

# THE FINANCIAL SYSTEM WE NEED

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INAISE INTERNATIONAL CONFERENCE, MAY 2016

# A BRIEF RECAP

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- The UNEP Inquiry into the Design of a Sustainable Financial System was launched in January 2014.
- Mandated to advance policy options to improve the effectiveness of the financial system in supporting sustainable development.
- INAISE's contribution was through a group who met first at the ISB Summer School in July 2014 and submitted its own paper Values Based Banking together with a Call for Action in August 2015 and which was introduced at the INAISE Cumbre in Peru in 2014.
- The full report was published in Lima in October 2015.

# KEY FINDINGS

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- The financial system can evolve to serve its core purpose of growing and sustaining the real economy.
- A *quiet revolution* is underway as policy makers and regulators take steps to integrate sustainable development into financial systems
- Momentum is building driven largely by the south and UK and France amongst developed nations
- Amplifying these experiences through national and international action could channel private capital to finance transition to an inclusive, green economy

# KEY MEASURES

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- **Enhancing market practice:** disclosure, responsibility, product design criteria
- **Harness the public balance sheet:** fiscal incentives, central bank action, public finance
- **Direct finance through policy measures:** priority sector lending, liability regimes
- **Transforming financial culture:** capacity building, reformed incentives and markets
- **Upgrading governance:** guiding principles, regulatory mandates and performance measurement
- The Report presents a Framework for Action that includes a toolbox of nearly 40 different measures. It sits alongside an Inquiry Live website.

# SO, ARE WE GETTING THE FINANCIAL SYSTEM WE NEED?

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- Today 2.5 billion people are referred to as the unbanked. They live in places where the banks don't want to go. But they are not unreachable.
- Is the financial system going to become simpler?
- Has it become focused on short term profit maximisation and does not pay enough attention to social and environmental risks?
- Even with the best possible framework of codes and principles, financiers must constantly challenge themselves to the standards they uphold

# BUT WE CAN BE OPTIMISTIC ? WHY?

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- Because of citizens.
- Because there is a growing awareness that the problems of our world cannot be solved by one course of action alone.
- So, a path to environmental sustainability must also seek to tackle the vast social injustices that face our world,
- Prosperity can be measured in ways other than year on year rise in GDP.