

Sustainable finance as a mechanism for economic recovery during the Covid-19 Pandemic: case study of the Abu Dhabi global Market

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Received :10/12/2021

Accepted : 18/04/2022

Abstract:

This study aims at highlighting the importance of sustainable finance which falls within the requirements of integrating sustainable development thought into economic public policies. Neglecting the idea of sustainability in the economics literature has caused several financial crises, such as the mortgage crisis which was the result of greed and the expansion of the use of financial derivatives, also known as the financial bubble, to make profits in a short time. Focusing on achieving record profits without considering the consequences has exacerbated the severity of the crisis.

Therefore, in the future, it is necessary to focus on the environment, social responsibility and governance (ESG), and the concept of sustainable financing in the economic aspect to achieve financial stability.

As for the Abu Dhabi Global Market, it has intensified its efforts as a global financial center to play its role in this latest crisis, Covid 19, by simulating the possible consequences in the future through its financial sustainability agenda. Heat waves, hurricanes, floods and other climatic consequences can lead to catastrophic social costs and expose the market to shocks similar to the effects of Covid-19.

Keywords: Sustainability, Sustainable development, Sustainable Finance, Abu Dhabi Global Market, Covid 19 pandemic.

JEL Classification: Q01, Q56.

1. INTRODUCTION

The primary goal of economic institutions had been to achieve maximum profit at the lowest costs through the optimal use of the available resources regardless the environmental and social costs they cause. This ended with the emergence of sustainable finance thinking that takes into account the principles of environmental and social responsibility and governance (ESG) when making business decisions and developing investment strategies. The concept of sustainability is based on covering many issues from climate change and pollution to corporate performance and overall stability of the financial system. One of the most important reasons for the recent financial and economic crises is the rush towards quick profits without taking into account social and environmental considerations.

Therefore, recent emphasis has been placed on the concept of sustainable finance, which adopts an ethical standard because it takes social and environmental factors into consideration in long-term investment decisions. This new way of approaching finance represents a cultural change of the financial world that is adapting little by little to meet the demands of an increasingly conscious audience.

Interest in the concept of financial sustainability has increased sharply in light of the Covid-19 pandemic as general closure and quarantine have contributed to a significant decrease in pollution rates. Companies adopted environmentally friendly programs for sustainable financing which allows expansion and growth through financing clean energy projects, optimizing energy use, and financing small and micro industries.

Research problem:

The study problem is summarized in the following main question:

Will sustainable financing contribute to the recovery of the economy during the Covid-19 pandemic?

In order to reach the answer to the main question, the study's imperative was to answer some sub-questions:

- What are the basics of sustainable financing?
- Did the interest in the concept of financial sustainability increase during the COVID-19 pandemic?
- Is the Abu Dhabi Global Market (ADGM) concerned with activating sustainable financing during the Covid-19 pandemic?

Study Hypotheses:

To answer the main question and sub-questions, the following three hypotheses have been adopted:

- Sustainable finance is based on environmental consideration and social responsibility and governance;
- The concept of sustainability has gained great popularity during the COVID-19 pandemic;
- Abu Dhabi Global Market (ADGM) was interested in green finance as a means to mitigate the effects of economic crises.

Aims of the study:

This research paper aims to achieve the following points:

- The essence of sustainable finance;
- Sustainable finance and investment;
- Abu Dhabi Global Market (ADGM) and Sustainable Finance in light of the Covid-19 pandemic.

2. The theoretical framework:

The concept of corporate social responsibility in the first half of the twentieth century was not clearly known, as enterprises were trying hard to maximize their profits through various means. With continued criticism of the concept of profit maximization, there have been signs that institutions would take on a greater role towards the environment and the society in which they operate. The literature provides many definitions of the concept of corporate social

responsibility so that enterprises take social and environmental concerns into account in their management processes and in their interaction with stakeholders.

2.1 Definition of sustainable finance:

Sustainable finance is a developing concept and anew paradigm of finance. It is well defined in the literature. The general definition of sustainable finance explains this kind of finance that takes into consideration ESG factors into financial decision-making. The subcategories of sustainable finance refer to major forms of environmental degradation and inequalities that are part of definitions of sub-disciplines of sustainable finance in the relationship between sustainable finance and negative externalities(Ziolo & al, 2020, p. 46).

World Bank defines sustainable finance as the process of taking due account of environmental and social responsibility and governance (ESG) considerations when making investment decisions in the financial sector, leading to increased longer-term investments into sustainable economic activities and projects (European Commission). It has become a powerful movement led by regulators, institutional investors, and asset managers globally(brief, 2021).

Sustainable Finance incorporates climate, green, and social finance and adds wider considerations concerning the longer-term economic sustainability of the organizations that are being funded, as well as the role and stability of the overall financial system in which they operate (icmagroup, 2020, p. 05).

Sustainable finance largely means that the financial system should incorporate sustainability considerations in investment decision-making in order to better reflect environmental and other sustainability-related risks. With the evolution in the societal and policy patterns, the meaning of sustainable finance has progressively consolidated around the need to provide sufficient financial resources to the transition towards a more sustainable society and a climate-neutral economy. This (incremental) shift in perspective may also help explain the observed acceleration, in recent years, in the adoption of sustainable finance practices by financial institutions(Migliorelli, 2021, p. 10).

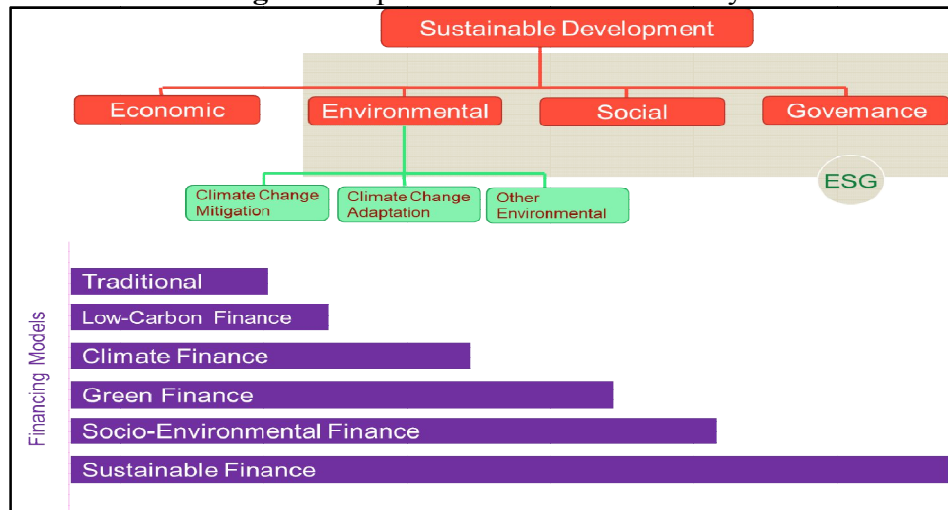
Through previous definitions, it can be said that sustainable finance means that the environmental and social sides and governance must be considered in the finance operation.

2.2 Principles of finance sustainability:

In terms of ESG categories, environmental finance is more commonly described as ‘green finance’. Green finance provides start-up or growth capital into innovative enterprises that address climate related issues (positive/integrated) or divests from companies that perpetuate the climate crisis (negative/exclusionary). Negative - exclusionary - green finance typically focuses on moving investments from high carbon intensity to low carbon intensity companies (as divestment) or allocating capital to companies that are aiming to reduce their overall carbon footprint. A particular issue here is the long-term risk profile associated with investments in petrochemicals companies has been categorized as reflecting the mispriced balance sheet value of so-called ‘stranded assets.’ These are future extractions of existing oil and gas deposits that will not be able to be used without precipitating a total climate collapse (Nicholls, 2021, p. 06).

The figure below shows the principles of sustainable finance:

Fig.1.Principles of finance sustainability



Source:(Sebastian, 2020, p. 06)

The figure shows that the basic principles of sustainability are based on the environmental, economic, social and governance aspects.

- Governance: firms making multi-year commitments to sustainable finance should build ESG considerations more comprehensively into their mainstream governance structure.
- Definitions: sustainable finance should not be limited to environmental or ‘green’ and can instead cover any relevant ESG area, including by reference to Sustainable Development Goals. Defined products and services should align to publicly available standards where possible.
- Measuring the contribution: there is a need to have clearly defined accounting policies and bases of preparation to consistently measure the contribution made by each credit institution.
- Reporting and disclosure: transparency is key and it is expected that institutions with stated sustainable finance (ukfinance, 2020, pp. 7-8).

2.3. The importance of Sustainable finance:

Finance is a driver of sustainability. Traces of sustainable finance go back at least to the 16th century. However, development in this field had really accelerated in the second half of the 20th century. Recommendations in terms of finance related sustainability emerged in the 1972 with Stockholm Declaration [18] and the Brundtland Report. The recommendations included propositions that financial institutions, such as the World Bank, introduce environmental and social risk into design and investment processes. The incorporation of non-financial factors (including ESG factors) is currently responsible for transformation of the traditional financial system into a sustainable one. Transition into sustainability means the destabilization of the conventional system and creates opportunities for niche innovations such as sustainable, green and climate. Sustainable finance encompasses climate, green, and social finance while adding broader considerations about the long-term economic sustainability of the organizations that are funded, and the role and stability of the entire financial system in which they operate (Magdalena & others, 2021, p. 4238).

Growing demand for more responsible corporate behavior creates business opportunities.

- Responsible business conduct is a good means of maintaining reputation and license to operate.
- Integrating environmental and social issues into business evaluation processes may lead to fresh business opportunities.
- Integrating sustainable development into overall policies improves morale and provides a strong and confident long-term relationship with stakeholders.
- Internal transparency improves external dialogue and internal communications, and

helps companies overcome cultural barriers and achieve workplace diversity (CoroStrandberg, 2015, pp. 5-6).

A new proposal has been created specifically for the post-COVID stimulus. It covers two timescales: the short-term needs to deliver as many jobs, income, and economic demand as quickly as possible, and the longer-term need to deliver sustainable growth and prosperity.

Over the short term, there are three main considerations:

- Job creation: looking at the number of jobs created per dollar invested and the types of jobs created who benefits from them, and the match between the skills needed and those available in the local workforce.
- Boost to economic activity: focusing on the economic multiplier each intervention can deliver, the ability of a project to directly replace missing demand, and its impact on import levels or the national trade balance.
- Timeliness and risk: assessing whether the project generates stimulus and employment benefits over the very short term and whether they are durable even in the face of possible re-imposition of local quarantine measures.

Over the longer term, a project must also support countries on three different dimensions:

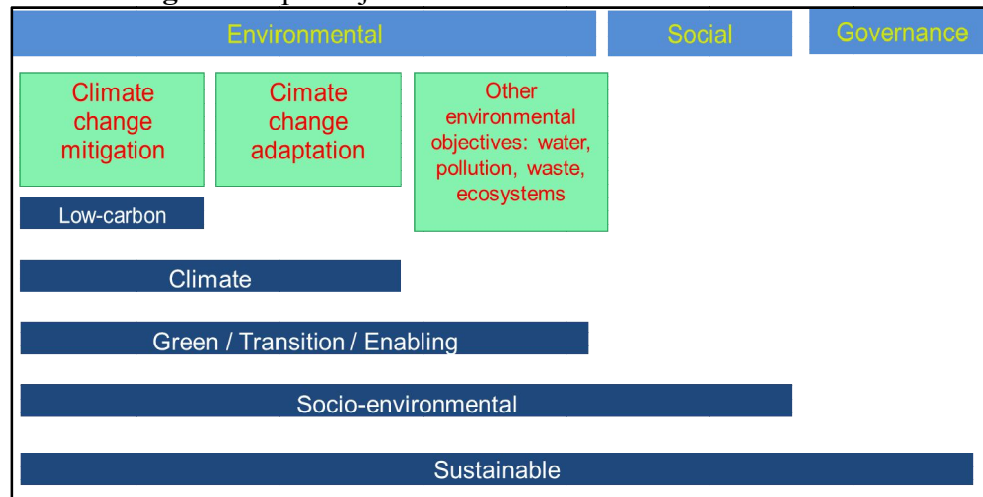
- Long-term growth potential: looking at its impact on human, natural, and physical capital. For instance, some projects do better at improving human capital by building the future skills and health of the population especially if air and water pollution can be reduced, or access to improved drinking water is improved. Others may promote the use of more efficient technologies, provide important public goods like modern energy or sanitation, or address market failures such as distortive subsidies that are obstacles to long-term growth.
- Resilience to future shocks: with interventions to build capacity for societies and economies to cope with and recover from external shocks, like COVID-19 today, but also other forms of natural disasters and future climate change impacts.
- Decarbonization and sustainable growth trajectory: with actions to support and disseminate green technologies like grid investments that facilitate the use of renewable energy and electric vehicles, or low-tech options like afforestation, landscape, and watershed restoration and management. It will be particularly important to ensure that investments from stimulus packages do not impose large stranded asset costs on the economy in the coming decades for instance because they bet on declining technologies or place projects in high-risk flood zones (brief, 2021).

2.4. Taxonomy of sustainable finance:

Sustainable finance taxonomies can play an important role in scaling up sustainable finance and, in turn, in supporting the achievement of high-level goals such as the Paris Accord and the UN sustainable development goals (Torsten & others, 2021, p. 03).

Consistent with the EU Action Plan on Financing Sustainable Growth, finance is a critical enabler of transformative improvements in existing industries in Europe and globally. The OECD estimates that, globally, 6.35 trillion EUR a year will be required to meet Paris Agreement goals by 2030. Six Public sector resources will not be adequate to meet this challenge, and mobilization of institutional and private capital will be necessary. While expansion of the low-carbon resilient economy is essential, the most substantial contribution to the EU's environmental objectives will be from transitioning existing activities to a more sustainable footing. This is the central challenge to which the TEG is responding, and it is reflected through our design principles, technical screening criteria, and guidance on use of the taxonomy (TEG, 2020, p. 07).

The figure below shows the taxonomy of sustainable finance:

Fig.2.Multiple objectives sustainable finance taxonomies

Source: (OECD, 2020, p. 02)

As shown in figure02, the environmental side is based on climate change mitigation, climate change adaptation, and other environmental objectives that are water, pollution, waste, and ecosystems.

3. Strategy, investment, and Risks of Sustainable finance:

3.1 Strategy for Financing the Transition to a Sustainable Economy:

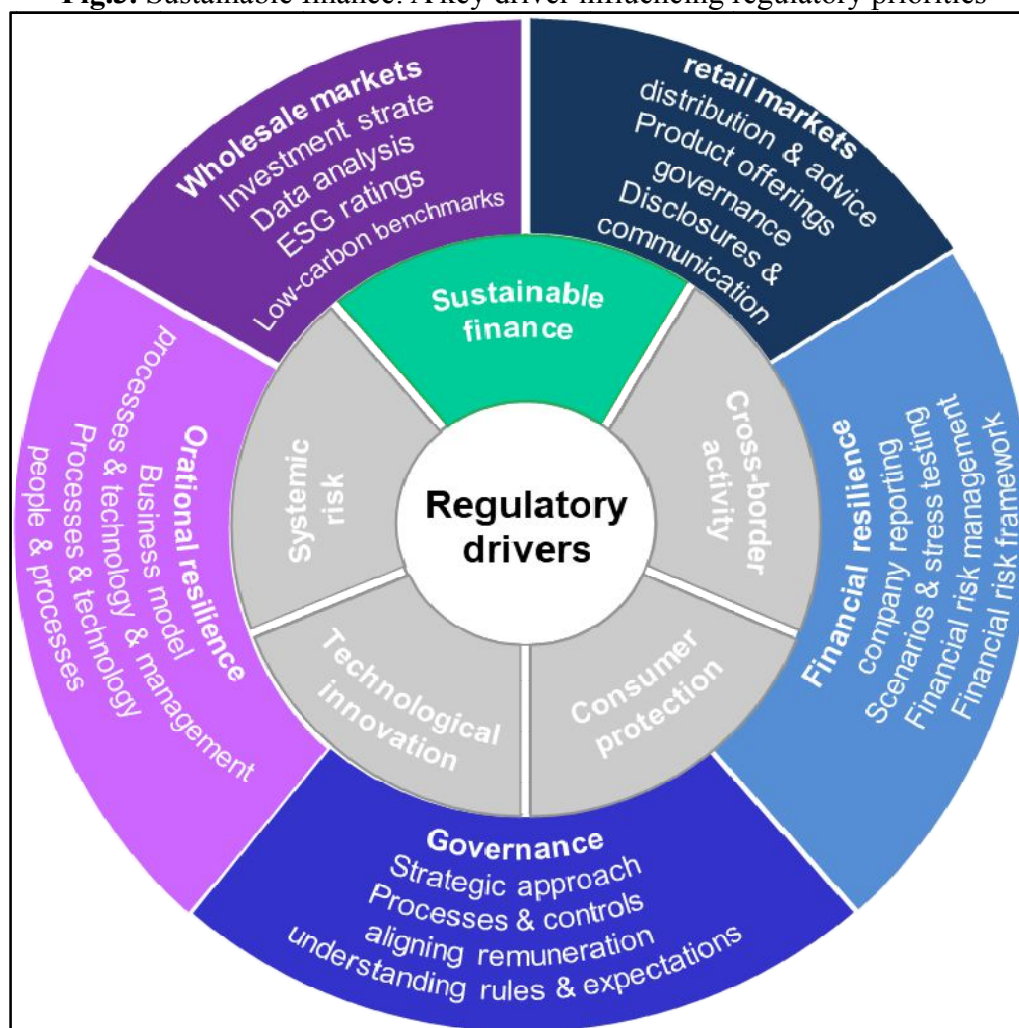
On July 6th, the European Commission published its Strategy for Financing the Transition into a Sustainable Economy. The successor of the EU's Sustainable Finance Action Plan which launched in 2018. The strategy focuses on making the financial systems sustainable and on financing transition plans, building on the 2018 Action Plan which was centered on developing the EU Taxonomy, putting in place disclosure regimes, and developing tools for the market to develop sustainable investment solutions and prevent greenwashing.

The new strategy identifies four main areas for action for the financial system to fully support the transition into a sustainable economy:

1. Financing the transition: tools and policies to finance transition plans and reach climate and other environmental goals.
2. Inclusiveness: access to sustainable finance for individuals and small and medium companies.
3. Financial sector resilience and contribution: support the financial sector to contribute to meeting the EU's Green Deal targets, becoming resilient, and combating greenwashing.
4. Global ambition: collaborating globally and promoting an ambitious global sustainable finance agenda. (Schoemaker, 2021)

The figure below shows the strategies of sustainable finance:

Fig.3. Sustainable finance: A key driver influencing regulatory priorities



Source: (RRIC, 2020, p. 06)

Five key drivers are influencing priorities in regulatory agendas. Consumer protection and financial stability are the bulwarks of much financial services regulation, but the impacts of the pandemic and lock-down measures have brought additional topics to the fore. Volatility in capital markets has led to a renewed focus on systemic risk in relation with the trading strategies' vision for a well-functioning sustainable finance market:
A cross-border financial market

1. Investors increase their demand for sustainable securities;
2. Issuers increase their supply of sustainable securities;
3. Investors can more easily identify and compare sustainable securities;
4. Investors are better able to invest in sustainable securities;
5. Market participants trust in the sustainable finance market(Strategy&, 2021, p. 04).

3.2Sustainable finance and investment:

For sustainable investment in the world, according to Emily Ulrich, Senior Production Manager, environment indicators, governance and social Responsibility - Standard & Poor's Dow Jones Indicators in recent years havebecome sustainable. Investment to the top priority of the World Programme of Action. This shift has spurred two global events.The first is Paris Convention that had been launched at COPConference of 21 in 2015 and ratified at COP 22 in

November 2016. Its goal is to limit global warming below 2, as a way to combat climate change and maintain the current state of the Earth. The second event (More or less simultaneously) is the setting of the 17 United Nations Sustainable Development Goals which had been launched in January 2016. By this event, countries will work to end all forms of poverty, combat inequality, and deal with climate change. Thus, increased attention to governance, environment, and corporate social responsibility is timely, with The World Meteorological Organization WMO recently discovering that "CO₂ concentration in carbon dioxide." Besides government and political actions, there was also a financial shift towards sustainable investment. The Global Alliance for Sustainable Investment found that between 2014 and 2016, socially responsible investment assets grew by 25% in Asia, Australia, the United States of America, and Europe. Japan has led the way with more than asset growth. 6,600% over two years, while Europe experienced the least asset growth reaching only 12%. This is perhaps not surprising given that Europe had nearly 11 trillion \$ in socially responsible investment assets in 2014. Only 20% of institutional investors in North America and Asia do not include sustainable investment in their operations. In Europe, only about 10% of investors ignore the integration of governance and environment and corporate social responsibility (Hawkama, 2018, p. 9).

Three investment approaches fall under the heading of "sustainable finance":

- Socially Responsible Investing (SRI) refers to investing using negative screens to prohibit investment in areas such as tobacco, firearms, and other activities that an investor believes have negative implications for society.
- Environmental, Social, and Governance (ESG) Investing incorporates a broad set of ESG factors. Specific investments are not prohibited, but rankings are assigned to ESG factors for a company as part of the investment decision process.
- Impact Investing refers to investing to have a positive purpose – to help solve social and environmental problems. The term was first used about 10 years ago. Early impact investors were willing to take concessionary financial returns to have impact. (Toronto, 2019, p. 04).

3.3 Risks of the absence of a sustainable financing culture:

Climate change features prominently in sustainable finance. Here, there are two main channels of risks. Physical risks include damages from weather-related events and broader climate trends. Transition risks arise from changes in the price of stranded assets (assets such as coal and oil that will not be used during the fossil fuel phase-out) and relate to the economic disruptions from climate-related policies, technology, and market sentiment during the adjustment to a lower-carbon economy.

Financial risks from climate change are difficult to quantify, but most studies point to economic and financial cost estimates in trillions of dollars. Already, insurance losses from climate-related natural disasters such as droughts, floods, and wildfires have quadrupled since the 1980s. Asset prices may not yet fully internalize climate risk and the transition to a cleaner economy. Delayed recognition of these risks could lead to a cliff-like moment when investors suddenly demand this risk to be priced into asset values with potentially detrimental consequences for financial stability (Papageorgiou & others, 2019).

3.4 sustainable financing during (COVID-19) pandemic:

As the coronavirus (COVID-19) pandemic continues, governments and emergency services are focusing on immediate needs: boosting capacity in hospitals, addressing hunger, and protecting firms and families from eviction and bankruptcy. The majority of the funds flowing so far from the World Bank, the International Monetary Fund, and other regional development banks, or central banks seek to provide funds for protective gear at hospitals, stabilize financial institutions, pay companies to provide goods and services to essential workers, or provide direct cash support to households.

In parallel, preliminary work has started in some countries on what the next phase of recovery will look like and the role of strong public action in boosting demand, providing replacement income, and facilitating new investments. That made the point that the recovery phase can help build prosperity and resilience by contributing to the long-term potential and sustainability of a country's development pathway. (brief, 2021).

4. Abu Dhabi Global Market (ADGM) and Sustainable Finance:

4.1 The establishment of ADGM:

Established by UAE Federal Decree in 2013, ADGM's jurisdiction extends across the entire 114 hectares of Al Maryah Island.

ADGM's three independent authorities - the Registration Authority (RA), the Financial Services Regulatory Authority (FSRA) and ADGM Courts - together ensure that its business-friendly environment operates in line with international best practices, recognized by major financial centers worldwide.

Since opening for business in late October 2015, ADGM quickly gained global recognition for its robust, progressive, and responsive business-friendly ecosystem. Through collaboration, and by focusing on understanding business needs, ADGM introduced many 'firsts' both regionally and globally. As a catalyst of growth, ADGM delivers value to its clients, peers, and contributes to Abu Dhabi's ambitious growth plan and strategy (ADGM, 2020).

4.2 Sustainable Financing at Abu Dhabi International Centre:

The UAE governments, including relevant federal entities, local authorities, and relevant stakeholders from the private sector have collectively provided leadership in working towards meeting the Sustainable Development Goals (SDGs) and fulfilling the commitments made under the Paris Agreement. In line with these goals and commitments, Ministry of Climate Change and Environment MOCCA has developed the UAE Green Agenda 2015-2030 and the National Climate Change Plan of the UAE 2017-2050 to strengthen the country's capacity to promote a green and inclusive economy and bolster its ability to address growing climate change concerns and pollution risks to its people, industry and environment (ADGM, 2020).

Other federal and local authorities have also contributed to the development of relevant strategies and initiatives that ensure the sustainability of the UAE's economic growth, including the UAE National Energy Strategy, UAE Smart Mobility Strategy, 2020 Federal Sustainability Guideline, Abu Dhabi Plan 2030, Abu Dhabi Environment Vision 2030, Low Emission Vehicle Strategy 2030, Dubai Clean Energy Strategy 2050, and many others. In appendices, we find a list of financial institutions that have adopted sustainable financing in the UAE (ADGM, 2020).

4.3 Steps for sustainable financing:

In the UAE, much has already been achieved in terms of developing a conducive policy and regulatory environment to advance sustainable finance. The COVID-19 pandemic and subsequent economic downturn highlight the need for this and calls for ongoing work to ensure a responsive and adaptable framework. On the international stage, policy makers, regulators, and other bodies recognize the importance of progressing sustainable finance, in particular, driving efforts to ensure sustainable and resilient economic recovery. Recent examples include international Organization of Securities Commissions IOSCO 'Report on Sustainable Finance and the Role of Securities Regulators' and the European Commission's 'Consultation on Renewed Sustainable Finance Strategy', as integral part of the European Green Deal. In line with international efforts, the UAE continues to build a framework based on best practices to facilitate effective and efficient deployment of capital. In a significant step towards this, the National Committee on SDGs was formed by UAE Cabinet Decree No. 14 of 2017.

The Committee is chaired by Her Excellency Reem Bint Ebrahim Al Hashimy, Minister of State for International Cooperation, and includes 17 members, which is critical for the successful federal implementation of the SDGs. The National Committee features a mandate

to engage relevant local and international stakeholders to promote the achievement of the SDGs(ADGM, 2020).

4.4 actions by the Abu Dhabi Declaration signatories and other key UAE stakeholders to integratesustainable finance into frameworks and practices:

Abu Dhabi Securities Exchange (ADX) is committed to driving sustainability in financial markets. In line with best practices, ADX has issued its Sustainability Report demonstrating the importance of ESG and positioning it at the heart of the Emirates' financial system. It is well known that ESG has a positive impact on capital access, revenue growth, brand value and reputation, as well as in the recruitment and retention of human capital. Therefore, it has an increasing importance for investors. ADX continues to provide support to its listed companies through the issuance of ESG guidelines and the organization of a series of workshops to increase their awareness of ESG principles and their role in improving transparency. ADX has also collaborated with FTSE Russell to create an ESG compliant index for the Exchange, enhancing its attractiveness to foreign investors, and improving the global competitiveness of its trading environment. The new indices will widen investor audiences and institutions to the ADX index family and increase the quality and depth of sustainable investments.

As the environmental regulator of the Emirate of Abu Dhabi, integrating sustainability considerations into the regulatory framework to protect habitats and biodiversity is at the core of the Environment Agency – Abu Dhabi's (EAD) mission. With this aim, EAD has recently issued the Abu Dhabi Emirate Single-use Plastic Policy to reduce the use of disposable products and the amount of plastic that pollutes the land and the seas. EAD is working closely with the Department of Economic Development and the Industrial Development Bureau to include indicators and incentives in the Abu Dhabi Local Content Program for industries to measure, report, and improve their environmental performance while greening supply chains, lowering their carbon footprint, and supporting the local economy. EAD is also collaborating with government entities, businesses, and non-profit organizations to establish the Abu Dhabi Climate Action Network to facilitate coordination, communication, and action on climate mitigation and adaptation efforts in alignment with local and federal policies, plans, and programmes.

The role of the Securities and Commodities Authority of UAE (SCA) in supporting the growth of sustainable finance in the UAE is to help create an enabling regulatory environment for both suppliers and users of capital. In doing so, SCA focuses on a number of key areas, including incorporating the concepts of sustainability into its regulatory policies wherever possible, as well as considering new cost-effective means for financing sustainable projects and ventures(ADGM, 2020).

4.5 Actions by the Abu Dhabi Declaration for scaling up sustainable finance:

Abu Dhabi Islamic Bank (ADIB) is fully committed to sustainable performance, be it operational, financial, social, or environmental. Illustrating this commitment, the bank has signed the Abu Dhabi Sustainable Finance Declaration and the Dubai Declaration on Sustainable Finance. These initiatives are aligned with the UAE Vision 2021, the UAE Government's commitment to the Paris Agreement, the UN's SDGs, and the UAE Green Agenda Programs. In addition, ADIB has a strong track record in supporting its clients to meet their own ESG targets, including the provision of ethical socially responsible financing based on Sharia 'principles. For example, ADIB has recently structured green Sukuk for Majid Al Futtaim and the Indonesian government, representing a new means to finance sustainable projects.

First Abu Dhabi Bank (FAB) is a regional leader in the sustainable finance market as it received the EuroMoney Award for the Region's Best Bank for Corporate Responsibility. By financing or refinancing projects that have positive environmental and/or social impacts, FAB has directly contributed to a number of important projects in line with the sustainability goals of the UAE and the UN SDGs. For example, FAB (through legacy NBAD) is the first and only

bank in the MENA region to structure, lead, and issue a Green Bond in 2017. This was followed by a series of first-ever Green Private Placements from the region in 2019 and 2020.

In 2019, FAB exceeded the 2016 \$10 bn x 10 years commitment to lend, invest, and facilitate financing of sustainable projects. Furthermore, in 2019, FAB arranged an SDG-Linked Loan for Etihad Airways, which was not only the first SDG-Linked Loan in global aviation, but also the first in the MENA region. In addition, FAB arranged and led the region's debut Green Loan for Masdar and the region's inaugural corporate Green Sukuk for MAF. FAB is one of the region's leading arrangers and book runners of green financings across loans and capital markets. These include financings for DPW, State Bank of India, ICBC, Frasers Property, and the Islamic Development Bank. FAB is also a market leader and innovator in sustainable Islamic financing leading three Vaccine Sukuk for IFFIM/the World Bank and continues to be a constituent in the FTSE4Good Index Series based on independent assessment of its ESG performance. Finally, FAB is the first MENA financial institution to commit to implement the Task Force on Climate-related Financial Disclosures' recommendations. (ADGM, 2020)

4.6 Sustainable Finance in ADGM during COVID-19 pandemic:

The financial sector will play a critical role in our transition to sustainability. Today's strategy will support the European Green Deal aims, as well as an inclusive and sustainable recovery from the COVID-19 pandemic (TEG, 2020, p. 02)

The COVID-19 pandemic has brought to light the materiality of ESG-related risks, and the deep linkages between businesses and their stakeholders across value chains. In the short- to medium-term, social risks are considered most acute particularly health, safety, and workforce dynamics. The collective investor voice is increasingly loud in terms of putting additional health and safety measures in place and maintaining supplier relationships. The fixed income market has witnessed some of the shifts in investor thinking, certainly during the short-term.

Issuances and demand for, social bonds appear to be surging. While it is still a very small proportion of the fixed income market, this demonstrates how investors are increasingly prioritizing social risks in their investment decision-making. In May 2020, the Ministry of Economy announced a two-phased strategic framework to address the impacts of COVID-19. The first phase is the short-term massive stimulus plans targeting the most affected sectors, including SMEs. The second phase is the long-term recovery package to accelerate sustainable economic growth in areas with high growth potential, including renewable energy, electric cars, smart cities, circular economy, artificial intelligence, block chain, 3D printing, robotics, biotechnology, and genetic engineering (ADGM, 2020).

5. RESULTS AND DISCUSSION

Finance is key lever to have a sustainable finance basing on ESG; among these results are the following:

- Sustainable finance is based on environmental, social, and governance aspects;
- Sustainable finance is responsible for analyzing how investment and finance interact with environmental, social, and governance issues over a specified period of time without compromising profitability rates;
- Sustainable finance can impact environmental sustainability and generate environmental, social, governance, and economic profits and benefits;
- Increased interest in sustainable financing during the Corona pandemic;
- The first set of guiding principles on sustainable financing has been published in 2020, which catalyses the application of sustainability priorities in the state - Abu Dhabi World Centre;
- Preparing plans to recover and rebuild the economy, the markets, and societies in line with future preparations for unpredictable events;

- Accelerate research and development of climate solutions through several initiatives such as the Abu Dhabi Climate Initiative.

6. CONCLUSION

Finally, the interest in sustainable financing for banks and financial and economic institutions as an essential and central part of the financing and decision-making process has become one of the basic requirements in economic activity. Including social, environmental, and governance considerations would mitigate the effects of the irrational expansion of investors at the expense of the environment which contributed to the change of climatic factors and will cause harm to future generations, such as global warming and environmental pollution. If interest in this type of finance or what is known as green finance continues to grow at the same rate, financing instruments compatible with the principles of sustainable finance will be developed, and then will be popular around the world such as green lines of credit, responsible investments, green funds, and financial indicators, sustainable green stocks, and bonds. We also noted through the article that most countries are moving towards sustainable financing because of the many advantages it offers.

Depending on the results of the study, we reached a set of recommendations, the most important of which are:

- Establishment of legal and legislative frameworks of green finance;
- Activating the use of green bonds as a financing tool supporting the environment;
- Moving towards green Islamic finance through the issuance of green sukuk.

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8. Appendices

Appendix D: June 2020 standards and guidance sampling

Type	Product	Definition	Frameworks	Accounting	External Sources
Advisory/ Facilitation	Green, Social Sustainability Bonds	Participation (bookrunner) in Green, Social and Sustainable (GSS) Bond (Including Asset Backed Securities) issuance as defined by a green, social or sustainable bond framework	Organisations own Sustainable Finance Framework ICMA Green, Social and Sustainability Bond Principles Climate Bond Standard, EU Green Bond Standard (EU GBS), EU Taxonomy	Proportional Bookrunner Share	Dealogic
Advisory/ Facilitation	Debt Capital Markets (DCM)	DCM for qualifying social and environmental themes as defined by the Organisations Sustainable Finance Framework - based on issuer business mix eligibility	Organisations own Sustainable Finance Framework ICMA Green, Social and Sustainability Bond Principles Climate Bond Standard, EU Green Bond Standard (EU GBS), EU Taxonomy	Proportional Bookrunner Share	Dealogic
Advisory/ Facilitation	Equity Capital Markets (ECM)	ECM for qualifying social and environmental themes as defined by the Organisations Sustainable Finance Framework	Organisations own Sustainable Finance Framework	Proportional Bookrunner Share	Dealogic
Advisory/ Facilitation	KPI/Sustainability Linked Bond	KPI/Sustainability Linked Bond Principles	ICMA GBP/S&P Working Group on Sustainability Linked Bonds	Proportional Bookrunner Share	Dealogic
Financing	Green Loans - to corporates	Loans aligned to the Green Loan Principles (GLP) Loans aligned to own Sustainable Finance Framework Loan with special conditions e.g. – Clean Transport, Renewable Energy, Energy Efficiency, etc.	Loan Markets Association (LMA), LSTA, APLMA	New facilities provided (committed amount, being the limit at execution)	
Financing	Other Green Loans - to corporates	Loans (includes any type of loan instrument to finance or re-finance) that to companies whose business model is eligible as per own Sustainable Finance Framework Loans that do not meet the full requirements of the. However, the Use of Proceeds are determined to meet criteria for eligible green projects as defined in the GLP	Organisations own Sustainable Finance Framework, EIB	New facilities provided (committed amount, being the limit at execution)	
Financing	Green Trade Finance - to corporates	Green Trade Loans provide a facility to bridge the working capital funding gap between a client making payments to their suppliers and receiving payment from their customers for use in eligible green activities as defined by the own Sustainable Finance Framework or aligned to GLP.	Own Sustainable Finance Framework, LMA GLP	New facilities provided (committed amount, being the limit at execution)	
Financing	Green Project Finance - to corporates	Project Finance for eligible projects that support environmental themes as defined by the own Sustainable Finance Framework	Organisations Own Sustainable Finance Framework ICMA Green, Social and Sustainability Bond Principles - UoP only Climate Bond Standard - UoP	New facilities provided (committed amount, being the limit at execution)	
Financing	Green Mortgage	Mortgage with special conditions when supporting a customer to buy an efficient property		New facilities provided (committed amount, being the limit at execution)	
Financing	Consumer loan for green purposes	Loan with special conditions to support customers to buy a specific 'green' item i.e low carbon / electric vehicle, energy efficiency, renewable energy		New facilities provided (committed amount, being the limit at execution)	
Financing	Sustainability- Linked (KPI) Loans	Sustainability-linked financing facilities are loan instruments or contingent facilities which incentivise the borrower to achieve a pre-determined sustainability target or targets by linking them to the pricing mechanism of the facility. Sustainability targets which are included in the pricing ratchet can be for individual performance metrics or linked to third party ESG scores. These facilities enable the integration of sustainability factors into a broader set of products and offer an additional means of engaging clients on sustainability considerations.	Own Sustainable Finance Framework LMA Sustainability Linked Loan Principles, LSTA, APLMA	Organisations hold of the deal value	
Investments	Socially Responsible Investment (SRI) Funds	Assets under management in funds that are defined as socially responsible investments ('SRI').	Global Sustainable Investment Alliance (GSIA)	Net New Flows	
Investments	Responsible funds	ESG Integration Guidelines and Policy	UN Principles of Responsible Investments		
Investments	ISR Label	ISR Label	Independent bodies (eg Afnor Certification)		
Investments	All funds	Assets under management in funds that are defined as responsible investments	PRI	Funds invested	
Investments	Impact and thematic Investment	Investments made by Asset Management Unit into investment funds focused on investing in sustainable and social impact related businesses	UN Sustainable Development Goals	Funds invested	
Investments	Funds with exclusion strategies	Fund applying the exclusion criteria for controversial sector such as fossil fuels	Fondbolagensforening (The Swedish Investment Fund) and UN Global Compact	Funds invested	
Investments	Sustainable fixed income products Green, Social Sustainability Bonds	Sustainable fixed income products investing only Green, Social Sustainability Bonds and pure player issuers	ICMA, Climate Bonds Initiative	Funds invested	

E. Annexes

ANNEX A

Abu Dhabi Declaration signatories

Abu Dhabi Commercial Bank (ADCB)	Climate Bonds Initiative
Abu Dhabi Department of Economic Development	Emirates Nature – WWF
Abu Dhabi Department of Energy	Emirates Nuclear Energy Corporation
Abu Dhabi Department of Finance	Environment Agency – Abu Dhabi
Abu Dhabi Department of Municipalities and Transport (DMT)	Etihad Aviation Group
Abu Dhabi Financial Group (ADFG)	First Abu Dhabi Bank (FAB)
Abu Dhabi Fund for Development	HSBC Bank Middle East Limited
Abu Dhabi Future Energy Company PJSC – Masdar	ING Bank
Abu Dhabi Islamic Bank (ADIB)	Invesco Asset Management Ltd.
Abu Dhabi Securities Exchange	Lazard
Abu Dhabi University	Ma'an Authority for Social Contribution
ADNOC	Macquarie Capital Middle East L.L.C
Al Hilal Bank	Ministry of Climate Change & Environment (MOCCAE)
Alliances for Global Sustainability	Ministry of Energy & Industry
BlackRock Advisors (UK) Limited	Mubadala Group
BNP Paribas S.A	Securities and Commodities Authority
Central Bank of the UAE	Standard Chartered Bank
Centre for Finance and Development Tsinghua University	State Street Corporation
Citibank, N.A.	UAE Insurance Authority
Clean Energy Business Council (CEBC)	UniCredit S.p.A.

ANNEX B

Dubai Declaration signatories

Abu Dhabi Islamic Bank	Noor Takaful
Ajman Bank	RAKBANK
Arab African International Bank	RAK Insurance
Bank Melli Iran, Dubai	Sharjah Islamic Bank
Bank of Baroda	Takaful Emarat Insurance
Bank of Sharjah	Tawreeq Holdings
Bank Saderat Iran, Dubai	The National Investor
Barclays	Union National Bank
BNP Paribas	United Arab Bank
Citibank UAE	
Commercial Bank of Dubai	
Dunia Finance	
Emirates Islamic	
Emirates NBD	
FAB (NBD)	
HSBC Bank Middle East	
Mashreq Bank	
Mawarid Finance	
National Bank of Fujairah	
National Bank of Kuwait - Dubai	
National Bonds Corporation	
Noor Bank	

ANNEX C

UAE's Guiding Principles on Sustainable Finance

In 2020, leading financial authorities in the UAE published the UAE's first set of Guiding Principles on Sustainable Finance, which serves as a catalyst in the implementation of the UAE's sustainability priorities. The launch of the initiative was unveiled during the second edition of the Abu Dhabi Sustainable Finance Forum (ADSFF), a prominent event organised by Abu Dhabi Global Market (ADGM) and held during Abu Dhabi Sustainability Week.

Premised on the United Nations Agenda for Sustainable Development, the initiative was implemented as a result of collaborative efforts among a number of financial services authorities in the UAE, including: Abu Dhabi Global Market; the Ministry of Climate Change and Environment; the Central Bank of the UAE; the Insurance Authority of the UAE; the Securities and Commodities Authority; the Dubai Financial Services Authority; the Dubai Islamic Economy Development Centre; the Abu Dhabi Securities Exchange, the Dubai Financial Market and Nasdaq Dubai.

These Guiding Principles serve as a gateway to the increased implementation and integration of sustainable practices among the UAE's financial entities and will secure the health and longevity of the nation's economy. The voluntary principles represent the first stage of collaboration among participating entities to ensure a strong and frictionless transition to a sustainable framework. The contributing authorities will implement appropriate measures to encourage UAE financial firms to develop strategies to incorporate sustainable practice considerations in their business activities, decision making, risk management and in the context of exploring new businesses.