



## **Disruptive Finance Policies: promoting a sustainable economy**

### **A policy project from the Finance Lab**

The Finance Lab, hosted jointly by the Institute of Chartered Accountants of England and Wales (ICAEW) and WWF-UK. The Lab is an open environment in which people can come together to explore, innovate and evolve the financial system, so that it sustains people and planet. Its goals are to bring people together to connect and build trusting relationships, to provide a space for people to incubate ideas and solutions for change, to offer support and opportunities for building skills and capacities for new forms of leadership, to share collective learnings and intelligence and to act as a wider system of influence for change in finance.

During 2011 and 2012 the Lab is embarking on a major new policy project, with the support of the Calouste Gulbenkian Foundation in pursuit of the following question:

**“What are the most promising policy ideas that could disrupt the existing finance system in a way to overcome some of the biggest barriers to a sustainable economy?”**

### **The challenge**

The Finance Lab and its over 2000 participants from mainstream finance, academia, environmental NGOs and social entrepreneurs, have a shared vision of an economy and finance system which serves the needs of people and planet, rather than the other way round. We think that the finance system, as it currently operates, is not fit for this purpose and requires some form of fundamental change if we are to create an economy that encourages sustainability, protects the environment and supports the needs of society and productive business.

A growing number of individuals and organisations are recognising the scale of this challenge to transform the finance system and working on policy solutions to meet this challenge. This is not to say that all of the problems of society and environment are solely the fault of the financial system, but that change to it is a necessary, not sufficient condition to solving those problems. This project will draw on the collective efforts of this group in order to promote good ideas, facilitate collaboration and stimulate further policy innovation.

## **Project overview**

The project will identify the most promising policy ideas that could disrupt the existing finance system towards a more sustainable economy by building relationships a diverse group of thinkers and practitioners. A series of workshops will be held to encourage greater collaboration, build relationships across different stakeholder groups and generate shared learning about possible disruptive policy solutions to create a sustainable finance system. As ideas are identified and developed we will engage with and disseminate to the Finance Lab community, their networks and directly to policy makers. In doing, so we hope to strengthen both the ideas themselves, and the network of policy thinkers developing them.

We will engage the policy making community with the developing findings, and also the process itself. One of the aims of the project is to translate the new thinking into greater political will to look at a wider set of policy options than is currently the case.

## **Phase 1 – mapping and promoting existing work**

Phase 1 of the project will be a mapping exercise of the thinking that is already underway in creating a sustainable finance system. This will form the foundation for the project, from which we will build greater awareness, collaboration and policy innovation. The sources for this mapping will be literature and interviews covering two major questions. What are the biggest barriers to creating a more sustainable financial system? And what are the most promising policy ideas that could play a positive disruptive influence towards creating one?

### **Identifying the biggest barriers to change**

The first part of the research will be around identifying the biggest barriers to a more sustainable financial system. There will be a review of literature to draw out the most commonly identified challenges, such as the growing short termism in financial markets, the long investment supply chain from asset owner to fund manager and its potential to obscure accountability in investment allocation decisions, the lack of clear valuation of systemic risks such as climate change, or the externalities associated with them. In addition we will explore the barriers in more detail in a series of the dialogue interviews with a range of influential practitioners, based on their knowledge and interaction with the financial system.

### **Looking for innovative and disruptive policy solutions**

The second part of the research will be to explore and encourage the generation of policy proposals that can address the barriers identified above. Finance Lab is looking for the best and most innovative policy interventions that can be made which have the potential to disrupt the current finance

system in a way that will assist the transition to a more sustainable and low carbon economy. There are many studies looking at policy interventions that could be implemented in the short term, making incremental changes to the way the current system works. The Finance Lab is therefore going to focus on more disruptive policies that have the potential to transform the way the finance system interacts with investment in the real economy and create greater benefit for society and the environment. In doing so, as well as exploring the ideas themselves, we to help create the political space for such discussion and ultimately increase the political will for implementing the ideas.

As a starting point we have identified three different types of disruptive policy thinking, but the research and interviews in Phase 1 will shape this analysis significantly:

- **Top down disruption**, which is those advocating radical policy change to be imposed by government at national, EU or global level. Most of work in this area is carried out by think tanks, NGOs and academics, not closely engaged with mainstream finance or policy making in the main political parties;
- **Mainstream disruption**, describes those organisations and individuals working on ideas which could achieve fundamental change in the finance system, but by engaging some parts of the mainstream finance community, and attempting to attract large scale investment into activities which have a demonstrable social or environmental benefit. Examples of this work are recent developments in public finance institutions, such as a Green Investment Bank, or coalitions of pension funds engaged in climate change advocacy;
- **Bottom-up disruption**, describes the more entrepreneurial activity in finance and investment which is seeking to engage investors more directly in financial products which are more transparent and clearly linked to social or environmentally beneficial. The work of the ethical investment professionals, community renewable financing and social finance, all fall into this category.

## **What we will do with the findings**

The research stage of the project will be to make an initial mapping of the ideas already in circulation, in order to identify any gaps and particularly to promote those ideas across the Lab's diverse, influential, and growing community. Over the past two years the Finance Lab community has grown to over 2000 members and of those, 150 are actively developing innovations for change. Although most of interactive work takes place in the UK, the Lab is attracting global interest in countries such as the USA, Singapore, Brussels, Sweden, the Netherlands and Brazil. The community's scope ranges from social entrepreneurs, environmental activists to investment bankers and City lawyers. Organisations involved include examples such as the UN Environment Programme, Defra, Unltd\*, nef, Trucost, Doughty Hanson, and

Network for Sustainable Financial Markets to name a few. Influential people such as Pavan Sukhdev, Deborah Meaden, Tim Jackson, and Sir Mark Moody Stuart support the Lab community, its mission and activities and are able to champion the work and its findings.

The findings of this phase of the project will provide a platform for greater collaboration, shared learning, wider dissemination and future policy innovation, through a series of workshops and outputs in later phases of the project during 2012. The project will feature a regular blog, through which we will promote the best policy ideas giving a further boost to their own dissemination work. Workshops will also showcase some of the ideas, and allow their creators develop some creative dialogue with fellow policy innovators.

For more information, or to find out how to participate or feed into the project, contact the Project Manager, Chris Hewett at [chris.j.hewett@gmail.com](mailto:chris.j.hewett@gmail.com) or 07538 538 659.

As the project develops, updates and blogs will appear on The Finance Lab website <http://thefinancelab.org>.

