



UNEP
FINANCE
INITIATIVE

POSITIVE IMPACT FINANCE

A JOINT BANKING AND INVESTMENT
COMMISSION WORK STREAM

JUNE 2016

A DIFFERENT APPROACH TO FINANCE FOR A CHANGING WORLD

An estimated \$5-7 trillion a year until 2030 are needed to realize the Sustainable Development Goals worldwide, including investments into infrastructure, clean energy, water and sanitation and agriculture. Banks alone manage \$140 trillion of assets and institutional investors over \$100 trillion. Capital markets, including bonds and equities, exceed \$100 trillion and \$73 trillion respectively.

While the urgency of meeting this challenge is becoming ever more tangible, making the connection between funds and needs remains difficult to make. Blended finance, venture capital, impact investing, crowd funding and environmentally or socially oriented market instruments such as green bonds are among a range of mechanisms designed to bridge the gap, but **none of the current approaches seem able to reach the necessary scale.**

As we know, the difficulty in bridging the gap resides in the fact that the projects, entities and individuals which need to be financed do not seem able to comply with the laws of risk and return that constrain the market. The solutions we have to-date are to a large extent based on finding ways around the constraint.

To bridge the funding gap for the transition to an inclusive, green economy, a more deliberate, business-driven approach is necessary. We will not manage to fill the gap from the sidelines. The fundamental question is therefore: **can we make the “unbankable” (or the less bankable) attractive from a core business perspective?** How do we connect regular business players to that and those who urgently require financing?

It is UNEP FI members’ belief that, in 2015, when the urgency for the transition to sustainability continues to increase, and when policy-makers across multiple fora, from the G20 to the UN General Assembly are multiplying their calls to action, **a new financing paradigm is needed if we are to act in time.**

THE POSITIVE IMPACT MANIFESTO



POSITIVE IMPACT
MANIFESTO

In October 2015, the Banking Commission of UNEP FI released the Positive Impact Manifesto. The Manifesto calls for a wide-ranging **Movement to bring sustainable financing needs to the heart of the market** and hence to kick-start the of the finance sector “engine”, by rewiring the manner in which financiers interact with solution providers (corporates, businesses and entrepreneurs) and program initiators such as governments, municipalities and communities.

The Investment Commission subsequently joined the banks in their initiative, acknowledging the imperative for a new approach, as well as investors’ central role in mainstreaming and scaling up positive impact along the financing chain.

As per the Positive Impact Manifesto, the foundational definition of Positive Impact Finance put forward is both holistic in nature and strict in its application:

Positive Impact Finance is that which verifiably produces a positive impact on the economy, society or the environment once any potential negative impacts have been duly identified and mitigated.

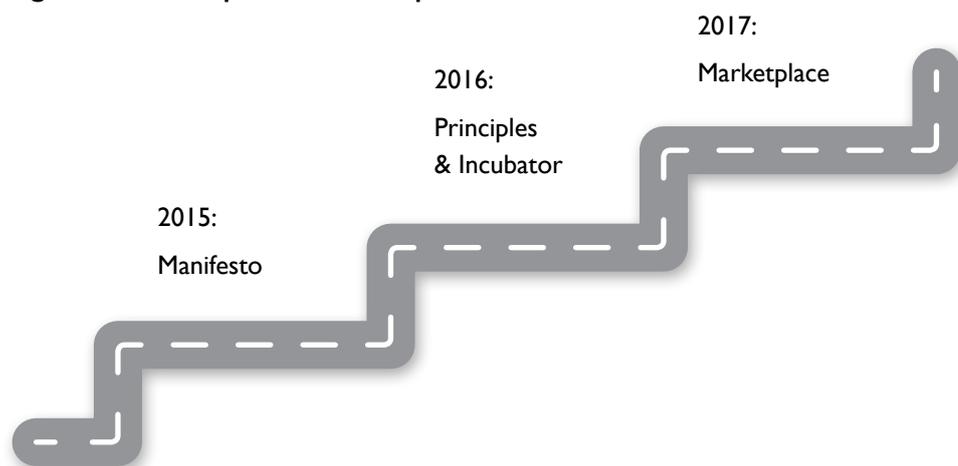


MAKING CHANGE HAPPEN: THE POSITIVE IMPACT ROADMAP

The ultimate aim of the banks and investors who have endorsed the Manifesto is to move from the current situation where there is only marginal market traction for achieving positive impact, to one where positive impact becomes commercially attractive, and therefore an integral part of the market economy.

To this end a Positive Impact Roadmap has been drawn up whereby banks and investors will work with solution providers, programme initiators and the wider community of stakeholders on two complementary fronts: the Positive Impact Incubator and Positive Impact Principles ultimately aimed at delivering a vibrant market place for positive impact needs, solutions and finance.

Figure 1. Roadmap to Positive impact Finance



The **Positive Impact Incubator** will provide an open space in which banks, investors, clients and further stakeholders can come together to look at ways to open markets in relation to specific needs and impacts. In doing so they will experiment with new business and financing models that respond to both positive impact criteria and commercial constraints for scale, scope and profitability.

With a view to establishing the market visibility and assurances that are necessary to scale up from the experimental to the mainstream market, a set of **Positive Impact Principles** will be developed. These are to provide a common language that can guide providers of financial services and all relevant stakeholders in their efforts to achieve business goals in alignment with sustainability objectives. They will form the basis for the establishment of an open and transparent assessment framework for positive impact finance.

Figure 2. Timeline

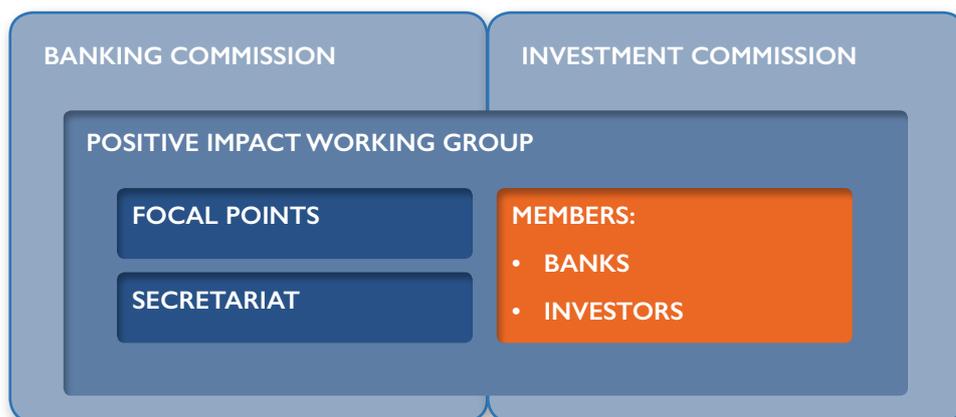
	2015	2016	2017	
LACK OF MARKET TRACTION FOR POSITIVE IMPACT	Manifesto & Establishment of the PIWG			POSITIVE IMPACT MARKETPLACE
		Research & Engagement		
		Positive Impact Incubator		
		Development of Positive Impact Principles & Assessment Framework		
			Piloting of Assessment Framework	

GOVERNANCE: THE POSITIVE IMPACT WORKING GROUP

The Positive Impact Working Group (PIWG) is made up of those banks and investors who have individually endorsed the Positive Impact Manifesto. Its role is to define and carry out the activities necessary to the fulfilment of the Positive Impact Roadmap.

The PIWG is steered jointly by: Leonie Schreve, Head of Sustainable Lending, ING; Denis Childs, Head of Environmental and Social Advisory and Positive Impact Finance, Société Générale; James Vaccaro, Head of Corporate Strategy, Triodos Bank and; Hervé Guez, Head of SRI Research, Mirova, the founding members of the PIWG from the Banking and Investment Commission Boards respectively.

Figure 3. Governance



HOW TO GET INVOLVED

There are two ways of becoming involved:

1. Become a Working Group member by endorsing the Manifesto and gain full access to all activities and decision-making processes.
2. Participate in the Incubator as a standalone activity.

MORE INFORMATION

For more information, please visit our website: www.unepfi.org

Or write to us:

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The UNEP Finance Initiative

UNEP FI is a partnership between UNEP and the global financial sector created in the wake of the 1992 Earth Summit with a mission to promote sustainable finance. Over 200 financial institutions, including banks, insurers and fund managers, work with UNEP to understand today's environmental challenges, why they matter to finance, and how to actively participate in addressing them.

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