionaires engaged in Environmental, Social and Governance (ESG) related investing according to a recent research completed by UBS. An increasing number of these high net worth individuals sense the responsibility to give back and many of them have set up their own foundations, educational institutions and supported a large number of charities in areas such as poverty alleviation, education and healthcare.
2. **At the organizational level,** philanthropy can promote the engagement of the private sector and other sectors of civil society. Taking China as an example, the total number of social organizations has exceeded 800,000, including foundations, social groups and private non-enterprise units. Philanthropies have helped forge public-private partnerships aimed at marshalling and deploying public, private and philanthropic capital through a shared strategy. In addition, more and more enterprises now engage in philanthropy and have become the main force of charitable donations. In China, social donations were about 150 billion RMB in 2017 ($ 22 billion[[13]](#footnote-13)). China’s Internet fundraising, charitable trusts, donations from entrepreneurs, volunteer services, social innovation, social impact investment, etc. are all developing rapidly. This provides resources and motivation for the SDGs, greatly improving their efficiency and impact.
3. **At the sector level,** with the formalization and professionalization of China philanthropy, innovation was nurtured and deployed. Modern-day digital philanthropy has enabled the public to participate more widely in charitable activities. Fintech has enriched the financial instruments therefore unlocked further financial resources for the SDGs.

## Policy Framework of SDG Finance in China

### Green Finance

**The Guidelines for Establishing the Green Financial System jointly issued by People’s Bank of China (PBOC) and other six ministries in 2016,** provides a comprehensive framework for developing green finance. It not only sets out the official definition of green finance but also addresses the green aspects of credit, securities markets, funds, PPPs, insurance, emission rights trading, local initiatives, international cooperation, as well as risk assessment. In addition to the release of the guidelines, a series of policy paper, green finance special policies and specific implementation guidelines has been issued to support the establishment of China’s green financial system. (The latest progress of China’s green financial regulatory systems is listed in Annex). Despite the establishment of the green finance policy framework, China still has a long way to provide solid support for practical implementation and ‘green’ financial system.

**On March 6, 2019, seven ministries and commissions including the National Development and Reform Commission jointly issued the Green Industry Guidance Catalogue** (2019 edition) that for the first time comprehensively defines the standard and scope of the whole green industrial chain. The catalogue provides the basis and foundation for the establishment of green enterprise standard. The evaluation standard of green enterprises includes the proportion of green business, the performance of environmental resources usage, environmental management and external compliance management.

**At present, some local governments have issued their own green finance standards with different indicators and perspectives.** For example, Huzhou city issued four local standards of green finance, namely, evaluation standard of green financing projects, evaluation standard of green financing enterprises, evaluation standard of green bank, and construction standard of green franchised finance institutions. Quzhou City has completed the "green enterprise standard evaluation system" and "green project standard". Ganjiang new district issued the green financial standard system, including standards for green enterprise verification, green project verification and corporate environmental information disclosure guidelines. Huadu district of Guangdong province established a certification mechanism for green enterprises and green projects etc.

### Social Impact related Finance

**The sluggish growth of social and sustainability related bond market is attributed to several factors. First, the definition of social impact focused investment portfolio has not been unified,** which hinders issuers and investors correctly target essential industries. **Second, further robust evidence base is needed** to prove that social and public services related project are bankable, giving enough financial incentive and economic motivation to attract investment. **Third, social impact indicators are not easy to be quantified and measured,** versus environmental indicators, for instance. **Last but not least, there is no coherent policy framework**. For example, in 2016, Yinan Urban-Rural Construction Development Lt. Co issued the first SIB in China[[14]](#footnote-14). However, in 2018, the bond issuance was adjudged as against the prohibition of borrowing money in the name of government procurement of services and the budget law of the People's Republic of China.

### Internet Finance

**The Guidelines on Promoting Sound Development of Internet Finance** jointly issued by PBOC and nine other Chinese ministries and commissions in July 2015 states that “digital finance” is a new financial business model that both traditional financial service providers and Internet-based firms have adopted to provide financing, payment, investment, and intermediary information services by leveraging the Internet and information and communication technologies (ICT).The more Policy documents are listed in Annex.

**Digital finance has improved the accessibility of financial services for people excluded from traditional financial institutions,** e.g. farmers, SMEs, lower-income population, and people living in under-developed areas. Meanwhile, most people in the “last mile”, mainly the elderly and those living in regions with poor ICT infrastructure, still cannot benefit from digital finance. Alternatives, such as rural financial service providers, should be identified and ICT infrastructure construction should go further. Digital finance has diversified financial products and services to meet people’s various needs with lower costs. On the other hand, **promotion of digital loans may increase the risk of over-lending if the supervision is not effective.**

**Fintech companies has showcased the power of innovation.** The cooperation between fintech and traditional financial institutions would accelerate a more efficient and digitalized way of financial services. But digitalization has not changed the risks of traditional finance, like information asymmetry and ethical concerns. What’s more, new types of risks in the digital era even more implicit, contagious and extensive, e.g. information leak, fraud, and money laundering. **Therefore, it requests a solid regulation framework, and as well as the financial health education in terms of digital financial skills and knowledge.**

## Impact Measurement and Monitoring (IMM)

**Innovative SDG financing instruments (impact investment, sustainability/SDG bonds etc.) are at incipient stages and has not yet permeated most investments in China**. One reason is that the distinct concepts between impact investments and philanthropy, corporate social responsibility and low-level funding of social enterprises, remain unclear to many in China. The lack of industry recognized definition, standards and certification is also contributing to this scepticism. Globally recognized measurement systems (GIIRS and IRIS) have not yet been officially customized to the Chinese market and investment landscape, creating a proliferation of metrics adopted by companies but not officially recognized and certified. China has 22 signatories of UNPRI by 2018 with an annual increase as 64%. It still counts for a small proportion compared with other countries, for example, Japan (72) and U.S. (464) while the increasing rate is impressing. Most enterprises tend to follow internal practices of impact measurement. Rating capacity of rating agencies also needs improvement.

**ESG, as the consideration of environmental, social and governance factors alongside financial factors in the investment decision-making process, is accepted and applied globally.** Recently, ESG integration has been driven by demand from international investors, coupled with China’s politically mandated push towards green and high-quality sustainable development in China. The Chinese central bank, financial regulators and affiliated bodies have been taking a leading role in standardization of green finance and ESG investing.

**The Guidelines on Establishing a Green Financial System 2016 include** compulsory disclosure system of environmental information of bond issuing enterprises and supporting mechanisms such as the development of third-party certification. Laterin 2016, China has announced a roadmap for introducing compulsory environmental information disclosure requirements for listed companies in three steps starting from 2017. By 2020, it’s mandatory to disclose environmental information for all listed companies.

**In 2018, the China Securities Regulatory Commissions (CSRC) established an environmental, social and corporate governance (ESG) information disclosure framework for listed companies** in the revised Corporate Governance Code for Listed Companies. In order to effectively implement the national standards for green planning, in September 2018, green finance working group of the China financial standardization technical committee established the basic framework of the green financial standard system including general green financial standards, green financial products and services, green credit rating evaluation standard, the green financial disclosure standards, green financial statistics and sharing standards, green financial risk management and security standards.

## Challenges

1. **Lack of an integrated framework**: China has generated encouraging influence of SDG finance, and the regulators are making progress on incentive-oriented, regulation-based policy making. However, regulations, policies, principles and guidance are scattered and have not embed SDGs into an integrated financial framework and strategy supporting national development priorities.
2. **Lack of strong governance, rule of law and protection for businesses, leading to the absence of appropriate capital across the risk-return spectrum.** The country needs to improve governance within an increasingly complex financing landscape, implementing reforms to unlock new resources and greater SDG impact at scale, and building partnerships to collaborate with the private sector. These challenges are rooted in, or made more difficult by, ineffectiveness of financing incentives to de-risk and de-cost most forms of financing for SDGs, and lack of mechanisms to encourage dialogue between the public and private sector, to refocus the position of private actors in employment generation, technical innovation, socioeconomic empowerment and efficient financing the 2030 Agenda.
3. **Lack of conceptual clarity on SDG aligned financing, significant knowledge and capability gaps** contributing to asymmetrical information among investors and the broader market. For instance, there is a lack of familiarity with local context, laws and operating norms; lack of suitable investment professionals who understands (and appreciates) the concepts of SDG investment as well as lack of investment ready investment opportunities.
4. **Short supply of proven financial instruments and capital** that could contribute to social, environmental and economic benefits, and at the same time provide financial returns. This can be at least partially attributed to a misconception around fears that SDG aligned investment may have a detrimental impact on the financial bottom line of businesses, despite the research pointing to the opportunities.
5. **Lack of universally accepted impact measurement and management (IMM) standards for SDG aligned financing**. This has led to proliferation of financial instruments that are claiming to have SDG impact and are using (sometimes abusing) the SDG branding without proper verification.[[15]](#footnote-15)

## Potential of SDG Finance in China

1. **Incorporating green elements into laws and regulations and promoting policy consistency.** Regarding legislation, green elements should be incorporated into the Law on Commercial Banks, the Securities Law and the Insurance Law. Regarding creating a policy support system, green finance development requires coordination among fiscal and taxation, monetary, credit and industry policies, thus strengthening either incentive or restrictive mechanisms for investment and financing on all fronts. As for the organizational structure, steady interdepartmental coordination mechanisms based on information sharing should be established in the future to ensure uniformity and stability of green finance policies.
2. **Facilitating the internalization of environmental costs with restraints and incentives.** On the one hand, China should continue to expand the application of environmental stress testing in bank credit, asset management and credit rating, and strengthen the internalization of environmental costs (profits) with the support of environmental credit trading scheme and sterner law enforcement. On the other hand, more fiscal funds and government integrity should be applied as incentives for market-based green finance supply, maximizing the role of fiscal credit and fiscal and taxation policy in leveraging private capital.
3. **Enhancing assessment of green finance activities and their impact.** Unified statistical standards and development assessment systems for green finance should be applied in green finance standardization, environmental information disclosure and activity monitoring, to guide green investment and assist policymakers and regulators in assessing the effectiveness of policies.
4. **Strengthening capacity-building among stakeholders.** The improvement of the top-level design not only relies on raising the awareness and deepening the understanding of green development among governments at all levels, but also depends on gaining knowledge about green finance as well as improving capacities for governments, investees, investors and intermediaries. Furthermore, the media’s promotion and the public preference for innovative green products will also serve to propel top-level design for green finance in China. Therefore, the role of the GFC, think tanks and other relevant institutions should be highlighted to help build stakeholders’ capacities.
5. **Promoting areas that have not been sufficiently supported.**

For example,Despite the popularity of SDG 4, 1, 11, 10, 3 which in total involved 60% of Chinese foundations, there is a need in supporting areas and programs outside these commonly funded areas, such as ecosystem building, talent and youth development, as well as partnerships. While investment efforts focus on green financing to address environmental protection and climate change in China, the vast potential on SDG financing is untapped in the areas such as migration from rural areas to urban centres, health and education, affordable housing etc.[[16]](#footnote-16)[1]

6. **Leveraging technology to revolutionize the sector.** Technology has not only lowered the barriers to entry, more important, it has increased Finance’s transparency, efficiency and public participation. It is necessary to leverage the power of technology towards a more ecosystem driven sector, to engage private sector and public participation towards SDGs online with a long-term sustainable perspective.

## Annex

Factsheets about global SDG finance landscape

* As much as $268 trillion—the financial assets held by institutions and households across the world—is potentially available for impact-based investment (IFC).
* In the average developing country, the private sector accounts for 60% of GDP, 90% of jobs and 80% of capital flows. It can contribute to sustainable development by creating decent jobs, building future-oriented skills, spurring innovation and providing essential infrastructure and affordable goods and services. (OECD)
* The private sector stands to gain significantly from achievement of the SDGs, which could unlock US$12 trillion in market opportunities across just four sectors: food and agriculture; cities; energy and materials; and health and wellbeing. (Business for Sustainable Development Report, 2017)
* Achieving the SDG on gender equity could add $12-28 trillion to global GDP. (Mckinsey)
* Companies are increasingly being confronted by customers and employees with high expectations (for purpose, not just profit), as well as intense public scrutiny made possible by data-driven transparency. Against this backdrop, the boundaries between business, civil society and government are blurring and interdependence and collaboration are increasing. New business models like social enterprises are growing, as is the use of impact investing, blended finance and environmental, social and governance (ESG) principles.

China Green Finance Policies

|  |  |
| --- | --- |
| 2012.02 | China Banking Regulatory Commission (CBRC) introduced green credit guidelines[[17]](#footnote-17), requiring commercial banks to establish procedure to review environmental impact of lending projects and manage their environmental risks. |
| 2013 | CBRC issued guidelines on green loan statistics and template for estimating environmental benefits of green loans. |
| 2014.11 | The People’s Bank of China (PBOC) led the establishment of a green finance team. |
| 2015.01 | National Development and Reform Commission (NDRC) published Guidelines for the Issuance of Green Bonds[[18]](#footnote-18). |
| 2015.12 | PBOC published Green Finance Bond Announcement No.39[[19]](#footnote-19) . Green Finance Committee (GFC) of China Society for Finance and banking issued Green Bond Endorsed Project Catalogue. |
| 2016.03 | Shanghai Stock Exchange issued Circular on the Pilot Project of Green Corporate Bonds[[20]](#footnote-20). |
| 2016.04 | Shenzhen Stock Exchange launched Circular on the Pilot Project of Green Corporate Bonds[[21]](#footnote-21). |
| 2016.08 | PBOC and other six ministries and commissions published the Guidelines on Establishing a Green Financial system[[22]](#footnote-22). |
| 2016.08 | China has announced a roadmap for introducing compulsory environmental information disclosure requirement for listed companies in three steps[[23]](#footnote-23):   * Mandatory for major polluters (2017) * Semi – mandatory (2018) * Mandatory for all (2020) |
| 2017 | PBOC introduced green Macro-Prudential Assessment (MPA) system where banks with higher proportion of green loans and banks that have issued green bonds are given higher MPA scores. |
| 2017.03 | China Securities Regulatory Commission (CSRC) published Announcement No.6 Guidance of the Development of Green Bonds[[24]](#footnote-24). |
| 2017.06 | PBOC and other six ministries and commissions published the overall plan of green finance reform and innovation pilot zone in 5 provinces (districts)[[25]](#footnote-25). |
| 2017.12 | China – UK Green Finance Taskforce launched a pilot program for financial institutions (banks and asset managers) to disclosure environmental information.[[26]](#footnote-26) |
| 2018.05 | The Hong Kong Monetary Authority (HKMA) announced details of the Pilot Bond Grant Scheme (PBGS) as promulgated in the 2018-19 Budget, and progress of other bond market-related initiatives[[27]](#footnote-27). |
| 2018.06 | Hong Kong Government announced (June 15) the launch of the Green Bond Grant Scheme (GBGS), as promulgated in the 2018-19 Budget, to subsidize eligible green bond issuers in obtaining certification under the Green Finance Certification Scheme (GFCS) established by the Hong Kong Quality Assurance Agency.[[28]](#footnote-28) |
| 2018.06 | PBOC decided to appropriately expand the scope of medium-term loan facility (MLF) collateral. Green bonds were included. |
| 2018.07 | Since July 2018, mandatory and quarterly evaluation is incorporated into the MPA of banks |
| 2018.2 | GFC and UK published the Green Belt and Road Investment Principles. Currently, China Development Bank, Silk Road Fund, China Agricultural Bank, China Construction Bank, and Industrial and Commercial Bank of China signed up to it. |
| 2018.12 | Under the guidance of PBOC, CSRC and other competent departments, the Green Bond Standards Committee was established, and its first committee meeting was successfully held in Beijing.[[29]](#footnote-29) |
| 2019. 4 | PBOC jointly issued China Green Industry Catalogue with, National Development and Reform Commission  Ministry of Industry and Information Technology,Natural resources Bureau, Ministry of ecology and environment, Ministry of Housing and Urban-Rural Development National Energy Administration |

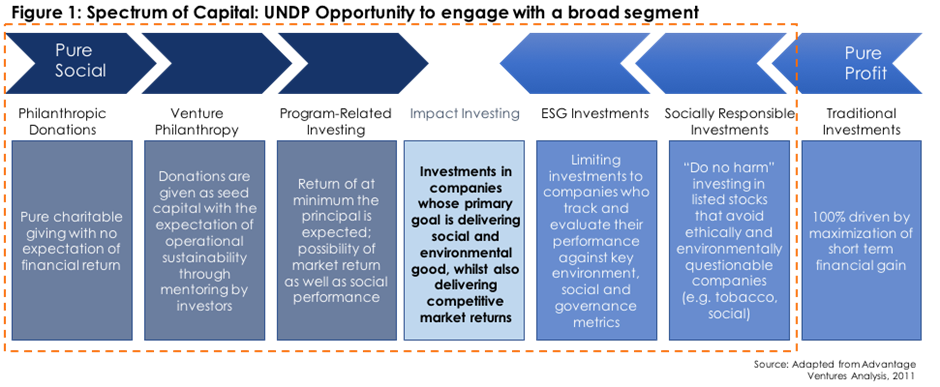
Key policies and documents about digital finance in China:

* The Law of the People’s Republic of China on Electronic Signature has validated electronic signatures, which is conducive to internet insurance.
* In 2015, CSRC issued the Circular on Conducting Special Supervision on Institutions Engaging in Equity Financing via Internet
* In 2015, PBOC released the Administrative Rules for Network Payment of Nonbank Payment Institutions, to establish tiers or categories with distinct functions of payment accounts in nonbank digital payment platforms to achieve both financial inclusion and a safe and efficient payment system.
* In 2016, CBRC and the other three ministries/office jointly issued the Interim Rules for the Administration of the Business Activities of Internet-Based Lending Information Intermediary Institutions, highlighting the platform’s role as information agency, prohibiting it to do other business, and specifying requirements on risk management and information disclosure, etc.
* Plan for Advancing the Development of Financial Inclusion, 2015
* Implementation Plan for the Special Campaign to Address Risks of Internet-based Finance, 2016
* G-20 High-Level Principles for Digital Financial Inclusion, 2016

Areas for UN Engagement: Modalities, partnerships and income/cost recovery streams

**To successfully catalyse private financing for the SDGs, UN needs to leverage its global reach, capacities, resources and convening power to present a comprehensive bouquet of offerings to the private sector**. UN’s core capabilities and expertise offer a unique value proposition to private sector partners which can help unlock additional financial resources for the SDGs.

* **Convene** stakeholders across sectors to foster dialogues by leveraging cross-sector and multi-stakeholder networks and platforms.
* **Catalyse** markets and investment opportunities by creating investment pipelines and align private sector activity.
* Leverage **capital** to de-risk and mobilise private sector investments by using grant mechanisms and non-capital capital in more flexible ways to crowd in private sector capital.



**There are several potential modalities of engagement for the UN in China – some of them have already been deployed in other countries:**

**1. Policy and eco-system development:** Many governments are keen to galvanize a support structure to support eco-system development for SDG investment and rope in greater private sector investments into the process. The UN through its strong convening power could facilitate this role by bringing together government and key stakeholders in the private sector (philanthropists, impact investors, development financial institutes, private equity/venture capital institutes, incubator/accelerators etc) into a policy making framework that would develop and implement policies for SDG investment and eco-system development. This could be achieved by the UN formerly undertaking a process to establish (at National level) a National Network for SDG Financing (NNSF) incorporating the above stakeholders and framing a plan of action to achieve said objectives. NNSF could be spearheaded by a leading public sector or private sector entity in a particular country that has a keen interest in the area together with the UN[[30]](#footnote-30). UN could also work with private sector partners to facilitate policy derisking and help create a conducive ecosystem for specific sectors. Example: UN involvement in establishing the Bangladesh National Advisory Board.

**2. Support countries to establish viable SDG investing instruments:** Through extensive research into country contexts as mentioned above, the UN could facilitate the establishment of viable SDG investing facility at country level and support in the development of requisite eco-systems. This would be mostly applicable with current limited capacity and understanding of SDG investing systems but have both: i) a significant SDG financing gap that requires substantial private sector financing and ii) a strong and vibrant private sector with high or growing dedication for SDG investment. A role UNDP could also play could be around incubating or developing innovative SDG aligned financing models, financial instruments, these ‘firsts’ can hold potential if replicated successfully. Example: Sri Lanka the establishment of first indigenous social impact funds, the innovative financing lab in Indonesia and the SDG Finance Facility in India.

**3. Impact measurement and management (IMM) standards:** Building on UNDP SDG Impact, UN could look at developing country specific IMM platforms that could be used to measure impact of all investments and interventions. This would be of particular value to the private sector who would be keen to measure and report on the impacts of their investments and to authenticate the contribution of their enterprises to the SDGs.

**4. Pipeline development:** The UN through its network could play a significant role in establishing a viable deal pipeline for SDG investment. This support mechanism could cover areas such as: i) providing advice to governments to make allocations (through annual budgets) for incubation to foster entrepreneurs/SME’s; ii) through partnerships and exchanges facilitate the strengthening of existing incubator accelerator networks; and iii) setting up UN’ supported pipeline development centres where relevant (and where funding could be arranged) so as to strengthen/consolidate the existing national network. In addition, other models that could be explored include matchmaking platforms for investors and youth entrepreneurship. Example: Bangladesh’s work with Youth Co Lab and the (in development) Accelerator for Women Entrepreneurs in India.

**5. Digital finance** (see [section 5](#_Unlocking_private_finance)). The Secretary General’s Task Force on Digital Financing and its secretariat could provide services such as delivering technical assistance to policymakers and regulators including policy analysis and global benchmarking, integrating digital solutions with other existing innovative financial instruments such as impact investing, piloting and scaling SDG-aligned digital finance applications at the country level, ensuring policy agenda alignment at the regional and global level, facilitating knowledge flow across sectors and nations, etc. It is yet a new area for UN, therefore the lack of success stories, but there is strong interest. Example: the joint UNDP-UNCDF Pacific Financial Inclusion programme which has impacted 1.8 million pacific islanders with access to education and financial services.

1. From the Financing the 2030 agenda, an introductory guidebook for UNDP offices [↑](#footnote-ref-1)
2. https://sustainabledevelopment.un.org/index.php?page=view&type=400&nr=2051&menu=35 [↑](#footnote-ref-2)
3. https://www.weforum.org/agenda/2016/07/blended-finance-sustainable-development-goals/ [↑](#footnote-ref-3)
4. Business and Sustainable Development Coalition, Better Business, Better World, Asia, 2017. [↑](#footnote-ref-4)
5. Bluebook of China’s Fiscal Policy, China academy of fiscal sciences, Beijing, Social sciences academic press, 2018, 2019. [↑](#footnote-ref-5)
6. http://gks.mof.gov.cn/zhengfuxinxi/tongjishuju/201907/t20190716\_3301309.html [↑](#footnote-ref-6)
7. http://gks.mof.gov.cn/zhengfuxinxi/tongjishuju/201907/t20190716\_3301309.html [↑](#footnote-ref-7)
8. Business and Sustainable Development Coalition, Better Business, Better World, Asia, 2017. [↑](#footnote-ref-8)
9. Guidelines for Establishing the Green Financial System 2016, PBOC. [↑](#footnote-ref-9)
10. At Jun 2017 average exchange rate [↑](#footnote-ref-10)
11. The age of digital interdependence. Report of the UN Secretary-General’ High-level Panel on Digital Cooperation, 2019 http://documentos.bancomundial.org/curated/es/281231518106429557/pdf/123323-FinancialInclusionChina-9Aug18.pdf [↑](#footnote-ref-11)
12. Dec 2016 average exchange rate [↑](#footnote-ref-12)
13. 2017 average exchange rate [↑](#footnote-ref-13)
14. http://bond.jrj.com.cn/2016/12/29153321906213.shtml

    The social impact bond in China, SIB for poverty alleviation in Yinan county, Shandong province, fundraised 500 million yuan, mainly to be invested in facilitating featured poverty alleviation industry projects, employment centers, photovoltaic power stations, poverty alleviation public services and supporting infrastructure. Yinan county urban and rural construction development co., LTD., as the issuers of the bonds, contract a local implementation entity for poverty alleviation project as service provider. The local government procured the services from the issuer. In terms of income, it adopts a floating range between 3.25% and 3.95%. [↑](#footnote-ref-14)
15. Financing for the SDGs and SDG Impact Measurement, Issue Brief, UNDP China, June 2019 [↑](#footnote-ref-15)
16. [1]China Social Impact Investment Report 2016 China Development Research Foundation China Social Entrepreneur Foundation [↑](#footnote-ref-16)
17. <http://www.cbrc.gov.cn/chinese/home/docDOC_ReadView/127DE230BC31468B9329EFB01AF78BD4.html> [↑](#footnote-ref-17)
18. <http://www.ndrc.gov.cn/zcfb/zcfbtz/201601/W020160108387358036407.pdf> [↑](#footnote-ref-18)
19. <http://www.gov.cn/xinwen/2015-12/22/content_5026636.htm> [↑](#footnote-ref-19)
20. <http://www.sse.com.cn/lawandrules/sserules/listing/bond/c/c_20160316_4058800.shtml> [↑](#footnote-ref-20)
21. <http://www.sohu.com/a/71049402_119663> [↑](#footnote-ref-21)
22. [www.gov.cn/xinwen/2016-09/01/content\_5104132.htm](http://www.gov.cn/xinwen/2016-09/01/content_5104132.htm) [↑](#footnote-ref-22)
23. <http://www.sohu.com/a/243322512_355066> [↑](#footnote-ref-23)
24. <http://www.csrc.gov.cn/pub/newsite/zjhxwfb/xwdd/201703/t20170303_313010.html> [↑](#footnote-ref-24)
25. <http://www.isc-org.cn/xyxw/5532.jhtml> [↑](#footnote-ref-25)
26. <http://www.sohu.com/a/214143018_162522> [↑](#footnote-ref-26)
27. <https://www.hkma.gov.hk/eng/key-information/press-releases/2018/20180510-3.shtml> [↑](#footnote-ref-27)
28. <https://www.info.gov.hk/gia/general/201806/15/P2018061500373.htm> [↑](#footnote-ref-28)
29. <https://mp.weixin.qq.com/s/yfWVx9EMG-z91mcmQNfy1w> [↑](#footnote-ref-29)
30. Likely co-chairing opportunity for the UN in the NNSF. [↑](#footnote-ref-30)