Green Finance
working paper

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KEY MESSAGES

- Green finance encompasses financial policies, programmes, products and services that support the transformation of economies, systems and institutions to attain sustainable development.
- The estimated amount of finance needed to meet the Sustainable Development Goals (SDGs) and to implement the Paris Agreement are USD 2.5 trillion per annum and USD 13.5 trillion by 2020, respectively. These financing needs can be met through both an increase in sustainable investment and in a reorientation of financial flows away from unsustainable investments.
- Best practice green finance strategies address both the enabling environment and market practices for both the public and private sectors.
- Enabling environment strategies to unlock green finance include sustainable procurement, social transfers, integrated planning, standard-setting, providing incentives, accounting for externalities, and collaborating or forming partnerships with other governments, the private sector and civil society. Establishing effective accountability frameworks for the financial sector will help to unlock green finance.
- Political will is a critical success factor to unlock green finance from strategies such as incentives, the removal of harmful subsidies and taking externalities into account.
- Market strategies which have been successfully employed to 'unlock green finance' include the creation of dedicated green funds, investment in natural capital, sustainable agriculture, human capital (capacity building, training, skills), infrastructure (energy, water, transport, waste, ICT), innovation (research and development, deployment, information sharing), information management, the de-risking of investments and credit enhancement, co-investment and umbrella facilities to local financial institutions, and project preparation.

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More on the IKI
The IKI finances climate and biodiversity projects in developing and newly industrialising countries, as well as in countries in transition. The initiative focuses on climate change mitigation, adapting to the impacts of climate change, conserving natural carbon sinks/REDD+ and protecting biological diversity. Priority is given to activities that support creating an international climate protection architecture, to transparency and to innovative and transferable solutions that have an impact beyond the individual project.

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1. INTRODUCTION

It is estimated that, at a global level, USD 2.5 trillion per annum is needed to meet the Sustainable Development Goals (SDGs) (UNCTAD, 2014) and an additional USD 13.5 trillion by 2020 to implement the Paris Agreement (IEA, 2015). These are significant amounts which have to be financed from either public or private sources of finance, where private sources include private financial institutions and funds emanating from trusts and high-net worth individuals.

Therefore, an understanding of how to 'unlock' the much-needed funding is central for green economy implementation and is one of the central themes of the 2019 Partnership for Action on the Green Economy Ministerial Conference ("the Conference") that will take place in South Africa. This concept document provides the context to inform the planning of the Conference's green finance sessions and to interpret the discussions that will take place at sessions of the Conference. It will also provide guidance to a roundtable on green finance that the South African Department of Environmental Affairs (DEA) is planning to host ahead of the Conference.

2. GLOBAL & SOUTH AFRICAN PERSPECTIVE

The Brookings Institute hypothesises that sustainable finance is "not only about increasing investments through new funding streams but also about finding ways to reorient the world's existing financing streams to be consistent with multiple SDGs at once, that is, to advance some goals without detracting from others," (Kharas, 2016).

Many countries have a green economy focus in their policies and planning, particularly in the wake of introspection in the financial sector following the 2008 global financial crisis. From a green finance perspective this trend culminated in the adoption by UN member countries of the Addis Ababa Action Agenda of the Third International Conference on Financing for Development in 2015, which provides a global framework for the financing of the SDGs.

3. BEST PRACTICES

Best practices and opportunities for providers of finance in unlocking green finance lie in two main areas: improved risk management and access to new markets, both of which contribute to the long-term sustainability of the financial sector. These opportunities can be classified into two areas: the enabling environment and market practices.

The enabling environment for green finance

The enabling environment for green finance encompasses the range of conditions that allow the stakeholders and actors in the green finance sphere to be effective. The typology used in this section is taken, with only slight adaptation, from United Nations Department of Economic and Social Affarirs (UN-DESA)(2012 and the Coalition for Green Capital, n.d.)

Financial and institutional frameworks

The development of financial frameworks has been identified by certain countries as a knowledge and experience-based response to managing and unlocking private and public finance for the SDGs (UN-DESA, 2012), (European Banking Federation, 2017), (UNDP, 2017). Such frameworks are varied and include integrated national financing frameworks, as advocated for by the Addis Ababa Action Agenda (UN, 2015). An example of a financial framework related to financing inclusion is the Maya Declaration (Alliance for Financial Inclusion, 2011) and the related 'Sharm El Sheikh Accord on Financial Inclusion, Climate Change and Green Finance', which has a focus on identifying, understanding and implementing financial inclusion policy solutions that also have positive outcomes for the environment, focusing on communities that are most vulnerable to climate change (Alliance for Financial Inclusion, 2016), and the Denarau Action Plan, which aims to increase women's access to quality and affordable financial services globally (Alliance for Financial Inclusion, 2018).

The institutional framework within a country or region forms an important part of the enabling environment for green finance. Regulations are a common policy instrument in this regard, encompassing a wide range of actions such as standards, disclosure, labelling, mandatory targets, norms, information and fines and enforcement (UN-DESA, 2012). Regulations can be directed towards the financial sector itself: since 2017, for example, the Brazilian central bank requires all financial institutions to implement a structure for continuous and integrated risk management, which includes environmental and social risks under Resolution N°4,557 (Sustainable Banking Network, 2018).

Green fiscal policy

In an economic context, negative externalities are the consequence of an economic activity that have a negative effect on unrelated parties to the activity and which are not factored into the market price of that activity. An example of a negative externality are the costs of climate change, or respiratory illnesses caused by air pollution emanating from the sulphur dioxide emissions of a factory. These externalities can be internalised into the cost of production through mechanisms such as taxes, charges, fees or levies. Environmental taxes to address negative externalities are one of the most common forms of tax across the world, with all the Organisation for Economic Co-operation and Development (OECD) countries levying an environmental tax of some sort (OECD, 2001). Green fiscal reform is the umbrella term for the application of such pricing mechanisms which internalise externalities and mobilise public revenues. Cap-and-trade systems are a common 'internalising' mechanism for greenhouse gas (GHG) emissions, by setting maximum levels of emissions and providing incentives to remain below those levels through a trading system. The first of such trading systems was the EU-Exchange Traded System (EU-ETS) and the Clean Development Mechanism (CDM) of the Kyoto Protocol. Other cap-and-trade systems are in place in China, California, Quebec and South Korea.

Providing incentives is a commonly-used policy instrument. Examples include investment incentives such as low-interest loans, tax exemptions and micro finance. In 2016 Italy passed a new law under its Banking Act which provides tax exemptions to banks that meet certain ethical criteria related to governance, remuneration and transparency, among others (Baranes, 2017). Direct support for goods in the form of subsidies and feed-in tariffs are important incentives. For example, South Africa provided subsidies for the roll-out of solar water heaters (SWH), with a goal to have 1 million SWH installed, as part of its goal to reduce greenhouse gas emissions from the use of coal-powered electricity (National Treasury of South Africa, 2014).

Conversely, the removal of harmful subsidies or feed-in tariffs is a financing mechanism to achieve certain SDGs. The World Bank set up an 'Energy Sector Management Assistance Program' (ESMAP) in 2014 which, among other objectives, supports countries in addressing harmful energy subsidies (World Bank, 2014). With assistance from the facility, for example, Egypt halved the fiscal cost of subsidies to bring average electricity tariffs closer to cost recovery (World Bank, 2017). However, the World Bank acknowledges that "political will is what drives the process, often stemming from strong fiscal pressures, and supported by key champions for reform and an informed public," (World Bank, 2017).

National-level standards

Given that the financial sector is a service sector, the governance of institutions and organisations in the real sector has a significant impact on the ability of the financial sector to differentiate between its customers on issues related to sustainability. Mining and extractives sector companies can form an important portion of financial institutions' client base in certain countries. Several countries have signed on to the Extractives Industries Transparency Initiative (EITI), which provides standards aimed at improving the governance of countries' oil, gas and mining sectors. EITI governance standards have helped inform the due diligence standards set by certain international financial institutions such as the International Finance Corporation (IFC) (EITI, 2010) and private sector initiatives such as the Equator Principles.

Integrated planning, decision-making and resource management

Integrated planning, decision-making and resource management are important elements to how institutions function. UN-DESA (2012) mention several tools: Environmental Impact Assessment and Strategic Environmental Assessment (EIA and SEA), Integrated Water Risk Management (IWRM), Integrated Coastal Zone Management (ICZM), Lifecycle Assessment (LCA), Multicriteria analysis (MCA) or Cost Benefit Analysis (CBA) and disaster preparedness. The Florida Public Hurricane Loss Model (FPHLM) in the US is an example of a model that was developed to ensure fair pricing for insurance companies and consumers, by allowing the State of Florida to review insurance company rate requests. This has resulted in property insurance premiums that are fair for consumers while ensuring solvency of the insurer (ARISE).

Sustainable public procurement

Public procurement is the purchase of goods and services by the government from the private sector and non-governmental organisations. Countries around the world have begun using public procurement as a lever to achieve development impact and to support implementation of the 2030 agenda principles. Kenya's 2015 Public Procurement and Disposal Act, for example, sets a requirement that at least 30% of public procurement must be allocated to youth, women and persons with disabilities. In addition, women-owned enterprises do not need to provide performance securities. The Act encourages greater participation by women in the formal economy and allows for access to finance through facilities such as invoice discounting (Chatham House, 2017).

Inclusion

Inclusion in a life free from poverty, hunger and insecurity is a core theme of the SDGs. Many governments address inclusion through the implementation of social protection policies such as unemployment insurance, state pensions, cash transfers, compensation for price increases and state health care, since they have been shown to play an important role in addressing poverty and vulnerability in developing countries (ILO, 2010). Brazil's 'Bolsa Familia' conditional cash transfer scheme began in 2003 and has been credited with a fall in the poverty and inequality rates in the country.

Collaboration

Partnerships are the cornerstone of SDG 17 and are critical to unlocking green finance. The IFC's Sustainable Banking Network (SBN) comprises financial sector regulatory agencies and banking associations from emerging markets, including among others, Kyrgyzstan, Paraguay, Vietnam, Mexico, Kenya, the Dominican Republic, South Africa, Mongolia and Brazil. The SBN aims to advance sustainable finance in line with international good practice (IFC, n.d.). In addition to sharing and developing best practice, such collaborations can lead to tangible impacts that help unlock green finance, such as the 'The Nairobi Call for Action on Climate Change Finance and Development Effectiveness: An African Approach to Accountable and Effective Climate Finance', which developed as a result of a regional dialogue organised by the 'Partnership for Climate Finance and Development' (Partnership for Climate Finance and Development, n.d.).

Market practices

Market practices play an important role in unlocking green finance. This section provides a non-exhaustive overview of green finance products and services offered by public and private institutions, including banks and non-bank financial institutions, that aim to achieve sustainability outcomes in support of sustainable development. Depending on the structure of the financial sector in a country, these practices can be adopted by either public or private financial institutions. The typology used is taken, with only slight adaptation, from UN-DESA (2012) and the Coalition for Green Capital (n.d.)

Dedicated green funds

Several countries have set up dedicated green funds to invest in green economy projects and initiatives. Mauritius's 'Maurice Île durable' fund was set up in 2008 to invest in a wide range of green economy activities, including natural resource management, sustainable production and consumption, renewable energy, sustainable transport, education and water development (Maurice Île durable fund, n.d.).

One of the critical success factors of such funds is their long-term sustainability since they are all partially funded through public finance which may be limited due to fiscal constraints. The South African Green Fund was solely capitalised with South African government funding, in two tranches of ZAR 800 million (USD 62million) and ZAR 395 million (USD 30million). In 2017, the fund was able to leverage ZAR 90million (USD7million) in additional investment for projects it invested in (DEA, 2016).

Ethical and green banks

An important development in sustainable finance is the creation of green and ethical banks. Ethical banks are financial institutions that are governed by ethical principles and only invest ethically and sustainably. One study found that "ethical banks increase social welfare because the matching of ethical lenders with motivated borrowers reduces the frictions caused by the agency issue" (Barigozzi, 2015). While most ethical banks are based in more developed countries, their way of operating to reduce agency issues, such as information asymmetry by only offering ethical investments developed by ethical borrowers to investors, may allow greater mobilisation of local currency funding for sustainable investments.

The Coalition for Green Capital defines green banks as "public-purpose finance institutions dedicated to green investment, embodying the pure focus and local market-oriented approach needed to fill the [climate] investment shortfall" (Coalition for Green Capital, 2017). Green banks have emerged strongly in the US banking landscape (for example the Connecticut Green Bank and the New York Green Bank) but the same report found that the green bank model is being explored in several countries and regions, including Chile, India, Indonesia, Malaysia, Morocco (for North Africa), Kazakhstan, the Philippines and South Africa (for southern Africa) and that while strong local development banks may already exist in those countries, this interest in green banks indicates that there may be gaps in the provision of finance that existing institutions are not able to fill.

Investment in natural capital

The management of and investment in natural capital are critical success factors for at least three of the seventeen SDGs: 'zero hunger', 'life on land' and 'life under water.' Financial strategies that allow the sustainable investment in natural capital include payment for ecosystem services (PES), investment in protected areas and the direct management and rehabilitation of critical ecosystems.

One particularly innovative example of such an investment is by the Government of Seychelles, which entered into the first-ever payment for marine conservation debt restructuring in 2015 with its Paris Club debtors, supported by the Nature Conservancy. The debt was restructured to allow an inflow of grants and investment capital that will be used to reduce pressure on Seychelles' marine and coastal ecosystems (Convergence, 2017). Debt restructuring in support of sustainability is a target indicator under SDG 17.

Investment in sustainable agriculture

Agriculture is typically one of the most important sectors in any economy, in terms of contribution to GDP and its impact on a range of SDGs, including: hunger (SDG 2), health and well-being (SDG 3), the way in which land is managed (SDG 15), sustainable food consumption and production (SDG 12) and how water resources are managed and used (SDG 6). Ensuring that financial flows support sustainable agriculture is therefore critical. There are a wide range of financial products and practices that promote sustainable agriculture, many of them designed to address the risks across the agricultural value chain. Agricultural insurance, covering crops and/or livestock is widespread and helps support farmers manage weather and disease-related risks. In 2010 in the Association of Southeast Asian Nations (ASEAN) countries, for example, agriculture insurance was present either in a pilot form or a fully mature national-level programme in 20 of the 44 countries, territories and areas in the region (45%) (FAO, 2011).

Investment in human capital (capacity building, training, skills)

Green finance needs to allow for greater investment in human capital that is at the core of SDG 4, in recognition of the multitude of skills that are needed to deliver sustainable development. Developments in the South African investment industry are encouraging in terms of developing the required accountability framework for sustainable investment, through a programme led by the largest trade union federations (COSATU, FEDUSA and SADCTU) and sponsored by the private sector (Sanlam and the Association of Savings and Investment South Africa (ASISA)). The programme offers training in financial literacy and education to labour representatives on retirement fund trustees (ASISA Foundation, n.d.) which includes training in the active ownership strategies, that are a key strategy for asset owners, such as retirement funds to ensure environmental, social and governance issues are taken into account when their funds are invested.

Investment in infrastructure (energy, water, transport, waste, ICT)

Energy, water, transport, waste and information communication technology (ICT) are the key infrastructure sectors of any modern economy and therefore need to transition to become sustainable. A World Bank study on green infrastructure finance in the Asia-Pacific region proposed a comprehensive "bottom-up" framework to "assess the green investment climate in a given economy and to determine the appropriate mix of measures and instruments needed to best leverage limited public funds in order to accelerate private flows" (World Bank, 2012). Such frameworks are critical in maximising the benefits of limited domestic and international public funds.

Sustainability-themed bonds such as water, green, climate and diaspora bonds are increasing in supply and offer a good mechanism to blend public and private investment. USD 160.2 billion green bonds were issued in 2017 and it is estimated that USD 250 million will be issued during 2018 (Climate Bonds Initiative, n.d.)

Investment in innovation (research and development, deployment, information sharing)

Investment in innovation is essential to develop the technologies, methodologies and approaches needed to unlock green finance. The Climate Finance Lab is one such innovation: established in 2014, it has raised USD 1 billion towards identifying, developing, and supporting transformative sustainable finance ideas that support private investment to the low-carbon economy (Climate Finance Lab, n.d.) Given the need to reorient financial flows and to scale up the financing of the green economy, innovation needs to be supported to create new, scalable green finance solutions.

Information

According to the UN-DESA (2012) typology used in this section of the concept document, information refers to information provision, labelling, corporate social responsibility (CSR) targets, agreements and educational initiatives that are undertaken on a voluntary basis. There are many examples of these approaches in the finance sector, such as the Task force on Climate-related Financial Disclosures (TCFD), the Asset Owners Disclosure Project (AODP) and the Equator Principles. These examples contribute towards satisfying the requirement for 'transparency' in the requisites of an accountability system for the finance sector -the other three requirements are standards, independent oversight and a suitable system of reward and censure - (Helen Suzman Foundation, 2013).

De-risking investments and credit enhancement

The government's role in creating the enabling policy environment for and de-risking investments in sustainability is a central theme of these responses (UN-DESA, 2012) (EU high-level expert group on sustainable finance, 2018), particularly in the energy (Amankwah-Amoaha, 2016) and agricultural sectors (FAO, 2011). De-risking can take several forms, including the provision of long-term grant and concessionary funding to an investment, a role which is often played by government-owned development banks.

In general, private finance seeks to make risk-adjusted returns. The lack of investment or funding from the private sector to a project can sometimes be the result of the perceived high-risk of the project due to a variety of factors, including policy distortions from externalities and long tenors. Public capital can be used to provide credit enhancements that will attract private capital to sustainable, green investments in technologies and industry sectors. Government-owned development finance institutions (DFIs) are key providers of credit-enhancement which serve to partially de-risk investments for the private sector, allowing the investment to meet the private sector's required rate of return.

Co-investment and umbrella facilities to local financial institutions

In large projects, co-investment by the private sector is triggered when DFIs or green banks provide the minimum financing (equity, subordinated debt or senior debt) amount necessary to make the investment viable. The private sector finance then makes up the remainder of the financing requirement. This is an important approach to using public funds to leverage private sector funding. In certain countries, while good investments exist, they are often not attractive to international funders because of their small size which leads to high transaction costs per dollar invested. An example of this is lending to SMEs. This challenge can be addressed by international funders providing a large umbrella facility to a local financial institution which, due to its smaller size and lower transaction costs, is able to on-lend those funds to smaller entities and projects.

Project preparation

Many initiatives and projects that have the potential to help deliver the SDGs never reach the stage of being bankable. Such projects require project preparation assistance to ensure that all the technical information supporting the project is robust. This includes issues related to sustainability. DFIs and specialised funds generally provide this assistance to project developers, drawing on dedicated project preparation funds. Examples include the New Partnership for Africa's Development (NEPAD)Infrastructure Project Preparation Facility (IPPF) which is a multi-donor trusts fund housed at the African Development Bank and the Asian Development Bank's 'Asia Pacific Project Preparation Facility'.

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4. RECOMMENDATIONS

Green finance strategies should focus on reorienting existing financial flows as much as creating new streams of green finance

The Brookings Institute estimates that between USD 5 -7 trillion per annum is needed across sectors and industries in order to meet the SDGs. While this may appear a colossal sum of money, they argue that since this sum represents approximate 7-10%t of global GDP and 25-40% percent of annual global investment, financing the SDGs is as much about finding new finance as reorienting financial flows. There are many strategies that policy makers and financial institutions can use to achieve this.

Strategies to unlock green finance can be broadly divided into those that address the enabling environment and those that constitute market practices, and should all be considered Addressing the enabling environment is one of the key strategies used to unlock green finance. These strategies are wide-ranging and include green fiscal reform, creating supportive financial and institutional frameworks, developing policies to increase inclusion and increasing the availability of information.

Market practice strategies to unlock green finance include the establishment of dedicated green funds, the creation of ethical and green banks, investments in sustainable agriculture, natural capital, human capacity, infrastructure and innovation. They also include information-led approaches, de-risking investments, credit enhancements, co-investment, the creation of umbrella facilities to local financial institutions and project preparation.

Policy framework tools should form the basis of decision-making tools

There is a range of policy framework tools that can help in mapping, understanding and prioritising green finance. These include financing and accountability frameworks which, as relatively new concepts, represent important opportunities for countries to implement and form the basis for better-informed decision making to unlock green finance.

Central bank regulations have a key role to play

Regulatory interventions by central banks can unlock green and sustainable finance by reducing information asymmetries and requiring financial institutions to change risk management frameworks to take environmental, social and governance factors into account. This is particularly important given that environmental risks are not taken into account in Basel III, which provides the main regulatory guidelines for the global banking system. Beginning with a voluntary approach may be useful for countries that have not yet begun the process of integrating green finance considerations into central bank regulations.

Mobilising private finance is essential to transition to a green economy and achieve the SDGs

The mobilisation of private finance is central to achieve the transformation of socially inclusive green economies to meet the SDGs. Opportunities to stimulate supply in this area include, among others, de-risking sustainable investments through credit enhancements and through the issuance of sustainability-themed bonds such as green and diaspora bonds. Establishing an accountability framework for financial institutions will help stimulate the mobilisation of finance for the SDGs.

Sustainably-structured green funds represent an important opportunity

Dedicated green funds represent an important opportunity to steer government funding towards the green economy but need to be structured to attract private sector investments and co-financing in order to remain sustainable.

Partnerships for the SDGs are just as critical in finance as they are in other sectors

Multi-stakeholder partnerships play a key role in shaping new ideas and approaches to mobilise sustainable finance. It is clear that success in unlocking green finance will come from initiatives taken by a range of actors, but primarily by governments and the private sector. National-level frameworks, transparent processes and multi-stakeholder partnerships will help ensure that those initiatives are fit for purpose, and simple strategies such as blended finance platforms and sustainability accounting standards can help bridge the information divide and mobilise blended, green finance.

Specific recommendations for South Africa

As a mineral rich, middle-income country with a well-developed financial sector and government policy that reflects green economy goals, South Africa is well-placed to adopt strategies to further unlock green finance.

Build on the lessons from REIPPPP to deliver change in other sectors

The success of the country's Renewable Energy Independent Power Producers Programme (REIPPPP) in attracting private sector and international development finance to energy generation in the country, indicates the power of four strategies to unlock green finance: sustainable public procurement (the procurement of renewable energy), incentives (the inclusion of renewable energy in the country's Integrated Resource Plan for energy, the REBID process), co-financing (from international development finance institutions) and de-risking investments to attract private sector financing (creating a transparent, programmatic approach and the provision of government guarantees to cover the risk of the power utility, Eskom, not being able to meet the terms of power purchase agreements). Exploring and ensuring the political will to implement similar approaches to unlocking green finance for other industries that are critical to achieving the SDGs such as low-cost sustainable housing and water infrastructure delivery, represents an important opportunity.

Develop an accountability framework for the financial sector to redirect existing financial flows

South Africa's financial sector has demonstrated leadership in unlocking green finance in several areas. These include the voluntary adoption of several financial sector sustainability standards such the Code for Responsible Investing in South Africa (CRISA), which is relevant to financial institutions in the investment sector, and the Equator Principles, which are relevant to financial institutions in the banking sector. The Equator Principles set environmental, social and governance standards for lending to high impact projects and companies. To date, South Africa's largest pension funds and asset owners have adopted CRISA, and its four largest banks (Standard Bank, FirstRand group, ABSA and Nedbank) are Equator Principle Association members. In addition, South Africa is a member of IFC's Sustainable Banking Network and has developed its own collaborative process between financial sector regulators and industry associations called the 'Sustainable Finance Initiative'.

While these are positive developments, there is a lack of information on how these initiatives have contributed towards achieving the SDGs on the ground. This is partly because, similar to other countries, South Africa has its own National Development Plan (NDP) that was developed before the SDGs and the 2030 Agenda. It is also because the 17 SDGs are framed as 169 targets with more than 200 indicators, and statistical methods need to be developed to track this data. However, without this information, it is difficult to ascertain the extent to which South Africa's financial sector is re-orienting financial flows to become green and to create new green finance. Developing an accountability framework related to the NDP and SDGs for financial institutions that encompasses clear norms and standards on performance, transparency, non-conflicting supervisory structures, and a compliance system with the appropriate incentives and disincentives will go a long way to ensuring that South Africa's financial system continues to become green.

5. Conclusion

The adoption by countries of green economy strategies such as membership of the Partnership for a Green Economy (PAGE) and multilateral agreements such as the Addis Ababa Action Agenda and the Paris Climate Agreement, indicate the increasing recognition of the need for financing flows to become more sustainable. There are significant opportunities to use finance to achieve development goals related to the green economy and the SDGs, otherwise known as green finance.

The strategies put in place by governments and the private sector to unlock green finance vary widely and can be broadly grouped into strategies which address the enabling environment and strategies linked to market practices. So-called enabling environment strategies are wide-ranging and include the creation of ethical and green banks, developing incentives, internalising externalities, creating supportive financial and institutional frameworks, developing policies to increase inclusion and increasing the availability of information. Political will is a critical success factor to unlock green finance from strategies such as implementing incentives, removing harmful subsidies and taking externalities into account, particularly in the supply of public goods such as clean air and water.

Market practice strategies to unlock green finance include the establishment of dedicated green funds, investments in sustainable agriculture, natural capital, human capacity, infrastructure and innovation. They also include information-led approaches, de-risking investments, credit enhancements, co-investment, the creation of umbrella facilities to local financial institutions and project preparation.

The wide range of strategies found in different countries indicates significant scope for cross-learning and partnerships between different organisations and governments, all of which will significantly advance green finance.

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