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Outcome Document

UfM Workshop on Sustainable Investment
A Deep Dive into Green Taxonomies and ESG Disclosure Regulations
12 – 14 May 2024, Madrid, Spain





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Summary

The UfM Workshop on Sustainable Investment took place in Madrid from May 12 to 14, 2024. Organized by the Union for the Mediterranean (UfM) Secretariat with the support of the German Development Cooperation and in collaboration with Climate & Company, the event gathered participants from various UfM member countries, including representatives from different ministries, business associations, business owners, consultants, and other stakeholders from both the public and private sectors.

This workshop aimed to provide expert insights on sustainable finance taxonomies and ESG (Environmental, Social, and Governance) disclosure regulations. Knowledgeable experts shared their experiences and the challenges faced in developing and implementing these frameworks across different jurisdictions.

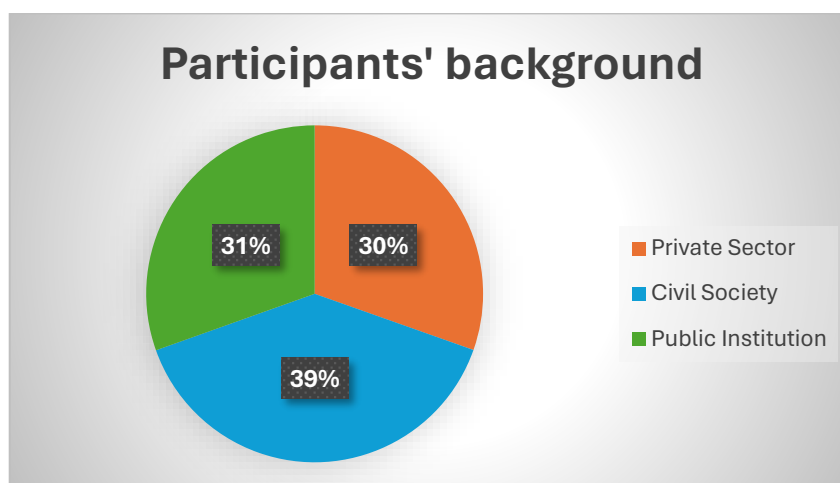
On the first day, the workshop provided an overview of the current trends in ESG disclosure developments and the relevance of sustainable finance taxonomies for the region. The discussions highlighted their development state and applications. The second day focused on the practical implementation of effective ESG disclosure regulations, emphasizing the role of data and technological solutions in non-financial disclosure reporting.

The workshop succeeded in creating a dynamic platform for discussions on sustainable finance, bringing together a multi-stakeholder group to discuss, exchange ideas, learn, network and craft joint recommendations.

Participants backgrounds and demographics

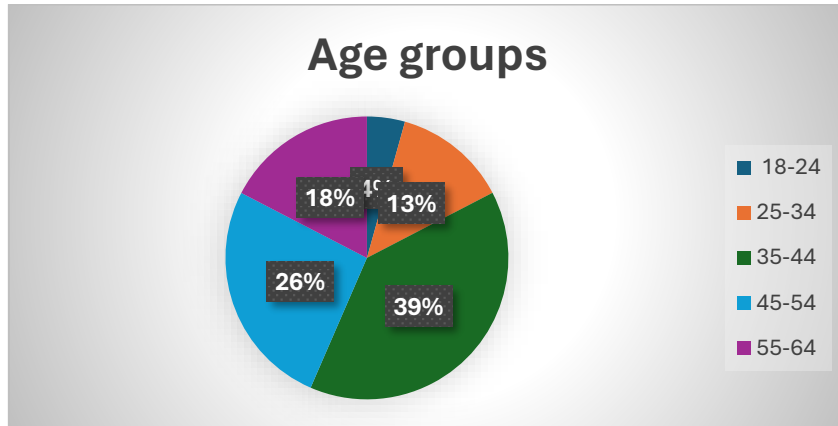
Background:

- **Private Sector:** 30,4%
- **Civil Society:** 39,13%
- **Public Institution:** 30,43%





- **Age group:**
 - **18-24:** 4,34%
 - **25-34:** 13,04%
 - **35-44:** 39,13%
 - **45-54:** 26,08%
 - **55-64:** 17,4%





Main messages and takeaways



The opening remarks were delivered by **Dr. Abdelkader El Khissassi, Deputy Secretary General of the UfM**, who set the stage by emphasizing the importance of regional cooperation in sustainable finance.



Ms. Alicia Figueroa, Advisor in the GIZ project "UfM Hub for Jobs, Trade and Investment," highlighted the project's goals in promoting sustainable and inclusive economic growth in the UfM region.



The keynote speech by **Ms. Helena Viñes Fiestas, Chair of the EU Platform on Sustainable Finance**, focused on the development process and role of the EU Sustainable Finance Taxonomy in driving transformative change.



Mr. Ingmar Juergens, Co-CEO and Co-Founder of Climate & Company, also provided insights relevance of sustainability disclosures for the transformation.



Opening Panel on *The Role of Transparency and Information Accessibility through Green Taxonomies and ESG Disclosure Regulations as a Catalyst for Mediterranean Investment*

(moderated by Simon Pfluger, Climate & Company)

Ms Shaymaa El Demery (Central Bank of Egypt) highlighted the significant issue of missing data and stressed the importance of involving all stakeholders in sustainable finance. She referred to various studies on the challenges and opportunities in the Egyptian financial sector, particularly focusing on ESG reporting and bond standards.

Ms. Sahika Askiner (Özsimge Tekstil Ltd.Sti) emphasized her work with women-owned enterprises and the importance of certifications like GOTS for attracting sustainable investment, particularly from European/Scandinavian countries. She called for more awareness and capacity building in taxonomies and disclosures.

Ms. Tosin Iduh (EU Climate Pact Ambassador) addressed the unequal impacts of climate change, particularly on women, persons with disabilities, and marginalized communities, and underscored the necessity of integrating gender equality into sustainability taxonomies.

Mr. Ingmar Jürgens discussed the importance of standardized metrics for determining what constitutes green investments.

The panel also touched on the reputational risks associated with early disclosure of sustainability information, concluding that transparency coupled with clear targets for improvement is crucial for building trust and contributing positively to sustainability goals.



Highlights of the expert presentations

- Sustainable finance taxonomies create a common language to guide sustainable investments, enhance transparency, and reduce greenwashing. Mediterranean countries like Egypt, the EU, Morocco, and Turkey have their own taxonomies, and global alignment is essential to facilitate investment and lower transaction costs.
- Sustainability disclosures are vital as stakeholders demand reliable and comparable data. Mandatory reporting standards are widely adopted, impacting firms via international value chain reporting. Firms

should engage in sustainability reporting and seek support through tools and training. Governments should enforce ambitious standards and support early implementation through peer learning groups and sector networks.

- The rise of ESG reporting drives the development of ESG data and software. As regulations and stakeholder demands grow, so will the volume of ESG data. Technology helps process and utilize this data, though challenges remain. Firms should address specific ESG issues and consider ESG software solutions. Governments should support this by providing low-cost reporting platforms.
- Sygris software manages sustainability processes by digitizing non-financial data and providing an integrated ESG platform. It ensures compliance with EU regulations and global standards through automated reports and data integration. This type software, as several in the market, enhances compliance, data accuracy, and stakeholder trust, streamlines reporting, and offers advanced analytics for strategic benefits.



Climate & Company moderator and expert speakers

Group work conclusions

Participants split in five thematic groups. The outcomes of their discussions are presented below.



1. ESG Disclosure

During the group discussion, challenges identified included unclear incentives for SMEs, supply chain traceability issues, financial support for reporting processes, and the novelty of materiality assessments. Opportunities highlighted were the attractiveness of green finance, improved market access, enhanced competitiveness, and better risk management through robust ESG disclosure practices.



2. Sustainable Finance Taxonomies

Participants discussed taxonomies in the UfM region, emphasizing gradual alignment with the EU Taxonomy in climate mitigation, climate adaptation, water management, pollution prevention, and the transition to a circular economy. They debated national versus regional taxonomies, advocating for a regional platform for lesson exchange and alignment. Proposals included a simplified taxonomy for SMEs and prioritizing agriculture, textiles, and extractive industries.

3. ESG disclosure regulation and financing the transition

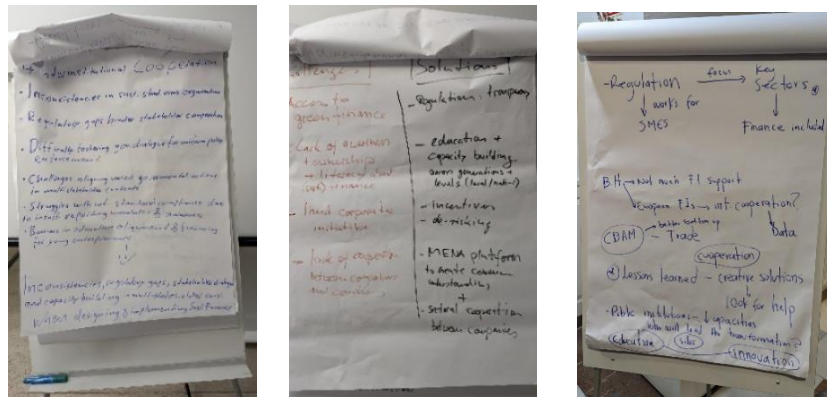
Key challenges discussed included limited access to green finance, a lack of awareness and ownership of sustainable finance, limited corporate initiative with momentum driven mainly by states and state-owned enterprises, and insufficient cooperation between companies and countries. Proposed solutions were enhancing transparency through regulation, providing education and capacity building, offering incentives and de-risking strategies, and establishing a MENA/UfM platform for a common understanding of business sustainability. Participants also emphasized sectoral cooperation at local and national levels to advance ESG disclosure and sustainable finance practices.

4. Interinstitutional cooperation

Participants pointed out challenges such as the inconsistencies in existing sustainability standards, regulatory gaps that hinder stakeholder cooperation, and difficulties in fostering governmental dialogue for uniform policy enforcement. Aligning varied governmental actions in multi-stakeholder contexts proved challenging due to limited alignment and coordination, as did complying with international standards due to insufficient reporting mandates and awareness. Additionally, barriers in education and financing for young entrepreneurs were noted. To address these issues, the group emphasized the need to consider such inconsistencies, regulatory gaps, and the required support by relevant stakeholders when designing and implementing sustainable finance strategies.

5. Regional challenges and opportunities

Participants aimed to identify common ground among diverse countries, especially in the Western Balkans and the UfM region. Challenges included the need for regulation to prevent misalignment, understanding SME hurdles, and financing issues. A critical gap between regulation and financing threatens project success, with stringent EU criteria hindering progress despite strong support. Sharing best practices and open communication were recommended, focusing on specific sectors and sub-sectors. Political sustainability is crucial, requiring long-term project champions, while civil society organizations can ensure continuity amid political shifts. Effective data collection remains a challenge, and businesses can contribute by disseminating information and fostering government collaboration.



Impressions from the group work

Reflections and Path Forward

Feedback and Recommendations for Future UfM Activities in the Field of Sustainable Finance

Sustainable Finance Instruments, like taxonomies and ESG-disclosure, contribute to capital market transparency and help to shift financing towards much-needed green and sustainable investments. These instruments create a standardized framework for evaluating and reporting the environmental, social, and governance impacts of investments, ensuring that financial flows support sustainability goals.

When developing sustainable finance instruments, it is crucial to consider several main **characteristics**: they should be **mandatory and ambitious** to ensure compliance and drive significant impact; **feasible**, so that they can be realistically implemented by various stakeholders; **useful**, providing clear benefits and actionable insights; and **internationally aligned**, to facilitate global cooperation and comparability across markets.

The Southern UfM region has different priorities compared to the EU, with a stronger focus on **adaptation** rather than mitigation. This includes an emphasis on **water management** due to the region's water scarcity issues, incorporating **social dimensions** to address the needs of diverse communities, and promoting gender inclusion to ensure equitable development. The taxonomy should start with relevant sectors that have significant environmental and social impacts, such as **energy, textile, tourism and leather industries**. These sectors are critical for the region's economy and offer substantial opportunities for sustainability improvements.

Capacity development and awareness-raising on Sustainable Finance for a broad range of stakeholders are vital for the UfM region. Educating and engaging different sectors ensures that all players understand the importance and benefits of sustainable finance, leading to more widespread adoption and effective implementation. **Collaboration** is also essential to making Sustainable Finance Instruments work in the UfM region. This requires joint efforts from governments, businesses, and civil society to develop and enforce sustainable finance frameworks that meet regional needs.

Proposed UfM-Platform: Workshop participants proposed generating a UfM-Platform on Sustainable Finance. This platform would facilitate the exchange of best practices, allow stakeholders to learn from the mistakes of



others, and work on developing common metrics and a (potentially) UfM green taxonomy. Such a platform would also promote collaboration and alignment among countries in the region, enhancing the overall impact of sustainable finance initiatives.

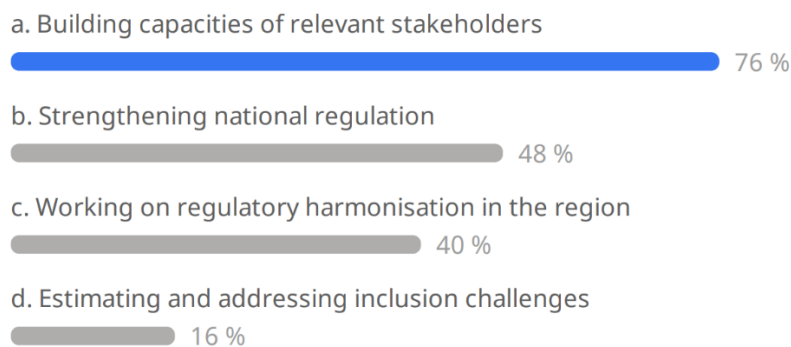


Closing the event, Dr. Said Charna, Senior Advisor at the UfM Economic Development and Employment Division, underscored that greening the investment is not only important in terms of environment protection but also given economic and regional integration, adding that the fruitful discussion that distinguished this Workshop will contribute to shaping future UfM initiatives aiming to support sustainable and inclusive economic development in the region.

Workshop feedback

What next step should the UfM region take to advance ESG disclosures and taxonomies?

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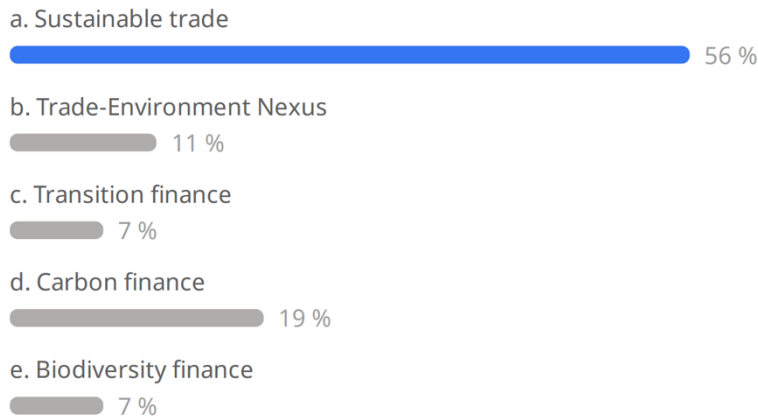


- 76% of participants believe that the next steps for the UfM to advance ESG disclosure and taxonomies is by building capacities of relevant stakeholders.
- 48% believe it should be Strengthening national regulation and 40% believe it would be through working on regulatory harmonization in the region



Which other new topics should be included (future workshops)?

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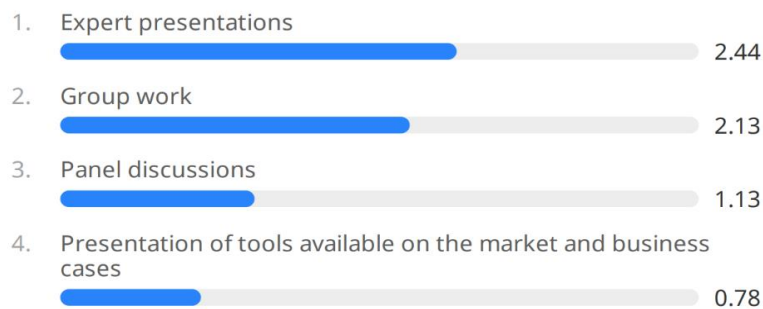
Regarding future topics, 56% of the respondents believe discussions and presentation about sustainable trade should be included in the workshop.

- 19% of respondents believe Carbon finance should be the next topic included

- While 11% said the trade-environment nexus should be a discussion in future workshops

Which activities did you enjoy the most (would like to repeat)?

0 2 3



In the ranking poll respondents could rank the workshop activities from 0 to 3:

- Expert presentations had the highest rank, with a total grade of 2.44, followed by the group work (2.13)

Regarding recommendations, participants wrote:

- Workshops for companies to enrich their knowledge about taxonomy and ESG disclosure. As well as workshops dedicated to SMEs as they have special challenges.
- A second edition of the workshop would be appreciated.
- It would be nice to concretize how to work to find sustainable finance instruments in the UFM region.
- Continuous updates about the new regulations and taxonomies.
- Launching a network of taxonomy champions in the MENA region.
- Field visits to big firms for a more practical experience.



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ufmsecretariat.org



Palau de Pedralbes | Pere Duran Farell, 11
Barcelona, Spain - 08034
Phone: 00 34 93 521 4100 | Fax: 00 34 93 521 4102