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Principles for Green Financing for Sustainable Real Estate, Infrastructure and Urban Transformation Projects

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Principles for Green Financing for Sustainable Real Estate, Infrastructure and Urban Transformation Projects | Agenda

- **UN SDGs and green financing instruments**
- **International framework**
- **Principles**
- **Conclusions**

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During the two days of the Forum of Mayors, the importance of financial resources and project bankability was systematically highlighted for the implementation of urban transformation projects.

Furthermore, the "**Principles for sustainable and inclusive urban design and architecture**" (i.e. the San Marino Declaration), and on the other hand the "**Principles for green financing**", can be considered the two sides of the same coin.

The Principles has been elaborated by the **Committee Bureau** in cooperation with **International experts**, and

Real Estate Market Advisory Group for Sustainable, Climate-Neutral and Energy-Efficient Buildings and Cities.

Principles are intended to provide guidance to national, regional and local governments; and to other relevant stakeholders on green financing of real estate and urban infrastructure projects.

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According to the United Nations

«green financing refers to environment-oriented financial products or services, such as mortgages, loans, insurances or bonds, which recognize the value of the environment and its natural capital and seeks to improve human well-being and social equity while reducing environmental risks and improving ecological integrity»

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- For the United Nations, **green financing plays an important role in achieving the Sustainable Development Goals (SDGs)**
- **Infrastructure and urban transformation projects both for new construction as well as regeneration, renovation and refurbishment** (for the purpose of energy efficiency and resilience), **should aim, on the one hand, at being economically feasible and financially sustainable**, and, on the other, at pursuing a green sustainable architecture, urban design and planning.
- Both new construction as well as renovation and regeneration require significant financial resources. Those **resources can be through the use of private or public capital, including through mortgages and loans; or through a combination of the two through public-private partnership (PPP) projects.**
- To promote environmental sustainability of real estate, infrastructure and urban transformation projects, **ensuring the use of “green financing” instruments is crucial.**

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The Principles, aimed at creating the preconditions for the bankability of projects, are based on United Nations and other international commitments that support, among other actions, the “green financing” of real estate and infrastructure. Some of the commitments are:

- UN Sustainable Development Goals (**SDGs**)
- **The Geneva United Nations Charter on Sustainable Housing**, endorsed by the Economic Commission for Europe (ECE) on 16 April 2015
- **The United Nations Policy Framework for Real Estate Markets**
- **Place and Life in the ECE – A Regional Action Plan 2030**: Tackling challenges from the COVID-19 pandemic, climate and housing emergencies in region, city, neighborhood and homes.
- **The European Green Deal and the European Union (EU) taxonomy** for sustainable activities (i.e. the **EU Sustainable Finance Package**)
- The new Bank of International Settlement (BIS) **Basel III Agreement**

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The principles are:

1. Active engagement of capital providers

Public and private capital providers shall actively engage in planning infrastructure and its construction in cooperation with governments, urban planners, developers, construction companies, other relevant stakeholders as well as with affected local communities.

2. Climate neutrality and resilience of green urban solutions

Governments should promote, at the national and local levels, efficient public spending and use of relevant financing instruments, including taxation,¹⁶ aimed at reducing carbon emissions, increasing energy efficiency and the resilience of buildings and infrastructures to climate change and natural disasters.

3. Social dimensions and affordability of green urban solutions

Environmental goals should not come at the expense of an affordable and inclusive built environment, including of affordable decent housing and urban infrastructure. The “do-no-harm” principle of an ESG framework should consider vulnerable groups of the population that may otherwise be excluded from improvements in the built environment. The development of the social dimensions of ESG through principal adverse indicators (PAI)¹⁷ and social taxonomies¹⁸ are key for the comprehensive assessment of investments to ensure green investments also support the affordability of housing and urban infrastructure for all.

Principles for Green Financing for Sustainable Real Estate, Infrastructure and Urban Transformation Projects | 5 (2)

The principles are

4. Innovative green financial tools

Governments and financial entities shall promote the development and introduction of innovative tools enabling all actors, including inhabitants, in the economic system to contribute with the resources at their disposal to the green development of urban areas.

5. Improved regulatory framework to support green financing

National and supranational authorities shall develop regulations which establish a transparent and competitive framework for the engagement of private capital providers in financing of urban green projects. The reduction of bureaucratic burdens and costs, the establishment of new special bodies focused on support to green real estate funding, application of Key Performance Indicators (KPIs) to assess borrowers' behaviour will facilitate financing of green real estate sector and green urban transformation projects.

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The principles are

6. Ensuring long-term stability of green real estate and infrastructure financing

Governments and international organizations shall take measures to develop financial and regulatory mechanisms aimed at guaranteeing the long-term stability of public and private capital flows directed toward housing, buildings and green infrastructure initiatives to ensure the achievement of sustainable development objectives, even in time of recession. In order to promote the reduction of environmental impact and energy consumption, as well as a greater resilience of buildings to natural disasters, the design of new buildings and the regeneration of existing building stock should consider the life cycle of each building and the infrastructure with a view to long-term performance

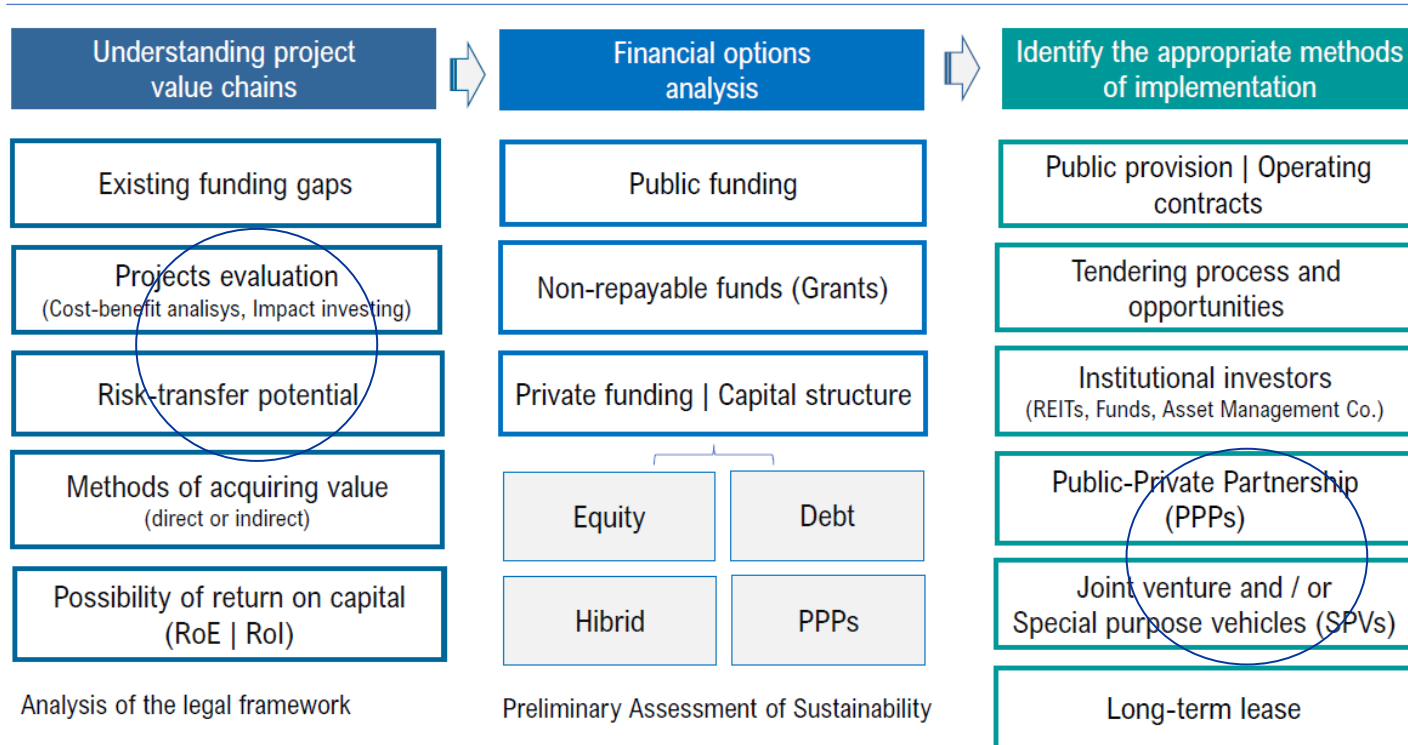
7. Sustainable Ecosystem Approach

To provide long-term support to urban transformation projects, support shall be provided to the establishment of an inclusive and integrated market ecosystem of actors; such ecosystem will foster multi- and cross-sectoral synergies and activate the market.

How to turn projects into implementation

Planning sustainable initiatives from every point of view: including the financial one, in compliance with the **Principles for Green Financing**, and with the ESG risk evaluation | **PPP**

Buildings and Infrastructures | Conceptual scheme for developing financially sustainable projects



Author: Bambagioni G.

Source: Sostenibilità del valore nel finanziamento immobiliare. (i.e. Value sustainability in real estate financing. Bambagioni G. (2021), Maggioli Politecnica.

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Principles for Green Financing for Sustainable Real Estate, Infrastructure and Urban Transformation Projects | Conclusions

Implementation of these principles can be done at national, regional and local levels through harmonization of national regulatory frameworks and of public financial incentives. These measures will promote investments in clean and green technologies, financing for sustainable natural resource based green economies and climate-smart blue economies and increased use of green bonds. The principles can be also incorporated in individual urban infrastructure projects and programmes.

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Principles for Green Financing for Sustainable Real Estate, Infrastructure and Urban Transformation Projects | Document

The full document is available at:

https://unece.org/sites/default/files/2023-08/ECE_HBP_2023_3E.pdf

<https://unece.org/isu/documents/2023/08/session-documents/principles-green-financing-sustainable-real-estate>