The RED DOT BECOMING a GREEN HUB

"SINGAPORE HAS SURVIVED AND PROSpered by making ourselves relevant to the world," said Lee Kuan Yew, the country's founding Prime Minister, in 1999. "In the last century, we traded in spices … After independence in 1965, we moved into simple manufacturing. Now, we are in wafer fabs, pharmaceuticals and Asian currency units. As the world economy changed, so did we."

Once more, Singapore is changing to align itself with the global economy, this time positioning itself to become—in its own words—"a leading center for Green and Sustainable Finance in Asia and globally."

In an almost literal sense, that might not seem like big news. By land mass, Singapore is one of the smallest countries on earth—it is slightly larger than the Federated States of Micronesia—and home to less than 6 million people, or .07% of the world's population.

Yet Singapore's position as a financial hub in the region—and in the world—means that its actions will be felt far beyond its borders. As President Barack Obama said while in office, Singapore "punches above its weight." Singapore's vision for sustainable finance—an investment approach that considers ESG factors—coupled with its actions to realize that vision, suggest that ESG can be driven by pragmatism, not political ideology. Singapore has a reputation for its practical, results-driven approach to governing. "Good government is pragmatic government," Lee Kuan Yew famously said. To put it slightly differently, if Singapore didn't believe sustainable finance would deliver real results, it wouldn't want to become a world-leading hub for it.

Singapore wants to become Asia's—and the world's—sustainable finance center. That's a big deal for ESG proponents—a possible model for blending ambition with pragmatism.

In fact, the country has been explicit about the value it believes this will create. The Monetary Authority of Singapore (MAS), the country's financial regulator and central bank, estimates that the ASEAN region needs $200 billion in green investments annually until 2030, and that there is opportunity to be realized in being the hub that fosters such investment. Meanwhile Singapore's Economic

An aerial view of the Fountain of Wealth in Singapore.

PHOTOGRAPH: TOP, MONGKOL CHUEWONG/GETTY IMAGES

Development Board calculates that becoming a hub for carbon-emissions trading could generate more than $5.5 billion for Singapore's economy by 2050. The Asia-Pacific region is projected to have the fastest growth of ESG-related assets under management globally between now and 2026. "Sustainable finance is a key thrust of Singapore's development as a leading international financial center," said Chia Der Jiun, Managing Director of the MAS, in a 2024 speech.

In typical Singapore fashion, its approach to becoming that hub has been patient, thorough and effective. In 2015, the Association of Banks in Singapore launched the Guidelines for Responsible Financing. Two years later, Singapore issued its first green bond, and the UN Environment Programme published a report "Singapore as a Green Finance Hub for ASEAN and Asia." In 2019, the Monetary Authority of Singapore launched the Green Finance Action Plan.

The MAS has since launched "Project Greenprint," which it describes as "initiatives that aim to harness technology and data to enable a more transparent, trusted and efficient ESG ecosystem to enable green and sustainable finance." It has also launched an ESG Impact Hub, which brings together ESG FinTechs, financial institutions and leading companies. The Hub looks to help "expedite the growth of Singapore's ESG ecosystem," and includes initiatives ranging from KPMG's ESG Business Foundry to Google Cloud's Point Carbon Zero Programme.

The list goes on. As the law firm Latham & Watkins wrote in August 2023, Singapore "has implemented a wide range of ESG-related regulation and policies, including a green taxonomy, green and

The IIF CEO on the Case for Sustainable FINANCE

Members of the Institute of International Finance span 60 countries and include almost every recognizable bank, exchange, insurer and asset manager in the world. The organization lists sustainable finance as one of its top priorities. The IIF's CEO, Tim Adams, told the *Brunswick Review* in an interview last year: "There are a large and growing number of business opportunities for our member firms in this space. If a $100 trillion global economy is going to transition to a different energy mix at a historic pace, you've got to pay for it. And the financial services industry writ large … is instrumental to intermediating the trillions that are going to be necessary."

At right, Tim Adams, CEO of the Institute of International Finance, who believes sustainable finance represents a large and growing opportunity.

sustainable finance grant scheme, green bond principles, ESG skills training subsidy, mandatory ESG disclosure requirement and government sustainable debt issuance."

Those—along with yet other initiatives—are paying off. PwC called Singapore "a sustainable asset management hub" in a 2023 report. Other headlines that appeared last year: "Singapore has taken a major step towards becoming Asia's ESG hub"; "How Singapore is positioning itself as Asia's carbon hub"; "Singapore leads green finance and helps other countries follow suit."

Laws, standards and practices that emerge in Singapore will affect many of the world's largest, most recognizable companies. PwC tallies more than 1,100 licensed and registered fund management companies in Singapore, with a combined $4 trillion under management.

A host of Western multinationals—Johnson & Johnson, Unilever, VF Corporation and Disney, to name a few—have their regional headquarters in Singapore, along with pretty much every major tech company. Long viewed as a gateway to Asia for the West, Singapore has also become a springboard for Chinese companies looking to broaden their business and expand globally. For more than 20 years, DHL has published a Global Connectedness Index that "measures globalization based on international flows in four domains: trade, capital, information and people." Singapore has never ranked out of the top five.

Singapore's leaders are clear about the country's desire to play a leading role in the region. "Singapore's own emissions are small but as a major financial centre for the region, we will do our part," said Deputy Prime Minister and Minister for Finance Lawrence Wong in 2023. "We will do everything we can to advance the development of green finance in Asia." Glimpses of how it is fulfilling that promise can be seen in everything from Singapore and China establishing a Green Finance Taskforce, to the MAS forming a network with seven other central banks called the Central Banks and Supervisors Network for Greening Financial System.

In a speech at COP28, Ravi Menon, former Managing Director of the MAS and now Singapore's first Ambassador for Climate Action, discussed the Finance for Net Zero (FiNZ) Action Plan, which he called "Singapore's blueprint to mobilize capital for Asia's transition." That FiNZ plan emphasizes phasing out coal plants in Asia. "Asia accounts for 50% of global greenhouse gas emissions, of which a third is from coal-fired plants," Menon said. "In other words, one out of every six tonnes of greenhouse gasses emitted into the atmosphere comes from a coal plant in Asia."

The FiNZ plan highlights another aspect of Singapore's approach to all things ESG-related: employing creative solutions to produce economically viable outcomes. To help fund the phase-out of coal-fired plants, for instance, the FiNZ plan calls for blended finance—mixing philanthropic capital and private sector investments. The logic: Philanthropic capital can help improve the returns (and lower the risk) of investing in environmentally important but economically uninspiring projects.

In pursuit of that same goal—phasing out coal plants—the MAS partnered with McKinsey to examine "how high-integrity carbon credits can be utilized as a complementary financing instrument." In other words, Singapore's government partnered with the private sector to pioneer a way to retire "young" coal-fired power plants that is practical and economically viable—both for sustainable investors and the owners of those plants.

Singapore continues to lead on this kind of detail-oriented work. It has partnered with the United Nations Development Programme and Global Legal Entity Identifier Foundation to "develop digital ESG credentials for micro, small and medium-sized enterprises [MSMEs] worldwide." That will make it simpler for MSMEs—of which there are more than 70 million in Asia alone—to report their ESG data. That, in turn, could make it easier for these smaller companies to access ESG-directed funding and also tap into global supply chains, as many large companies now require their suppliers to disclose ESG data.

At a time when headlines can make it seem like the world is retreating from all things ESG, Singapore shows there's more to the story. If ESG has often been undermined by hyperbole, Singapore is poised to bolster its credibility by linking lofty ambitions to concrete taxonomies and transition plans, science-based pathways and standardized data. It is the kind of work that doesn't always make for exciting headlines, but which can deliver real outcomes—exactly the kind Singapore has a reputation for delivering. ◆

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From Insult to Inspiration: The LITTLE RED DOT

After a foreign head of state dismissively referred to the country in the late 1990s as a "red dot"—which is how Singapore can appear on a map, given its small size—the insult soon became a kind of rallying cry. The current Prime Minister, Lee Hsien Loong, has said that the remark served "as a vivid and valuable reminder that we are indeed very small and very vulnerable. The little red dot has entered the psyche of every Singaporean, and become a permanent part of our vocabulary, for which we are grateful." When Singapore celebrated its 50th anniversary of independence in 2015, the logo for the occasion featured "SG 50" inside a red dot.