

Finance goes green

Traditionally, financial institutions were reluctant to seek business opportunities in the environmental field. But times are changing. Amid heightened global awareness of environmental issues, banks, asset management funds, and insurance companies are adjusting their approaches. There is stronger demand for institutions to devise products that address concerns about the environment. Japan attracted considerable international attention in 2009 when former Prime Minister Yukio Hatoyama announced a target greenhouse gas emission reduction of 25%, in comparison to 1990 levels, by 2020.

Increasing numbers of private companies have become proactive in the area of corporate social responsibility (CSR), and CSR has become a standard practice for the business community. On the receiving end, investors from advanced nations are more conscious of the need to contribute to funds with social benefits. Both organizations and individuals are beginning to think about reducing their environmental footprints. Amid these trends, various ecofinance products have been introduced on the market, such as ecocar loans, ecohousing loans, and ecoventure capital. Toyota Asset Management Company, Korea Investment Trust Management Company, and Mayban Unit Trust Berhad, Malaysia, are some of the numerous institutions that have created eco-specific funds. Ecofinance is related closely to social issues. It can be described as socially responsible investment integrating environmental, social, and governance factors with investment processes.

Studies have shown that Asia falls behind Europe and North America in ecofinance. In an attempt to develop potential ecofinance models applicable in the region to promote Green Productivity, a four-day study meeting was held in Taipei, 8–11 June 2010. The sessions focused on the status of ecofinance and its latest trends among APO member countries. The foundations of discussions were the APO's Jakarta Recommendations at the APO International Conference on Green Productivity to Enhance Competitiveness held in March this year in conjunction with the Eco-products International Fair 2010. The Jakarta Recommendations encourage: 1) financial institutions to devise strategic



Participants discuss the development of a potential ecofinance model during a group discussion session at China Productivity Center, Taipei 10 June 2010. Photo courtesy of CPC

responses and solutions to stimulate green growth and accelerate the creation of a low-carbon society; 2) prompt, full disclosure including global sustainability reporting for the evaluation of ecofinance projects; and 3) the APO to continue to call on its stakeholders to contribute to Green Productivity practices to achieve ecocompetitiveness and green growth in the Asia-Pacific region.

After intense discussions among the participants and resource persons, several potential ecofinance models were presented at the end of the meeting. These frameworks will be further refined for feasible adoption by member countries. 