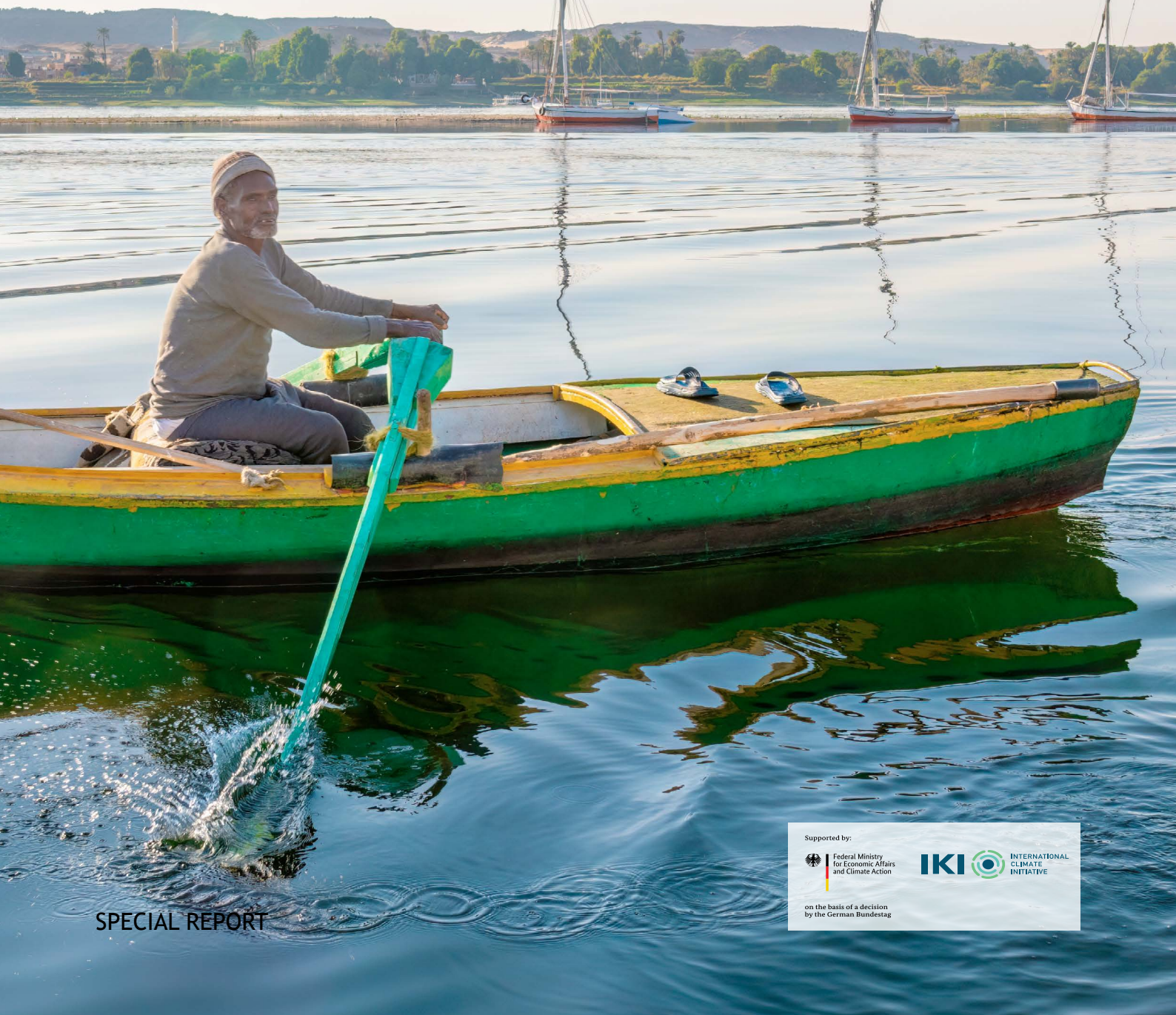




ROADMAP FOR INCLUSIVE GREEN FINANCE IMPLEMENTATION

COUNTRY CASE STUDIES ON IGF POLICY IMPLEMENTATION



SPECIAL REPORT

Supported by:



on the basis of a decision
by the German Bundestag

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ACKNOWLEDGMENTS

This special report is a product of the Inclusive Green Finance Working Group (IGFWG) and its members.

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We would like to thank AFI members who participated in interviews and provided extensive feedback: Chowdhuri Liakat Ali (Bangladesh Bank), Walid Ali, Miral Elemary, and Shaymaa Eldemery (Central Bank of Egypt), Joyce Suficiencia, Rhodora Brazil-De Vera, Raymond del Rosario, and MC Desquitado (Bangko Sentral ng Pilipinas), Kabinda Kawesha, Dr. Oswald Mungule, Collins Muchipu, and Mary Lungu Nketani (Bank of Zambia), Marie Eorage and Albert Mokis Ahabh (the Centre for Excellence in Financial Inclusion, CEFI, established by the Bank of Papua New Guinea), Ireen Fwalanga (Ministry of Finance and National Planning of Zambia), and Dr. Chama Chipeta (Green Finance Mainstreaming Working Group, Zambia).

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We would like to extend a special thanks to consultants Mariangela Pensa (M-Pensa Impact Development) and Chris Czerwonka (Amarante Consulting) for their contribution to this special report.

We would like to thank AFI member institutions, partners, and donors for generously contributing to the development of this publication.

AFI's Inclusive Green Finance workstream is part of the International Climate Initiative (IKI), supported by the German Federal Ministry for Economic Affairs and Climate Action (BMWK), based on a decision by the German Bundestag.

EXECUTIVE SUMMARY

The “Roadmap for Inclusive Green Finance Implementation: Country Case Studies on IGF Policy Implementation” report aims to bridge the gap between the theoretical concepts and practical applications of Inclusive Green Finance (IGF).

This follow-up exercise focuses on the journeys of AFI member institutions in navigating the IGF landscape, exploring their approaches, strategies, policies, required support, challenges, and lessons learned. By serving as a practical guide, the report offers regulatory institutions with the opportunity to draw insights from the experiences of their peers, evaluate their own progress, and acquire valuable guidance for initiating or advancing their IGF initiatives.

The report is structured to provide a comprehensive understanding of IGF implementation:

1 POLICY TOOLS AND BUILDING BLOCKS: The initial section offers an overview of the available policy tools and their relationship with each building block of IGF. This foundational knowledge is crucial for understanding how different tools can be utilized to achieve sustainable finance goals.

2 CASE STUDIES: The core of the report presents detailed case studies of six AFI member institutions—Bangladesh, Ecuador, Egypt, Papua New Guinea, the Philippines, and Zambia. These case studies highlight the Building Blocks each institution relied upon and the Policy Tools they implemented to promote green finance. The diverse experiences provide valuable insights into the practical application of IGF strategies across different contexts.

3 LESSONS LEARNED AND RECOMMENDATIONS: The concluding section synthesizes key lessons learned from the case studies and provides recommendations for advancing IGF initiatives. The insights emphasize the importance of strategic planning, stakeholder engagement, capacity building, and innovative financial mechanisms.

4 COMMON CHALLENGES AND PROPOSED SOLUTIONS: This section identifies common challenges faced by regulators and proposes actionable solutions. By analyzing the obstacles and successful strategies employed by various institutions, the report offers a roadmap for overcoming challenges in IGF implementation.

KEY FINDINGS



STRATEGIC FRAMEWORK

Early adoption and a clear communication of IGF strategies are critical to establish a solid foundation for sustainable finance initiatives.



REGULATORY SUPPORT

Strong backing from regulatory institutions is essential for successful IGF implementation, requiring continuous capacity building and engagement.



STAKEHOLDER ENGAGEMENT

Collaborative platforms and continuous dialogue with stakeholders enhance the effectiveness of IGF initiatives and promote best practices.



FINANCIAL INCENTIVES

Effective use of financial incentives, such as subsidies and credit guarantee schemes, can significantly lower barriers to green investments.



DATA COLLECTION AND REPORTING

Standardized reporting frameworks and detailed taxonomies improve transparency and accountability, facilitating data-driven decision-making.



INNOVATION AND ADAPTABILITY

Flexibility in policy implementation and leveraging digital technologies are crucial for adapting to emerging challenges and enhancing the efficiency of green finance initiatives.

LESSONS LEARNED

EARLY STRATEGY ADOPTION

Clear and early adoption of IGF strategies sets a strong foundation.

EFFECTIVE FINANCIAL INCENTIVES

Financial incentives such as low-interest loans, subsidies, and credit guarantee schemes can be effective in encouraging green investments.

CONTINUOUS CAPACITY BUILDING

Ongoing training and capacity building for financial regulators and institutions are essential to keep up with evolving sustainable finance practices.

STANDARDIZED REPORTING MECHANISMS

Consistent and transparent reporting frameworks are vital for monitoring progress and ensuring accountability.

STAKEHOLDER COLLABORATION

Establishing platforms for collaboration among stakeholders fosters dialogue, shares best practices, and promotes a unified approach to IGF.

FLEXIBILITY IN POLICY IMPLEMENTATION

The ability to adapt strategies and policies in response to emerging challenges is crucial.

LEVERAGING TECHNOLOGY

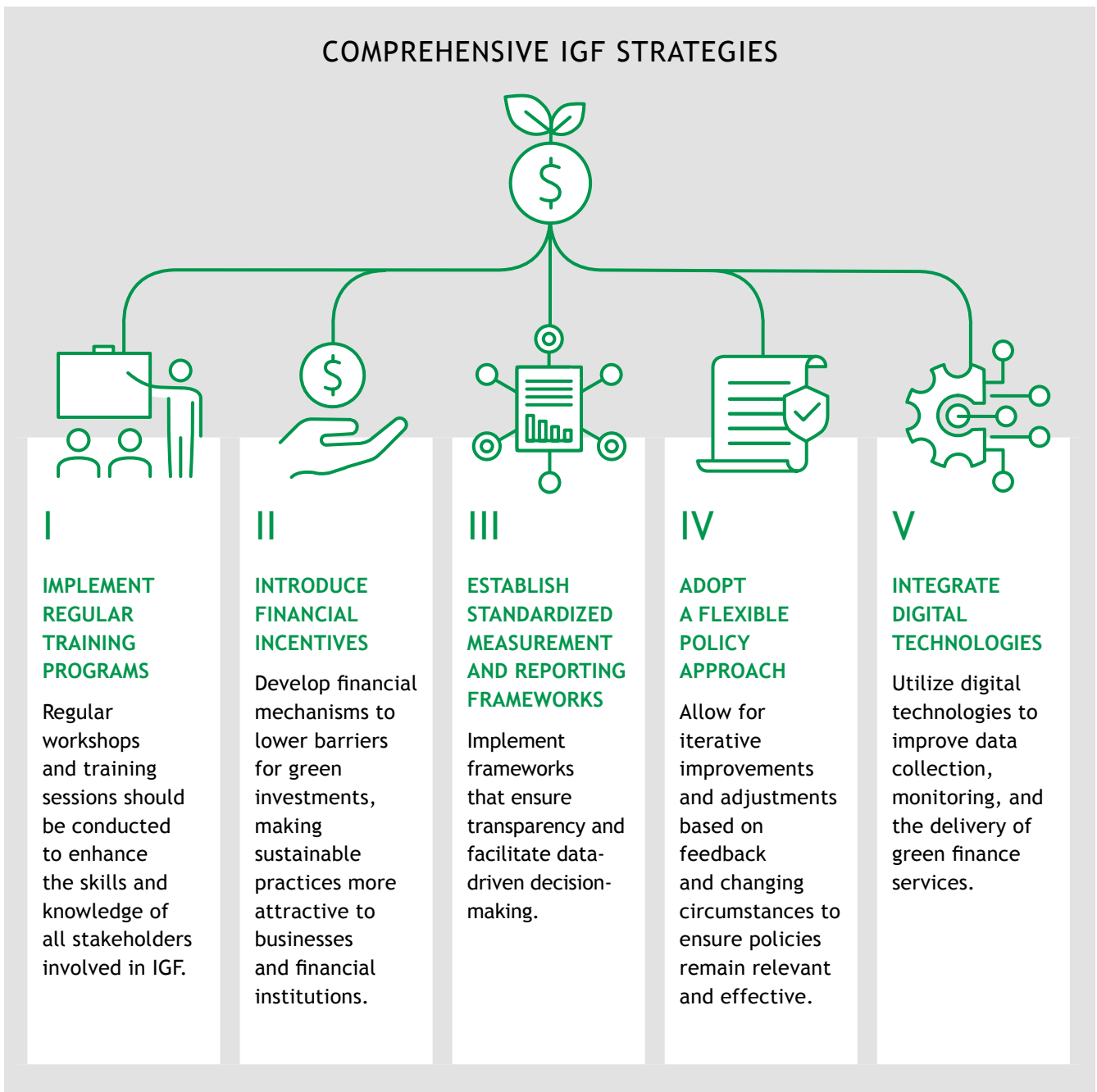
Digital platforms for green finance transactions and data collection enhance efficiency and reach.



RECOMMENDATIONS

Develop Comprehensive IGF Strategies: Regulatory institutions should prioritize the development of comprehensive IGF strategies that align with principles of risk management and national development, climate change, and environmental goals, and communicate these strategies effectively to all stakeholders.

This report provides a roadmap for countries embarking on or advancing their IGF journeys, offering practical tools and insights to build a sustainable and inclusive financial ecosystem. By learning from the experiences of AFI member institutions, countries can navigate the complexities of IGF and promote long-term economic and environmental resilience.



INTRODUCTION



Inclusive Green Finance (IGF), with its emphasis on vulnerable and marginalized population segments, such as women, and micro, small, and medium enterprises (MSMEs), outlines a comprehensive policy framework that upholds both financial inclusion as a social objective and adherence to environmental considerations.

However, IGF encompasses more than just access to financial services; regulators must direct their attention to the meaningful utilization of these services and how they contribute to the well-being of individuals and MSMEs. IGF policies and regulations are designed to create positive externalities as a side effect of financial services and must ensure that the ‘financial inclusion’ and ‘environmental protection’ public goods are effective when financial services are delivered.

The “Roadmap for Inclusive Green Finance Implementation: Building Blocks to Implement IGF Initiatives and Policies” was an essential document co-written by the Inclusive Green Finance Working Group (IGFWG) and the University of Luxembourg, providing guidance on how to implement IGF policies. This seminal work, published in November 2022, introduced key concepts and frameworks that have significantly influenced the IGF landscape across Alliance for Financial Inclusion (AFI) member countries.

This second publication builds further on these concepts to specifically demonstrate how some selected jurisdictions have successfully implemented policy measures in line with the IGF Building Blocks. It provides an in-depth analysis of six country case studies, serving as a way to highlight the Policy Tools and strategies that have been implemented in the selected countries to support a sustainable and inclusive financial environment.

The case studies, therefore, provide insights into some of the distinctive approaches and challenges that different countries face in embracing IGF implementation. These examples cover a spectrum, from regulatory reform and new financial instruments to multi-stakeholder collaboration and capacity building initiatives, which are highly insightful in offering lessons on how countries are integrating IGF into their national agendas.

This publication highlights how the featured countries used, as a base, the Building Blocks that have been outlined in the original roadmap but adapted to their specific contexts and needs. The document highlights the flexibility of the IGF framework to be versatile and adaptable at one end, while underscoring the critical role that tailor-made policy interventions have in helping address climate-related financial risk on the other end, toward sustainable economic development.

It is in this regard that case studies are presented to motivate and assist other AFI member countries in developing IGF policy. The written experiences and lessons drawn from the case studies represent a vital resource for policymakers, financial institutions, and development partners committed to creating an inclusive green economy.

This report is intended for financial regulators and policymakers to learn from the plurality of strategies and innovation solutions illustrated in the publication and reflect on how such insights can be put into practice within their contexts to support the global move towards inclusive and sustainable finance.

The objective of this follow-up exercise is to bridge the gap between the theoretical concepts outlined in the roadmap and the practical experiences of AFI member institutions. The study delves into their journeys in navigating the IGF landscape, exploring their approaches, strategies, policies, required support, challenges, and lessons learned. Serving as a practical guide, the report provides regulatory institutions with the opportunity to draw insights from the experiences of their peers, evaluate their own progress, and gain valuable guidance for initiating or advancing their IGF initiatives.

The report follows a logical sequence, beginning with an overview of the available Policy Tools and their relationship with each building block. Following this, case studies are showcased of six AFI member institutions from Bangladesh, Ecuador, Egypt, Papua New Guinea, the Philippines, and Zambia in developing and implementing IGF initiatives. These case studies highlight the Building Blocks that each country relied on and the Policy Tools they implemented to green the financial sector. Finally, it presents common challenges and actionable recommendations derived from the analysis, offering insights into a potential roadmap for the implementation of IGF initiatives.

Additionally, the Knowledge Product provides a basic tool for AFI members to assess their progress in the development and implementation of their IGF strategy, pinpoint areas requiring attention, and recognize achievements. While each country's journey is unique, the report provides a toolkit enabling countries to build their own infrastructure.

THE INTERRELATIONS BETWEEN BUILDING BLOCKS AND POLICY TOOLS

The "Roadmap for Inclusive Green Finance Implementation"¹ identifies six essential Building Blocks for the development and implementation of IGF policies and strategies, as summarized below:

- 1 **ADOPT AN IGF STRATEGY** that is focused on green and sustainable finance while being inclusive.
- 2 **ESTABLISH IGF AS A PRIORITY**, through Policy Tools such as Sustainable Banking Principles and ESG-related sustainable frameworks.
- 3 **CLASSIFY IGF** compliant conduct, products and services, with a catalog or a taxonomy, to delineate wanted from unwanted economic behaviors.
- 4 **COLLECT DATA ON IGF AND BUILD MODELS** to identify measurement techniques, combining financial and sustainability data with reporting and disclosure to regulators.
- 5 **CREATE AN IGF ECOSYSTEM** capable of delivering a market driven sustainable finance approach.²
- 6 **BUILD AN IGF FINANCIAL INFRASTRUCTURE**, including technical systems for monetary transactions and financial services delivery.

Within the roadmap, the Building Blocks symbolize the foundational elements essential for establishing the framework of IGF initiatives. Acting as the bedrock, these components provide the necessary stability and support for the development and implementation of sustainable IGF strategies. Much like the structural integrity of a building relies on a solid foundation, these Building Blocks form the groundwork for a successful IGF journey.

¹ Alliance for Financial Inclusion. 2022. Roadmap for Inclusive Green Finance Implementation. Available at: <https://www.afi-global.org/publications/roadmap-for-inclusive-green-finance-implementation/>

² Including specialized data intermediaries, technology providers, professionals in the financial sector, and educational resources.

Similarly, the roadmap outlines a series of Policy Tools which can be compared to bricks in this metaphorical construction process, with each tool playing a vital role in shaping the regulatory and operational framework of IGF initiatives. The Policy Tools are as follows:

- 1 Internal and external **ADVOCACY FOR IGF**.
- 2 **EDUCATION AND CAPACITY BUILDING** of regulators, financial institutions, and the overall ecosystem with a particular view on the interlinkages between the financial and the natural science sustainability world.
- 3 **FINANCIAL INCENTIVES** through credit guarantees, syndication, and other risk-sharing or green lending programs, as well as capital relief for prioritized sectors.
- 4 **VOLUNTARY STANDARDS**, in particular, on best practices for lending and the standardization of green financial products.
- 5 **MANDATORY REGULATIONS**, in particular, on reporting and disclosures, capital provisioning as well as fiduciary duties to address any conflicts of interest emerging in an IGF ecosystem; depending on the scope and national strategy, mandatory regulations may also be instrumental, for instance, for a binding classification system (taxonomy), setting IGF oriented operating, risk, and fiduciary standards, and disclosure rules.
- 6 **DATA COLLECTION AND RESEARCH**, added as a new policy tool, are essential for supporting the data and models building block. While the building block focuses on the integration and analysis of financial and sustainability data, the policy tool emphasizes the systematic gathering and research of this data. This distinction ensures that regulators and financial institutions have robust mechanisms for collecting accurate, comprehensive data, which is critical for monitoring progress, evaluating the impact of IGF initiatives, and ensuring transparency and accountability. Effective data collection and research underpin informed decision-making and the continuous improvement of IGF policies and strategies, bridging the gap between data availability and practical application.

Just as bricks are arranged to construct walls and structures, the Policy Tools are strategically employed to build the foundation of a robust IGF architecture.

When combined and integrated, these Policy Tools form the framework of a resilient IGF structure. The Building Blocks can be interrelated with different Policy Tools at various levels. For example, the ‘Adopting an IGF Strategy’ block might heavily rely on the advocacy for IGF tools and be driven by the incentive to channel funds toward green or sustainable projects. Conversely, ‘Establishing IGF as a Priority’ would consider all Policy Tools at different levels of IGF implementation, as illustrated in Figure 1.

The preferable pathway for each country depends on a range of factors, including specific climate-related challenges, financial and non-financial priorities, the size of its banking and non-banking sectors, the readiness of credit financing schemes, the significance of its capital markets, the development level of its digital retail payment systems, and the market size of its digital financial services (DFS).

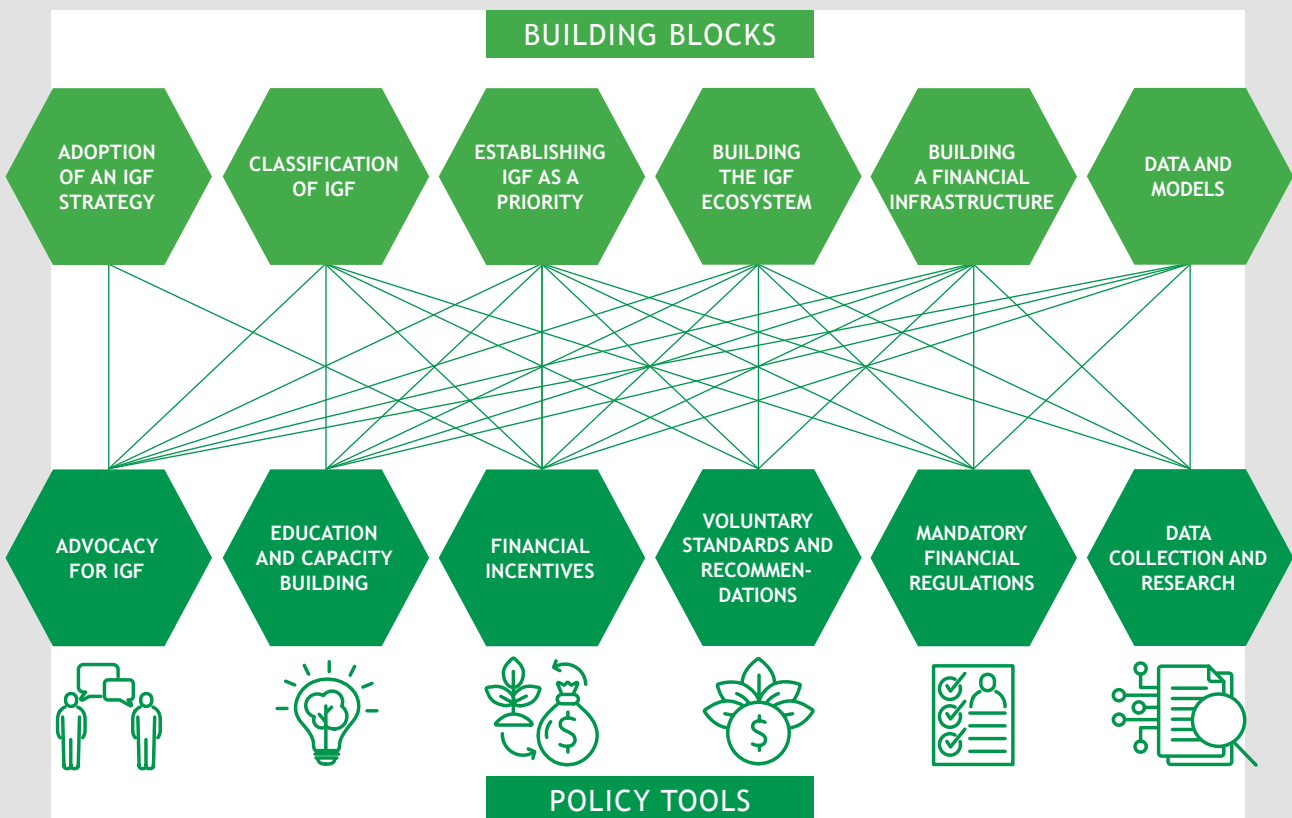
The symbiotic relationship between Policy Tools and foundational Building Blocks demonstrates that each tool is linked to multiple Building Blocks, illustrating the

interconnectedness and interdependence within the IGF framework. This perspective underscores that the IGF journey is an ongoing process of evolution and refinement.

For instance, when a regulator embarks on an IGF journey, crafting a strategic framework is crucial. This effort must involve relevant stakeholders, while considering the capacity requirements of regulatory bodies, engaging with financial institutions, and assessing the compatibility of existing regulatory frameworks with IGF objectives.

Furthermore, the path to building an IGF infrastructure is a fluid process in continuous evolution. There is no fixed destination but rather a journey of adaptation and improvement. To effectively navigate this dynamic landscape, it is essential to have mechanisms for monitoring progress, gathering market feedback, and adjusting policies as circumstances change. Capacity-building initiatives, training programs, market outreach efforts, and awareness campaigns play vital roles in fostering an environment conducive to sustainable finance practices.

FIGURE 1. INTERRELATION BETWEEN BUILDING BLOCKS AND POLICY TOOLS



Source: AFI

EXPLORING POLICY TOOLS

This section explores the range of Policy Tools that are instrumental in the implementation of IGF strategies. Each category of Policy Tools is accompanied by practical examples from different countries, illustrating how these tools have been effectively utilized in various contexts to promote sustainable finance and environmental resilience. These real-world examples provide valuable insights into the application of each tool, helping to understand the diverse approaches and innovations adopted by different countries in their IGF journeys.

ADVOCACY FOR IGF



Advocacy and awareness raising are vital pillars in advancing and mainstreaming IGF agendas. By proactively engaging with national and international stakeholders, the financial sector can advocate for policy reforms, set industry standards, and catalyze systemic change toward a more sustainable and inclusive economy. Simultaneously, raising awareness and building capacity at different levels of society are essential to nurture a culture of sustainability. This empowers stakeholders to make informed decisions and mobilizes collective action toward achieving global sustainability goals.

Advocacy efforts to promote and ensure engagement with national and international stakeholders from the early stages of the IGF journey and throughout the process are essential for advancing IGF objectives. Collaborating with national stakeholders ensures that regulatory frameworks align with sustainable finance goals, promoting transparency, accountability, and investor confidence.

Additionally, partnering with international organizations facilitates the integration of global best practices and standards adapted to the local context into national policies and initiatives, encouraging knowledge exchange and improving the capacity of local institutions to address environmental and social challenges through finance.

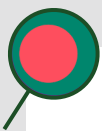
Establishing a community of practice provides a valuable platform for stakeholders to exchange experiences, lessons learned, and best practices, promoting innovation, peer learning, and the adoption of sustainable finance solutions across different sectors.



ESTABLISHING
IGF AS
A PRIORITY

BUILDING
A FINANCIAL
INFRASTRUCTURE

PAPUA NEW GUINEA (PNG) established a steering committee and technical working groups that provide specialized inputs. The steering committee, chaired by the Bank of PNG, includes seven members from the Climate Change and Development Authority, the Department of Treasury, Syfy, Banco PNZ, AFI, and the New Zealand Ministry of Foreign Affairs and Trade. On the other hand, the technical working groups involve nearly 30 stakeholders from relevant government institutions, financial bodies, NGOs, CSOs, and others, all contributing their technical expertise.



ESTABLISHING
IGF AS
A PRIORITY

BUILDING
THE IGF
ECOSYSTEM

In **BANGLADESH**, extensive awareness campaigns and capacity-building initiatives have been launched to promote sustainable finance practices, which have been pivotal in integrating IGF into the broader financial inclusion strategy. Bangladesh Bank conducted numerous awareness raising events among banks, focusing on building capacity for both bank officials and borrowers on topics related to sustainable finance, green finance, climate change impacts, and climate change mitigation and adaptation.

Comprehensive advocacy and awareness raising efforts are essential for mainstreaming IGF practices and driving the transition to a more sustainable and resilient financial system. By engaging stakeholders at multiple levels, enhancing collaboration across sectors and borders, and investing in capacity building and knowledge sharing, the financial sector can effectively address sustainability challenges and seize opportunities for sustainable development.

EDUCATION AND CAPACITY BUILDING



CAPACITY BUILDING FOR FINANCIAL REGULATORS

Capacity building initiatives are essential for empowering financial regulators to effectively advocate and oversee inclusive green finance policies and practices. These efforts drive the transition towards a financially and socially responsible system and should commence early, even preceding the development of a strategic framework. At the heart of capacity building is the imperative to equip regulators with the knowledge, skills, and technical expertise to navigate the complexities of sustainable finance.

Through tailored training programs, workshops, and professional development opportunities, regulators enhance their understanding of sustainable finance and emerging trends. This ensures their ability to effectively fulfill regulatory duties and develop, implement, and monitor a sustainable IGF strategy. Importantly, capacity building initiatives extend beyond the initial stages of the IGF journey; they are ongoing efforts crucial for maintaining a robust process and ensuring its success. Participation in international training programs and peer-to-peer exchanges enriches regulators' understanding of global best practices. Learning from counterparts in other jurisdictions enhances institutional capacity and facilitates innovation in regulatory approaches to sustainable finance.



ESTABLISHING
IGF AS
A PRIORITY

BUILDING
THE IGF
ECOSYSTEM

For example, in **ZAMBIA**, training on the supervision of climate change risks by the Toronto Centre in 2019 and research and training on green finance with AFI and the World Bank in 2020-2021 significantly enhanced the capacity of financial regulators to manage IGF policies.

CAPACITY BUILDING FOR FINANCIAL INSTITUTIONS

Training initiatives are vital components for advancing IGF practices across financial institutions over the long-term. Initiating training from the outset of the IGF process, particularly during the prioritization and establishment of an IGF ecosystem, ensures that all stakeholders possess the necessary knowledge and skills.

These initiatives encourage a deeper understanding of IGF principles and practices among professionals, imparting essential expertise in areas like environmental risk management and sustainable investment strategies.

Moreover, ongoing training facilitates the integration of environmental considerations into operations and decision-making processes. This enables institutions to identify sustainable investment opportunities and effectively mitigate environmental risks.



ESTABLISHING
IGF AS
A PRIORITY

CLASSIFICATION
OF IGF
CONDUCT

For instance, **ECUADOR** initiated training for credit union managers and developed ESRM manuals to support the implementation of the guidelines. The goal was to provide credit unions with accessible resources that institutions can universally adopt as a standardized reference, minimizing the need for them to invest in developing their own materials, ultimately reducing costs.

By commencing training early in the IGF process and viewing it as a continuous effort rather than a one-time activity, institutions can fortify resilience within the financial sector and contribute significantly to long-term sustainability. Awareness raising initiatives are pivotal for promoting sustainable finance practices. Tailored training programs for stakeholders at various levels enhance their understanding of ESG factors, facilitating informed decision-making. Educational campaigns raise public awareness about sustainable finance, climate change impacts, and mitigation and adaptation strategies, promoting a culture of sustainability among policymakers, businesses, and the general public.



BUILDING
THE IGF
ECOSYSTEM

BANGLADESH BANK encourages banks to allocate 10 percent of their Corporate Social Responsibility (CSR) activities to climate change adaptation or climate financing. To ensure effective implementation, banks and non-bank financial institutions are directed

to establish a Sustainable Finance Committee and a dedicated Sustainable Finance Unit within their organizational structure and a circular has been issued mandating the training of a minimum of three borrowers in sustainable finance, with at least one of them receiving financial support.

VOLUNTARY STANDARDS AND MANDATORY REGULATIONS



Regulations and directives form the backbone of IGF initiatives, ensuring accountability, transparency, and alignment with strategic objectives. Voluntary standards and mandatory regulations play distinct roles in shaping industry practices. Mandatory regulations establish binding directives for financial institutions, driving systemic change by legally obligating them to align with sustainability goals, including integrating sustainability principles into investment strategies, disclosing environmental impact data, or allocating a percentage of funds to green projects.

Conversely, voluntary standards are non-binding guidelines or frameworks which provide financial institutions with flexibility in adopting sustainable finance practices beyond regulatory requirements. Voluntary standards cover areas such as integration of environmental, social, and governance (ESG) principles in investment decisions, environmental and social risk management (ESRM) guidelines, principles for green bond issuance, or guidelines for conducting impact assessments on sustainability initiatives.

While voluntary standards may serve to initially assess and prepare the market, they can transition into mandatory regulations after a testing or pilot period, enabling institutions to voluntarily adopt them and build internal capacity during the testing phase.

Regulations and directives are fundamental components developed throughout the IGF journey. Initially, principles and guidelines emerge during the formulation of the IGF strategy, evolving during the prioritization phase to adapt to the changing landscape. Introducing new guidelines or refining existing ones reflects the dynamic market and evolving needs of sustainable finance initiatives. This iterative process ensures that regulations and directives remain responsive and effective in guiding the implementation of IGF strategies.

Among these regulations and directives, environmental risk management stands out as a core aspect of green finance, emphasizing the integration of environmental considerations into corporate governance and risk management policies. By addressing environmental risks in project financing, financial institutions enhance their resilience to environmental challenges while contributing to sustainable development. The inclusion of environmental risk management directives underscores the sector's commitment to environmental stewardship and responsible investment practices.



ADOPTION OF AN IGF STRATEGY

CLASSIFICATION OF IGF CONDUCT

In **EGYPT**, ESRM is a key area of interest for many banks, and the CBE has demonstrated its commitment to support the adoption of varying risk management practices by banks. In the country, the regulatory authority adopts a collaborative approach, engaging in consultations with commercial banks to ensure that any potential regulations or guidelines are well-informed and tailored to the Egyptian banking landscape.



ADOPTION OF AN IGF STRATEGY

CLASSIFICATION OF IGF CONDUCT

ECUADOR, in 2022, issued a regulatory requirement for compliance with the control standard for the administration of environmental and social risks in savings and credit unions, and mutual savings and credit associations for housing.



ESTABLISHING IGF AS A PRIORITY

BUILDING THE IGF ECOSYSTEM

In **THE PHILIPPINES**, the BSP phased-in sustainability guidelines for banks, introducing the Sustainable Finance Framework in April 2020, which provided a three-year transition period allowing banks to undertake the necessary adjustments.

Taxonomies serve as standardized frameworks for categorizing sustainable finance activities, providing clarity and consistency in project identification and assessment. Specific taxonomies for green loans outline criteria for eligible projects and establish reporting metrics, such as expected reductions in carbon emissions, and enhancing transparency and accountability in green finance initiatives.

Integrating the development of taxonomies into the IGF strategy as a priority objective is crucial. This involves defining taxonomies aligned with overarching goals, iteratively refining them throughout the IGF classification process. By establishing and continuously developing taxonomies, countries can effectively categorize green finance initiatives, ensuring clarity and coherence in implementation.



BANGLADESH BANK has introduced three mandatory taxonomies: Sustainable Finance, Green Finance, and Climate Finance, alongside 94 green projects and initiatives spanning 14 sectors. These taxonomies assist banks and clients in identifying classified projects and initiatives. In the Philippines, the Sustainable Finance Taxonomy Guidelines, a set of voluntary standards, provide a detailed taxonomy for sustainable finance activities, helping financial institutions identify eligible green projects and establish reporting standards.

Reporting metrics are pivotal in evaluating the environmental impact and efficacy of green finance activities. These metrics should be established during the formulation of regulations and directives and upheld throughout the entire journey. Mandatory regulations requiring annual reporting promote transparency and accountability, reinforcing trust within the financial sector and spurring additional investment in sustainable development initiatives.

In **BANGLADESH**, the Green Banking Policy and Environmental Risk Management Guidelines require banks to report on numerous metrics, including the number and volume of green loans disbursed, the types of green projects financed, and the environmental benefits achieved, such as reductions in carbon emissions and improvements in energy efficiency.

In the same way, in **ZAMBIA**, the Banking and Financial Services (Green Loans) Guidelines 2023 requires financial institutions to report on similar metrics.

ECUADOR's Control Standard for the Administration of Environmental and Social Risk in Savings and Credit Unions and Mutual Savings and Credit Associations for Housing in Ecuador establishes in its article 9: "(...) Entities must submit an Annual Environmental and Social Risk Management Report to the Superintendence of Popular and Solidarity Economy, (...) within which the following items are detailed:

- ✓ Include a breakdown of the portfolio by high, medium, or low risk level, with the respective number of operations and volume of credit disbursed.
- ✓ Details of the 10 largest operations rated with high environmental risk.
- ✓ Details of operations that were admitted for financing conditioned with an agreed Action Plan."

REGULATORY SANDBOXES



Regulatory sandboxes are innovative Policy Tools employed by regulatory authorities to promote experimentation and innovation in the financial sector, while maintaining regulatory oversight. These sandboxes provide a controlled environment where innovative businesses, particularly FinTech startups, can test new products, services, and business models in a limited and supervised manner. By granting temporary regulatory relief or waivers, sandboxes allow participants to explore innovative solutions without the full burden of compliance requirements.

Sandboxes may be used during the implementation phases of the IGF framework and should be viewed as learning opportunities for regulators and participants as well as for the market at large. They have the capacity to encourage collaboration and dialogue between regulators, industry stakeholders, and other participants as they provide a framework to better understand industry trends and challenges, while participants can offer valuable feedback on regulatory processes and requirements.

In the context of green finance, regulatory sandboxes can support the development of sustainable FinTech solutions, green bond issuance models, climate risk assessment methodologies, and microfinance innovations and can be further developed and utilized to develop the IGF infrastructure. AFI has played a leading role in supporting productive dialogue about how digital financial services ecosystems—and their supervising policy frameworks—can accelerate progress in inclusive green finance.³



BUILDING FINANCIAL INFRASTRUCTURE

In **ZAMBIA**, the Green Finance Framework, jointly embraced by the Bank of Zambia and financial institutions, encourages the utilization of existing sandbox regulations to facilitate experimentation with digital innovations in green finance.

Overall, they can be valuable Policy Tools that promote innovation, enhance regulatory efficiency, and support the development of a dynamic and competitive financial ecosystem. By balancing innovation with regulatory oversight, sandboxes can contribute to the advancement of inclusive green finance initiatives.

DATA COLLECTION AND RESEARCH



Research and data collection serve as crucial pillars in advancing inclusive green finance strategies and formulating well-informed policy decisions. In the early stages, research efforts such as demand-side surveys that incorporate a climate change component provide valuable insights into the impacts of climate change on the population, serving as a foundation for strategy development, empowering policymakers to effectively tackle emerging challenges.



DATA AND MODELS

For example, Zambia's FinScope Survey in 2020 provided critical data that influenced policy development for inclusive green finance.

In subsequent phases, data collection initiatives play a pivotal role in the ongoing monitoring and evaluation of IGF strategies. They allow for the assessment of implementation efficacy and provide benchmarks for measuring progress, transparency, and accountability. Regulations mandating quantitative reporting on green finance activities ensure that banks disclose pertinent information about their portfolios. This supports regulators in evaluating the financial sector's performance and guides regulatory oversight.



CLASSIFICATION OF IGF CONDUCT

DATA AND MODELS

For instance, the Philippines developed detailed reporting requirements and a sustainable finance taxonomy in 2023 to enhance transparency and accountability.

³ Alliance for Financial Inclusion. 2022. Leveraging Digital Financial Services to Advance Inclusive Green Finance Policies. Available at: <https://www.afi-global.org/publications/leveraging-digital-financial-services-to-advance-inclusive-green-finance-policies/>



ECUADOR is also actively collecting data on the performance and impact of green loans, including metrics on the environmental benefits of financed projects.

In addition, Ecuador introduced an orientation guide on the tools for presenting monitoring and control reports related to the implementation of the Environmental and Social Risk Management System in Savings and Credit Unions and Mutual Associations.

borrowing limits and reducing reserve requirement rates for institutions issuing sustainable bonds, aiming to enhance fund availability for green projects, particularly those focused on decarbonization. Additionally, efforts to provide regulatory relief for financial institutions affected by disasters demonstrate a commitment to supporting resilience-building endeavors.

Overall, incentives should be implemented after the IGF strategic framework is in place, enabling regulators and financial institutions to effectively learn, integrate, and adapt to new guidelines and standards. This approach allows for an assessment of which incentives best suits individual market dynamics.

Furthermore, standardized reporting formats streamline the monitoring of green finance initiatives. By requiring financial institutions to regularly report green finance data, central banks can establish robust monitoring mechanisms to track progress and identify areas needing improvement. This data-centric approach strengthens the effectiveness of green finance policies and facilitates the integration of sustainable practices across the financial landscape.



As part of its IGF strategy, **PAPUA NEW GUINEA** plans to introduce financial incentives, such as subsidies, low-interest loans, and credit guarantee schemes, to reduce financial barriers and promote green investments by encouraging the adoption of sustainable practices.

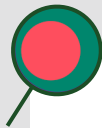
FINANCIAL INCENTIVES



The introduction of financial incentives is crucial to stimulate investments in environmentally and socially responsible projects and recent initiatives targeting both domestic and international investors highlight the growing emphasis on incentivizing green financing. However, determining the optimal timing for introducing financial incentives depends on factors such as market size, financial sector maturity, and progress in implementing IGF initiatives.

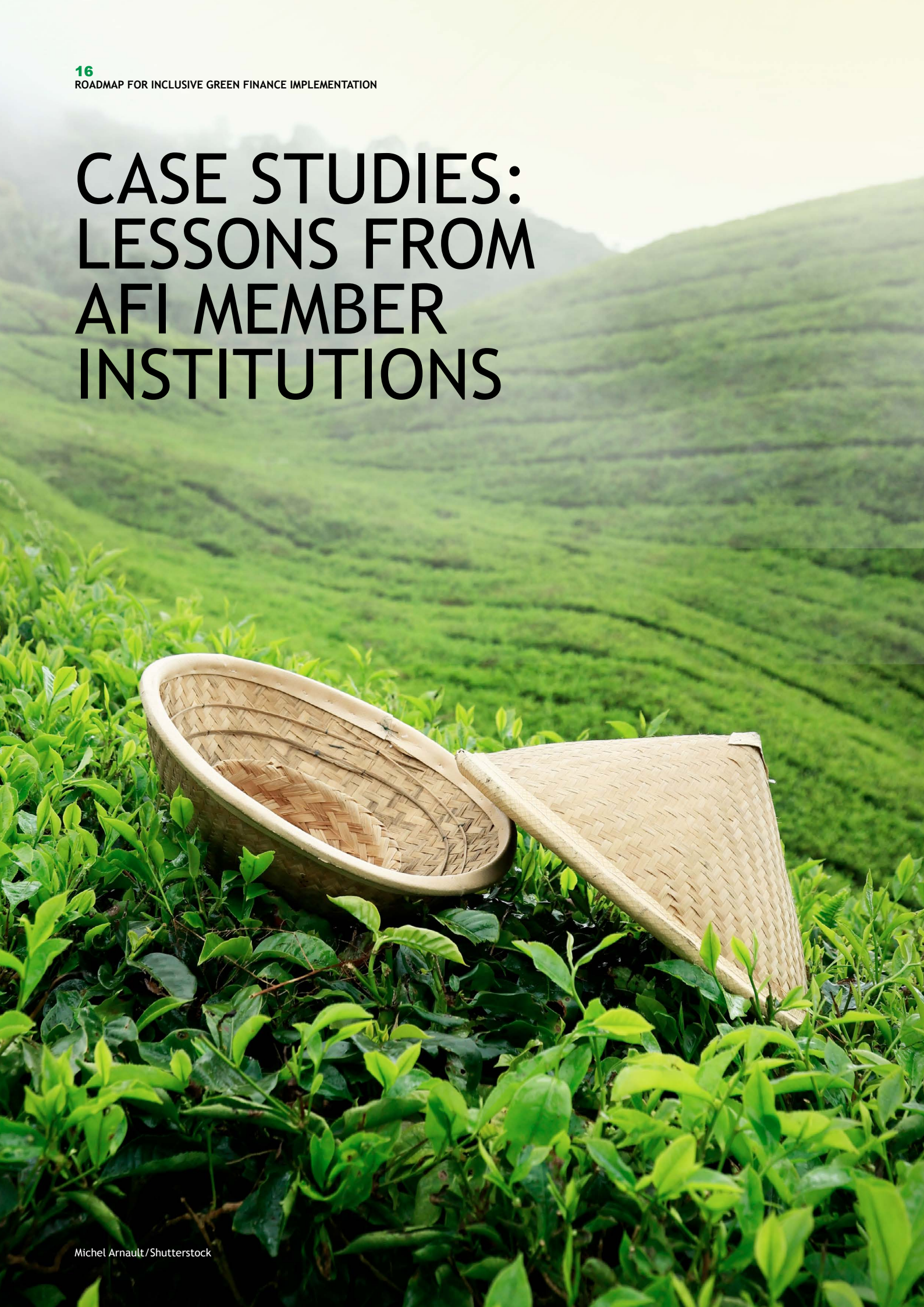
Ongoing discussions revolve around establishing refinancing facilities to address liquidity constraints for banks, with considerations including offering these facilities at subsidized rates to further incentivize participation. There is also increasing interest in exploring credit guarantee schemes to extend risk coverage to banks, encouraging their involvement in sustainable initiatives.

Moreover, regulatory bodies have implemented measures to incentivize sustainable finance within their jurisdictions. Recent policies include increasing



In **BANGLADESH**, the government offers subsidies to lower the cost of financing for green projects, thereby making sustainable practices more attractive for businesses investment.

CASE STUDIES: LESSONS FROM AFI MEMBER INSTITUTIONS



Considering the necessity for clearer and more balanced policies, an increasing number of countries are actively working towards best practice IGF goals, practices, and achievements. This follow-up report analyzes six unique case studies—Zambia, Bangladesh, Egypt, Papua New Guinea, the Philippines, and Ecuador—to translate theoretical foundations into tangible insights.

These studies provide practical examples of diverse approaches to IGF, detailing the strategies, implementation processes, challenges, and lessons learned. By examining these case studies, the aim is to extract valuable lessons that can guide future efforts in developing robust IGF infrastructure while informing stakeholders in their pursuit of sustainable and inclusive financial strategies.

The selected countries represent a geographically diverse range, including Latin America, Sub-Saharan Africa, the Middle East and North Africa (MENA), South Asia, Oceania, and the Southwest Pacific. This diversity allows for a comprehensive perspective on climate risks and the sharing of best practices. Additionally, the analysis incorporates a temporal dimension by including countries at different stages of their IGF journey. For example, Bangladesh has been pioneering sustainable finance since 2014, while Papua New Guinea and Zambia are in the early stages of strategy development. The case studies also showcase a variety of implementation approaches, such as Bangladesh's top-down strategy driven by government institutions, Zambia's phased rollout, and Papua New Guinea's pilot programs. Through these examples, the studies aim to provide a nuanced understanding of the diverse paths to developing a robust IGF infrastructure.

Central to this knowledge product is a curated collection of the evolutionary paths of these six AFI member nations in crafting their IGF policies and initiatives. Each country profile offers a comprehensive summary of key milestones, policy enactments, stakeholder engagements, and noteworthy highlights. These narratives illustrate how AFI's six foundational Building Blocks⁴ contribute to a successful IGF framework

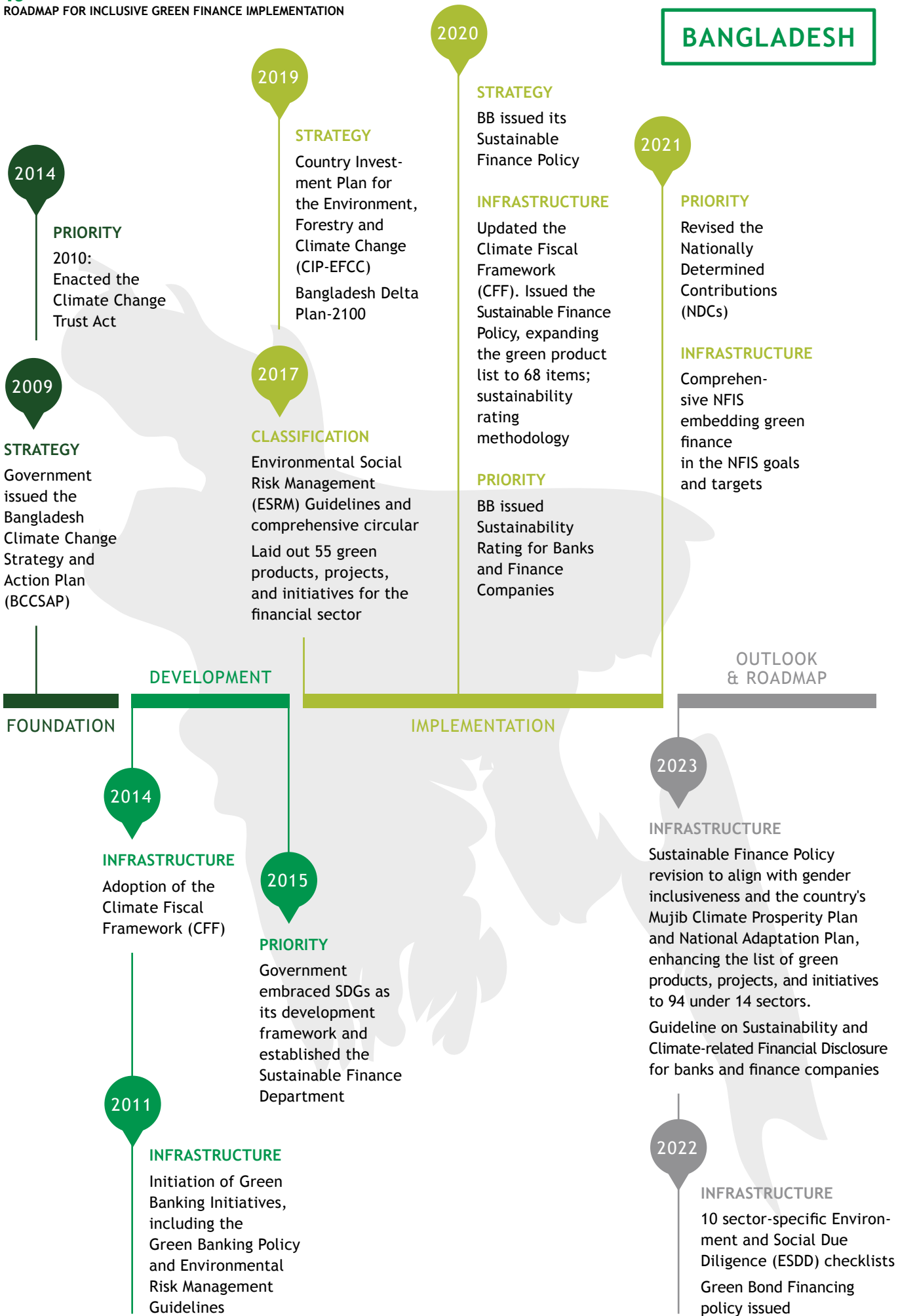
- Adoption of an IGF strategy
 - Establishing IGF as a priority
 - Building the IGF ecosystem
 - Classification of IGF
 - Data and models
 - Building a financial infrastructure
- converge to shape strategies tailored to each nation's unique context and aspirations.

⁴ Alliance for Financial Inclusion. 2022. Roadmap for Inclusive Green Finance Implementation: Building Blocks to Implement IGF Initiatives and Policies. Available at: https://www.afi-global.org/wp-content/uploads/2022/11/Roadmap-for-Inclusive-Green-Finance-Implementation_isbn.pdf

BANGLADESH



BANGLADESH



INTRODUCTION

Identified as the seventh most vulnerable country to climate change by the Intergovernmental Panel on Climate Change (IPCC), Bangladesh faces severe impacts such as rising temperatures, frequent super cyclones, and increased rainfall. These climate challenges significantly affect key sectors including agriculture, water supply, and coastal regions.

To address these issues, Bangladesh has integrated IGF strategies into its financial system, guided by the AFI Roadmap for IGF Implementation. BB has been instrumental in promoting green finance through guidelines for sustainable finance and environmental risk management and established a Sustainable

Finance Department in 2015. Despite its low carbon emissions, Bangladesh's notable temperature rise and intensified climate events highlight the urgent need for comprehensive IGF policies to support climate-resilient sustainable development. This case study explores how Bangladesh has integrated IGF strategies into its financial ecosystem, focusing on the application of Building Blocks and Policy Tools from the AFI Roadmap for IGF Implementation.

FINANCIAL SECTOR OVERVIEW

The financial sector in Bangladesh is regulated by:

Bangladesh Bank (BB): The central bank formed following independence from Pakistan, responsible for monetary policy and financial supervision.

Bangladesh's financial sector includes commercial banks, leasing and finance companies, insurance companies, and non-bank financial institutions.



Jahangir Alam Onuchcha/Shutterstock

TIMELINE OF BUILDING BLOCKS AND POLICY TOOLS



**BUILDING BLOCK 1:
ADOPTION OF AN IGF STRATEGY**

- 2009**
The Government of Bangladesh issued the Bangladesh Climate Change Strategy and Action Plan (BCCSAP).
- 2011**
Initiated Green Banking Initiatives, including the Green Banking Policy and Environmental Risk Management Guidelines.
- 2015**
Established the Sustainable Finance Department to align with national environmental and social agendas.
- 2020**
BB issued both its Sustainable Finance Policy and Sustainability Rating for Banks and Finance Companies.



**BUILDING BLOCK 2:
ESTABLISHING IGF AS A PRIORITY**

- 2010**
Enacted the Climate Change Trust Act.
- 2020**
Introduced its Sustainable Finance Policy.
- 2022**
Issued Green Bond Policy Guidelines following extensive stakeholder consultations.



**BUILDING BLOCK 3:
CLASSIFICATION OF IGF CONDUCT**

- 2017**
Introduced a comprehensive circular on Environmental and Social Risk Management with an Environmental and Social Due Diligence (ESDD) checklist.

2023

Revision of the Sustainable Finance Policy to integrate gender inclusiveness, and align with the Mujib Climate Prosperity Plan and National Adaptation Plan, increasing identified project initiatives across various sectors.



**BUILDING BLOCK 4:
DATA AND MODELS**

- 2015**
Product list issuance comprising 55 initiatives for banks to facilitate borrower-level financing.
- 2020**
Expansion of the product list from 55 to 268, followed by a further expansion in 2023 to 94 initiatives across 14 sectors.



**BUILDING BLOCK 5:
BUILDING THE IGF ECOSYSTEM**

- Established a Sustainability Rating methodology for banks and financial institutions, assessing Sustainable Finance Indicators, Core Banking Sustainability, CSR activities, achievements of Green Refinance Schemes, and Banking Services Coverage.



**BUILDING BLOCK 6:
BUILDING FINANCIAL
INFRASTRUCTURE**

- 2014**
Adopted the Climate Fiscal Framework (CFF).
- 2023**
Issued a Guideline on Sustainability and Climate-related Financial Disclosure with a reporting template, Implemented the Integrated Digital Transformation Platform (IDTP) and National Payments Switch to facilitate the interoperability of ATMs, POS systems, and internet banking.

KEY POLICY TOOLS AND THEIR CLASSIFICATION


**POLICY TOOL 1:
ADVOCACY AND AWARENESS
RAISING**

- ✓ **Surveys and Awareness Raising Events:** BB conducted numerous awareness raising events and workshops on sustainable finance, green finance, climate change impacts, and climate change mitigation and adaptation. These events included 10 to 12-hour workshops and reached significant numbers of stakeholders, including 120 bankers, 250 planners, and borrowers at divisional levels in cities such as Chattogram, Rajshahi, Rangpur, Barishal, Khulna, and Dhaka. This has led to an increase in sustainable finance from eight percent in 2021 to around seventeen percent in 2023.


**POLICY TOOL 2:
EDUCATION AND CAPACITY
BUILDING**

- ✓ **Establishment of the Sustainable Finance Department (2015):** This department was created to align with national environmental and social agendas, enhancing the capacity of financial regulators to oversee and implement sustainable finance policies.
- ✓ **Stakeholder Engagement and Consultation (2020-2022):** Extensive consultations with stakeholders, including training programs and workshops to build capacity and enhance understanding of green finance principles among regulators.
- ✓ **Training Programs for Supervised Banks and Financial Institutions:** These programs focused on building capacity for both borrowers and bank officials, ensuring they understand and can effectively implement sustainable finance practices.


**POLICY TOOL 3:
FINANCIAL INCENTIVES**

- ✓ **Subsidies for Green Projects:** The government provides subsidies to reduce the cost of financing for green projects, making them more attractive to businesses.
- ✓ **Low-Interest Loans for Sustainable Projects:** BB offers low-interest loans to promote green investments, reducing the financial burden on borrowers.
- ✓ **Green Refinance Scheme:** Established to offer preferential interest rates for green projects, encouraging banks to lend to sustainable initiatives.


**POLICY TOOLS 4
AND 5: VOLUNTARY
STANDARDS AND
MANDATORY
REGULATIONS**

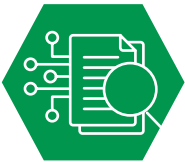
REGULATIONS AND DIRECTIVES

- ✓ **Green Banking Policy and Environmental Risk Management Guidelines (2011):** These guidelines set the foundation for sustainable banking practices, including standards for risk management and green finance activities.
- ✓ **Environmental and Social Risk Management Guidelines (2017, updated 2022):** Introduction of a comprehensive circular with one generic and 10 sector specific Environmental and Social Due Diligence (ESDD) checklists.
- ✓ **Sustainable Finance Policy (2020, revised 2023):** The policy provides comprehensive guidelines on sustainable finance, including the integration of gender inclusiveness and alignment with the Mujib Climate Prosperity Plan and National Adaptation Plan.
- ✓ **Green Bond Policy Guidelines (2022):** Issued following extensive stakeholder consultations, these guidelines provide standards for green bonds, ensuring alignment with environmental sustainability goals.

- ✓ **The Guideline on Sustainability and Climate-related Financial Disclosure for Banks and Finance Companies**, incorporating IFRS Sustainability Disclosure Standards and TCFD recommendations, was issued in December 2023.

REGULATORY SANDBOXES

- ✓ **Pilot Projects and Testing Phases (ongoing):** BB uses pilot projects and testing phases to evaluate the effectiveness of new green finance initiatives, allowing for any adjustments before full implementation. Additionally, BB is developing Climate Risk Management Guidelines, as part of a Climate Finance Policy, incorporating carbon footprint measurement, carbon trading, and carbon accounting, while integrating climate stress testing into the stress testing policy, aligning the Green Bond Financing Policy to the National Adaptation Plan, and launching a Green Credit Guarantee Scheme.



POLICY TOOL 6: RESEARCH AND DATA COLLECTION

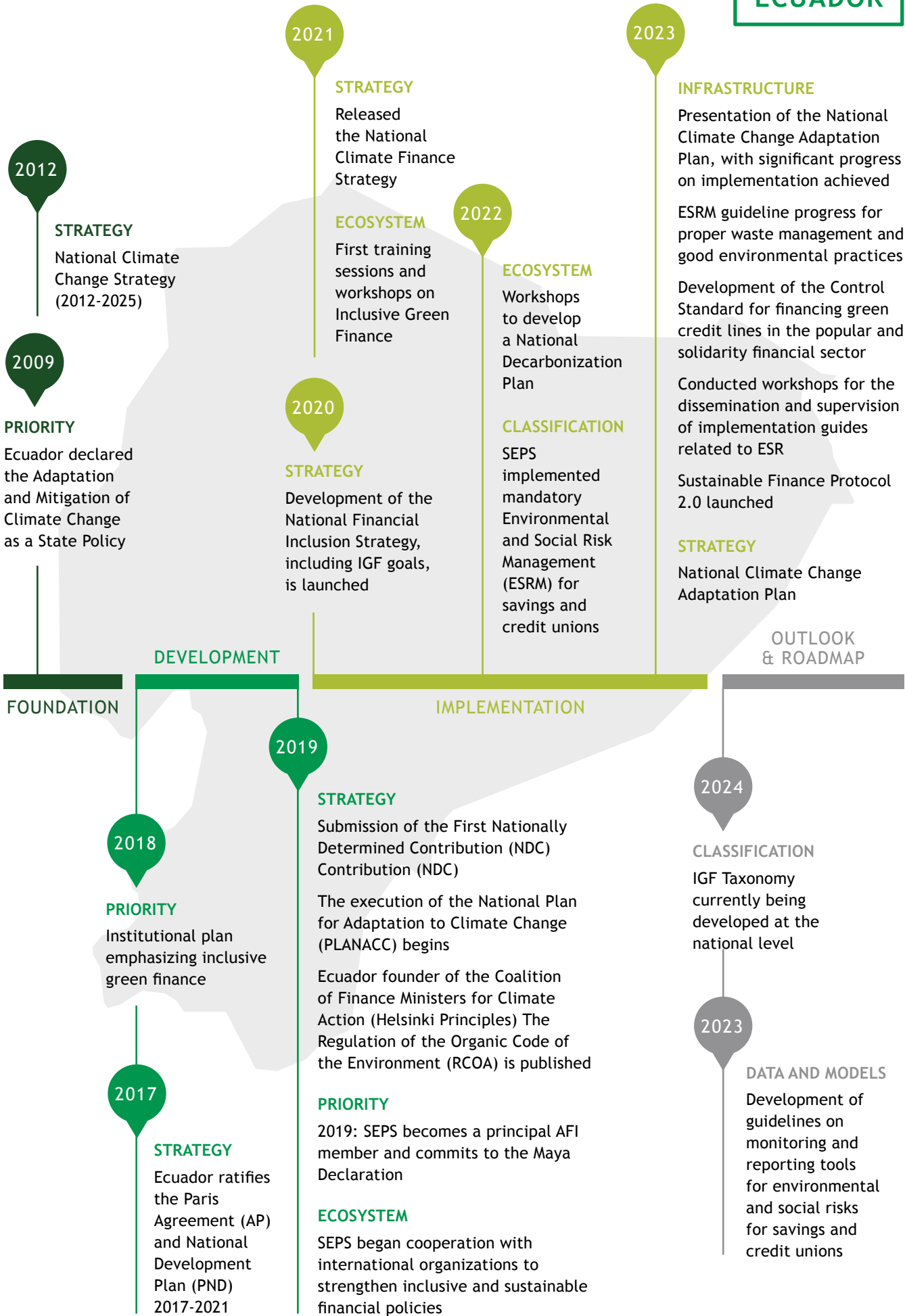
- ✓ **Demand-Side Surveys with a Climate Change Component:** Surveys that incorporate climate change indicators to understand the financial needs and vulnerabilities of different population segments, supporting the development of tailored financial products.
- ✓ **Sustainability Rating Methodology (2020):** Collecting data on various sustainability indicators from banks and finance companies to assess their performance in promoting green finance.
- ✓ **2022:** BB introduced 10 sector-specific Environment and Social Due Diligence (ESDD) checklists.
- ✓ **Guideline on Sustainability and Climate-related Financial Disclosures with a reporting template (2023):** Banks and finance companies will submit information on Sustainability and Climate-related Financial Risks and opportunities.

Bangladesh has made substantial progress in its IGF journey by aligning financial strategies with national frameworks such as Bangladesh Vision 2041, the National Adaptation Plan, and Mujib Climate Prosperity Plan. BB has spearheaded various initiatives, including the introduction of Sustainable Finance Policies, Environmental and Social Risk Management Guidelines, and sector-specific checklists to promote sustainable banking practices. Collaboration with international bodies and regional cooperation has been key, enhancing policy development and knowledge sharing. Significant milestones, such as the establishment of the Sustainable Finance Department and the issuance of Green Bond Financing policies, underscore Bangladesh's commitment to climate-resilient development. Despite the challenges, the creation of taxonomies for Sustainable Finance, Green Finance, and Climate Finance provide a robust framework for future initiatives. With a continued emphasis on capacity building, stakeholder engagement, and data reliability, Bangladesh is well-positioned to advance its IGF objectives, addressing climate risks and driving sustainable growth.

ECUADOR



ECUADOR



INTRODUCTION

Ecuador faces significant environmental challenges due to climate change, impacting its diverse ecosystems and key sectors like agriculture, energy, and water resources.

This case study examines how Ecuador has integrated IGF strategies into its financial ecosystem, utilizing the Building Blocks and Policy Tools from the AFI Roadmap for IGF Implementation. Natural disasters such as floods, landslides, droughts, and earthquakes, exacerbated by climate change, pose severe risks to the country. The El Niño phenomenon frequently causes floods and landslides, threatening Ecuador’s rich biodiversity and agricultural sector. Contributing factors include inadequate policies, poor land use planning, environmental degradation, and substandard infrastructure. To address these vulnerabilities, Ecuador has adopted a regulatory approach focused on sustainability and climate change, with constitutional mandates for emission reductions and deforestation

control. The government is investing in diverse energy sources like wind, solar, hydro, and geothermal to enhance climate resilience, contributing to the development of capacity and financial structures that support climate change mitigation and adaptation.

FINANCIAL SECTOR OVERVIEW

The financial sector in Ecuador is regulated by:

- ✓ **Central Bank of Ecuador (BCE):** Responsible for monetary policy and financial supervision.
- ✓ **Superintendency of Banks (SB):** Oversees the banking sector and ensures compliance with regulations.
- ✓ **Superintendency of Companies, Securities, and Insurance (SCVS):** Supervises non-bank financial institutions and securities markets.
- ✓ **Superintendency of Popular and Solidarity Economy (SEPS).**
- ✓ **The Financial Policy and Regulation Board.**
- ✓ **The Monetary Policy and Regulation Board.**



TIMELINE OF BUILDING BLOCKS AND POLICY TOOLS



**BUILDING BLOCK 1:
ADOPTION OF AN IGF STRATEGY**

- **2012**
Adoption of the National Climate Change Strategy (2012-2025).
- **2017**
Launch of the Green Protocol, a public-private partnership initiative to promote sustainable finance.
- **2020**
Development of the National Financial Inclusion Strategy, incorporating IGF elements to align financial inclusion with environmental sustainability goals.
- **2021**
Launch of the National Climate Financing Strategy.



**BUILDING BLOCK 2:
ESTABLISHING IGF AS A PRIORITY**

- **2009**
Ecuador declares adaptation and mitigation of climate change as a state policy.
- **2019**
SEPS becomes a principal AFI member and commits to the Maya Declaration, pledging to promote inclusive green finance.
- **2021**
Integration of green finance into the National Development Plan, emphasizing sustainable economic growth and environmental protection.
- **2022**
Ecuador commits to achieving net-zero emissions by 2050 and initiates workshops for the development of the National Decarbonization Transition Plan.⁵

⁵ The Ministry of the Environment, Water and Ecological Transition of Ecuador, issued the Ecuador Zero Carbon Program (PECC), with Ministerial Agreement No. MAAE-2021-018, and its technical standards with product and organizational scope under the Ministerial Agreements No. MAAE -2021-046 and No. MAAE-2021-047, respectively. This program encourages the production and service sector to take action on climate change, through the management of their carbon footprint, allowing the reporting of their commitments and access to environmental and tax incentives. The PECC is a voluntary and progressive application scheme designed to facilitate continuous improvement through tiered application levels. Further information is available at: <https://www.ambiente.gob.ec/programa-ecuador-carbono-cero/>

- **2023**
Revision of the National Financial Inclusion Strategy to further prioritize IGF and gender inclusiveness.



**BUILDING BLOCK 3:
CLASSIFICATION OF IGF CONDUCT**

- **2018**
Introduction of ESRM guidelines to integrate sustainability into financial decision-making processes.
- **2022**
Implementation of the Green Finance Strategy, outlining specific actions and objectives for sustainable finance.
- **2023**
The development of the green taxonomy is in process.
- **2023**
Collaboration with the Ministry of the Environment on the development of a national green taxonomy – which remains ongoing in 2024.



**BUILDING BLOCK 4:
BUILDING THE IGF ECOSYSTEM**

- Starting in 2019, SEPS began collaborating closely with international organizations to strengthen inclusive and sustainable financial policies, promoting equitable and sustainable economic development. Partnerships with international organizations such as the Inter-American Development Bank (IDB) and the Alliance for Financial Inclusion (AFI) were also initiated this year to enhance the IGF ecosystem.
- **2023**
Establishment of an Interinstitutional Agreement with the Ministry of Environment, Water, and Ecological Transition (MAATE); development of the Control Standard for financing green credit lines in the popular and solidarity financial sector.⁶

⁶ The Superintendency of Popular and Solidarity Economy signed the agreement in 2021.



BUILDING BLOCK 5: BUILDING FINANCIAL INFRASTRUCTURE

2022

Implementation of the Green Finance Platform, a digital tool to facilitate green finance transactions and reporting.



BUILDING BLOCK 6: DATA AND MODELS

2019

Establishment of the SARAS model, a comprehensive framework for assessing environmental and social risks. Banks have voluntarily adopted an environmental and social risk management model, demonstrating their commitment to responsible and sustainable financial practices that contribute to environmental stewardship and social well-being.

KEY POLICY TOOLS AND THEIR CLASSIFICATION



POLICY TOOL 1: ADVOCACY AND AWARENESS RAISING

- ✓ **Stakeholder Engagement and Public Awareness Campaigns:** Ecuador has conducted extensive awareness raising campaigns and stakeholder engagement activities to promote sustainable finance. These initiatives include workshops, seminars, and public awareness campaigns to educate stakeholders about the benefits and importance of green finance.



POLICY TOOL 2: EDUCATION AND CAPACITY BUILDING

- ✓ **2021:** First training session on Inclusive Green Finance for key stakeholders, including SEPS officials.
- ✓ **Training Programs and Workshops:** The Central Bank of Ecuador and the Superintendency of Banks organized training programs and workshops to build the capacity of financial regulators. These programs focus on enhancing their understanding of sustainable finance principles and the implementation of IGF strategies.
- ✓ **Capacity Building for Financial Institutions:** Ecuador has implemented training programs for financial institutions to improve their understanding of green finance products and practices. These initiatives include workshops, seminars, and the development of environmental and social risk management manuals.
- ✓ **2023:** Conducted workshops for the dissemination and supervision of implementation guides related to ESRM.



POLICY TOOL 3: FINANCIAL INCENTIVES

- ✓ **Green Credits Line (2022):** Ecuador has introduced a green credits line offering low-interest loans for environmentally sustainable projects, aiming to lower the cost of financing for green investments.

- ✓ **Refinancing Facilities:** Ecuador's refinancing facilities provide liquidity support to banks financing green projects at preferential rates, encouraging financial institutions to lend to sustainable initiatives.
- ✓ **Credit Guarantee Scheme:** Similar to other countries, Ecuador's credit guarantee scheme extends risk coverage for green loans, promoting the financing of sustainable projects.



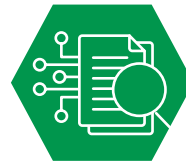
POLICY TOOLS 4 AND 5: VOLUNTARY STANDARDS AND MANDATORY REGULATIONS

REGULATIONS AND DIRECTIVES

- ✓ **Sustainable Finance Protocol (2017):** This public-private partnership under the Asobanca initiative promotes sustainable finance by setting guidelines and standards for financial institutions.⁷
- ✓ In 2018, Asobanca developed guidelines for the management of environmental and social risks, aimed at banks integrating these aspects into their financial practices.
- ✓ **Green Finance Strategy (2022):** This strategy outlines specific actions and objectives for promoting sustainable finance in Ecuador.
- ✓ **2022:** Introduction of the "Control Standard for the Management of Environmental and Social Risks in Savings and Credit Unions and Mutual Savings and Credit Associations for Housing".
- ✓ **2023:** Sustainable Finance Protocol 2.0 refresh under Asobanca.

REGULATORY SANDBOXES

- ✓ **Pilot Projects and Testing Phases (ongoing):** Ecuador uses pilot projects and testing phases to evaluate the effectiveness of new green finance initiatives, allowing for adjustments before full implementation.



POLICY TOOL 6: RESEARCH AND DATA COLLECTION

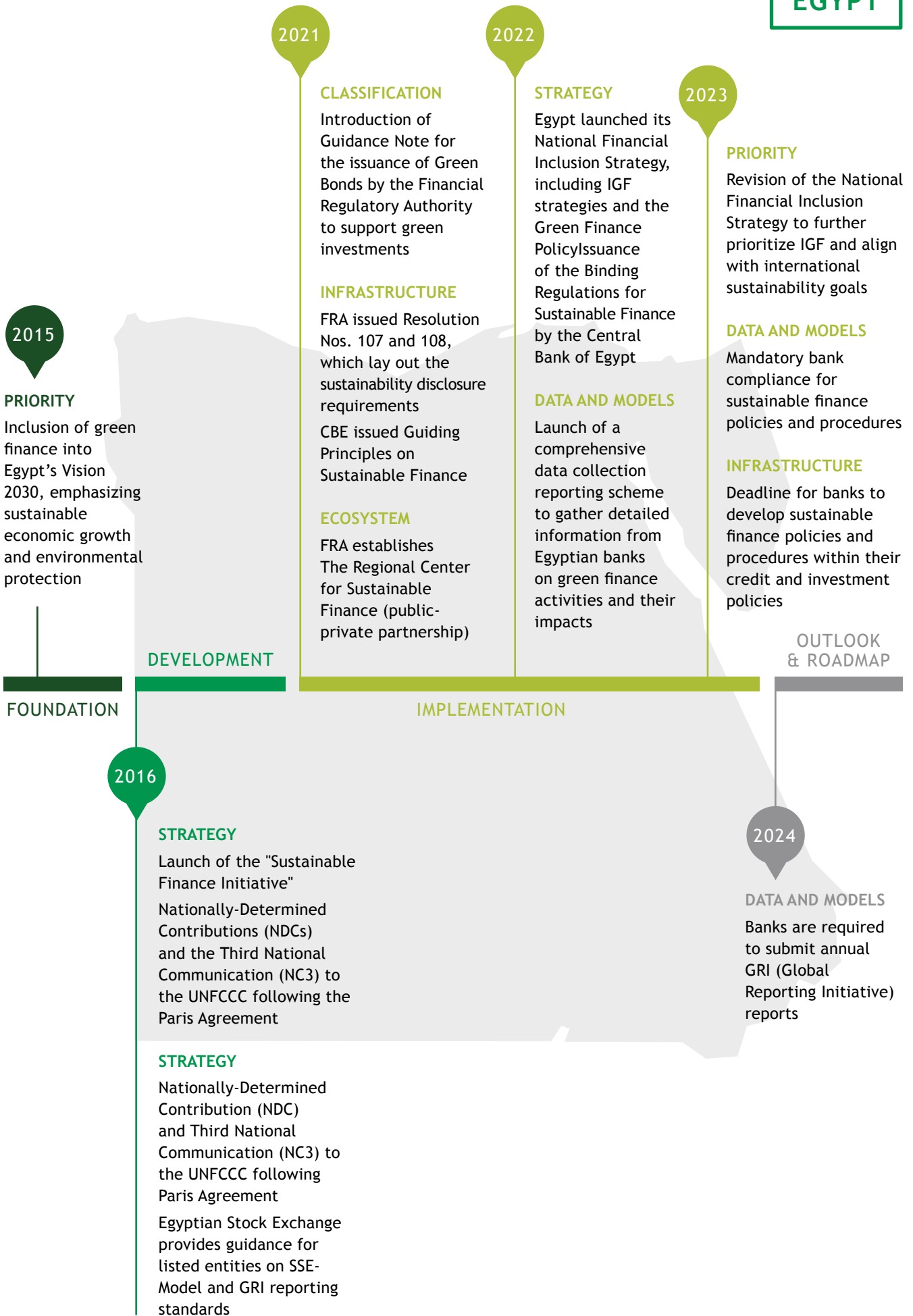
- ✓ **ESRM Model (2019):** This model provides a framework for assessing environmental and social risks, supporting data collection and analysis.
- ✓ **Data Collection Initiatives (2020):** Ecuador has launched initiatives to gather detailed information on green finance activities and their impacts, enhancing the understanding of the benefits and challenges of sustainable finance.
- ✓ **2022:** SEPS implemented the Environmental and Social Risk Systems for savings and credit unions.

Ecuador's journey with IGF highlights significant advancements and future prospects in addressing climate change, with the foundation set by declaring climate adaptation as a state policy in 2009 and adopting the National Climate Change Strategy in 2012. The 2021 launch of the National Climate Financing Strategy and the 2023 introduction of the National Climate Change Adaptation Plan further emphasize Ecuador's commitment to sustainable development. Key learnings include the importance of strong regulatory frameworks, such as the Environmental Law and Regulation and the establishment of the National Climate Change Registry. Despite financial and technical constraints, progress in green finance regulations and environmental risk management is evident. Recommendations include enhancing the capacity of financial institutions to assess green projects and improving monitoring systems. The Superintendency of the Popular and Solidarity Economy (SEPS) plays a crucial role, with initiatives like the Environmental and Social Risk Management guidelines. Looking ahead, Ecuador plans to pilot green loans and finalize a national green taxonomy, reflecting a robust commitment to climate resilience and sustainable financial practices in its IGF journey.

⁷ Further information is available at: <https://data.sbfnetwork.org/sites/default/files/PROTOCOLO-DE-FINANZAS-SOSTENIBLES-2016.pdf>

EGYPT





INTRODUCTION

Egypt faces significant environmental challenges due to climate change, impacting its water resources, agriculture, and coastal areas.

This case study examines Egypt’s integration of IGF strategies, utilizing Building Blocks and Policy Tools from the AFI Roadmap for IGF Implementation. Over the past century, Egypt has experienced increasing temperatures, with a rapid warming trend in the last three decades, making the country highly vulnerable to climate change impacts, especially in the Nile Delta region. Projections indicate worsening issues like sea level rise, water scarcity, and more frequent extreme weather events, affecting sectors such as water resources, agriculture, health, infrastructure, and coastal zones. The country has been making strides and setting leading practical examples as the Central Bank of Egypt (CBE) and the Central Agency of

Public Mobilization and Statistics (CAPMAS) supervise various financial institutions, including banks, financial inclusion, and sustainable finance institutions, to address these climate risks. Egypt faces significant environmental challenges due to climate change, which impacts its water resources, agriculture, and coastal areas. This case study explores how Egypt has integrated IGF strategies into its financial ecosystem, focusing on the application of Building Blocks and Policy Tools from the AFI Roadmap for IGF Implementation.

FINANCIAL SECTOR OVERVIEW

The financial sector in Egypt is regulated by:

- ✓ **Central Bank of Egypt (CBE):** Responsible for monetary policy and financial supervision.
- ✓ **Financial Regulatory Authority (FRA):** Oversees non-bank financial institutions, including insurance companies, mortgage finance, and the capital market.



TIMELINE OF BUILDING BLOCKS AND POLICY TOOLS



**BUILDING BLOCK 1:
ADOPTION OF AN IGF STRATEGY**

- **2021**
Issuance of the Sustainable Finance Guiding Principles by the CBE.
- **2022**
Egypt launched its National Financial Inclusion Strategy, including IGF strategies.
- **2022**
Issuance of the Binding Regulations for Sustainable Finance by the CBE.



**BUILDING BLOCK 2:
ESTABLISHING IGF AS A PRIORITY**

- **2020**
Inclusion of green finance into Egypt's Vision 2030, emphasizing sustainable economic growth and environmental protection.
- **2023**
Revision of the National Financial Inclusion Strategy to further prioritize IGF and align with international sustainability goals.



**BUILDING BLOCK 3:
CLASSIFICATION OF IGF CONDUCT**

- **2020**
The issuance of the Sovereign Green Finance Framework by the Ministry of Finance.
- **2021**
Introduction of a Guidance Note for the issuance of Green Bonds by the FRA to support green investments.
- **2021**
Issuance of an Environmental Sustainability Standards Guide (Strategic Framework for Green Recovery) by the Ministry of Planning and Economic Development in collaboration with the Ministry of Environment.

- **2022**
Sustainable Finance Gap Analysis conducted on the banking sector to optimize the decision-making process of policy recommendations.

- **2022**
Issuance of the Sovereign Sustainable Finance Framework by the Ministry of Finance.



**BUILDING BLOCK 4:
BUILDING THE IGF ECOSYSTEM**

- **2016**
Establishment of partnerships with international organizations such as the World Bank and the International Finance Corporation (IFC) to enhance the IGF ecosystem.

- **2019**
Establishment of a National Council for Climate Change, an inter-ministerial committee and key decision-making body responsible for coordinating climate policy development and implementation across ministries and agencies.

- **2021**
Establishment of a Regional Centre for Sustainable Finance by the FRA to target the removal of existing market barriers that could impede the gradual integration of sustainable finance practices, instruments, and management models.

- **OCTOBER 2023**
Deadline for banks to develop sustainable finance policies and procedures within their credit and investment policies.



**BUILDING BLOCK 5:
BUILDING FINANCIAL
INFRASTRUCTURE**

- **2022**
Establishment of a Voluntary Carbon Market by the FRA.

- **2022**
Launch of the Nexus for Water, Food, and Energy national platform by the Ministry of International Cooperation, which provides opportunities for mobilizing climate finance and private investments to support Egypt's green transition, reflecting the interlinkages and complementarity between climate action and development efforts.

2023

Launch of the integrated Hafiz Platform by the Ministry of International Cooperation that links development partners, international institutions, the government, business community, and private sector to enhance the benefit of international partnerships.



BUILDING BLOCK 6: DATA AND MODELS

2022

Launch of a comprehensive data collection reporting scheme to gather detailed information from Egyptian banks on green finance activities and their impacts.

KEY POLICY TOOLS AND THEIR CLASSIFICATION



POLICY TOOL 1: ADVOCACY AND AWARENESS RAISING

- ✓ **Stakeholder Engagement and Public Awareness Campaigns:** Egypt has conducted extensive awareness raising campaigns and stakeholder engagement activities to promote sustainable finance. These initiatives include workshops, seminars, and public awareness campaigns to educate stakeholders about the benefits and importance of green finance.
- ✓ **Regional Collaboration and Engagement:** Egypt actively engages in regional collaborations related to climate change and sustainable finance, contributing to the development of frameworks that consider the unique circumstances of each nation in the region.



POLICY TOOL 2: EDUCATION AND CAPACITY BUILDING

- ✓ **Training Programs and Workshops:** The CBE and FRA have organized training programs and workshops to build the capacity of financial regulators. These programs focus on enhancing their understanding of sustainable finance principles and the implementation of IGF strategies.
- ✓ **International Training Programs and Peer Exchanges:** Participation in international training programs and peer-to-peer exchanges to enrich regulators' understanding of global best practices in sustainable finance.
- ✓ **Capacity Building for Financial Institutions:** Egypt has implemented training programs for financial institutions to improve their understanding of green finance products and practices. These initiatives include workshops, seminars, and the development of environmental and social risk management manuals. Most of the training and development on this topic is conducted by the Egyptian Banking Institute, the CBE's capacity building arm.
- ✓ **Workshops on Green Finance and Environmental Risk Management:** Training sessions conducted to educate financial institutions on the integration

of green finance principles and environmental risk management into their operations.



**POLICY TOOL 3:
FINANCIAL INCENTIVES**

- ✓ **Tax Incentives for Green Investments:** Tax breaks and incentives for companies investing in renewable energy and other green projects.



**POLICY TOOLS 4
AND 5: VOLUNTARY
STANDARDS AND
MANDATORY
REGULATIONS**

Recognizing the importance of IGF, the CBE integrated strategies into its National Financial Inclusion Strategy, launched in November 2022. Collaborating with stakeholders like the CAPMAS, European Union (EU), and Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), the bank aims to promote sustainable finance practices and manage climate risks. While initially non-binding, the bank issued its first set of binding regulations in November 2022, emphasizing the importance of addressing climate risk in financing decisions.⁸

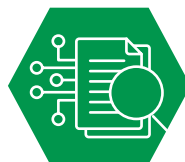
- ✓ **Sovereign Green Finance Framework (2020):** The framework was developed in accordance with the 2018 ICMA Green Bond Principles and under which Egypt can issue green bond(s) or sukuk(s), issued by the Ministry of Finance.
- ✓ **Green Bond Guidelines (2021):** These guidelines support green investments by providing a framework for the issuance of green bonds.
- ✓ **Sovereign Sustainable Finance Framework(2022):** This strategy provides comprehensive guidelines on promoting sustainable finance in Egypt, issued by the Ministry of Finance.
- ✓ **Binding Regulations for Sustainable Finance (2022):** The CBE issued its first set of binding regulations, which included the establishment of a sustainability department in all banks, integrating policies and procedures, reporting, and the obligation to consult an environmental expert when making material lending decisions.

REGULATORY SANDBOXES

Pilot Projects and Testing Phases (ongoing):

Egypt uses pilot projects and testing phases to evaluate the effectiveness of new green finance initiatives, allowing for adjustments before full implementation.

Voluntary and mandatory regulations play a crucial role in assessing the impact of sustainable finance guidelines, requiring banks to develop and implement sustainable finance policies by October 2023. Bank boards ensure governance and accountability, while independent sustainable finance departments report directly to the CEO. Banks must submit quantitative reports on sustainable finance activities, enhancing transparency, and starting in 2024, annual GRI reports. Environmental experts, authorized by the Ministry of Environment, are designated to assess the risks of large projects, with a high percentage of banks already incorporating ESRM guidelines. Regulatory authorities consult with commercial banks before issuing regulations, ensuring they are well-informed and tailored to the Egyptian banking landscape. This comprehensive framework embeds sustainable finance practices within the sector, promoting compliance, transparency, and integration of environmental considerations into credit decisions.



**POLICY TOOL 6:
RESEARCH AND DATA COLLECTION**

- ✓ **Data Collection Framework (2022):** Comprehensive framework to gather detailed information on E&S activities and their impacts, enhancing the understanding of the benefits and challenges of sustainable finance.
- ✓ **Data Collection Initiatives (2024):** Banks are required to start submitting annual Global Reporting Initiative (GRI) reports.

⁸ Further information is available at: <https://www.cbe.org.eg/en/news-publications/news/2022/11/03/11/14/binding-regulations-to-enhance-sustainability-and-sustainable-finance>

KEY LEARNINGS AND RECOMMENDATIONS

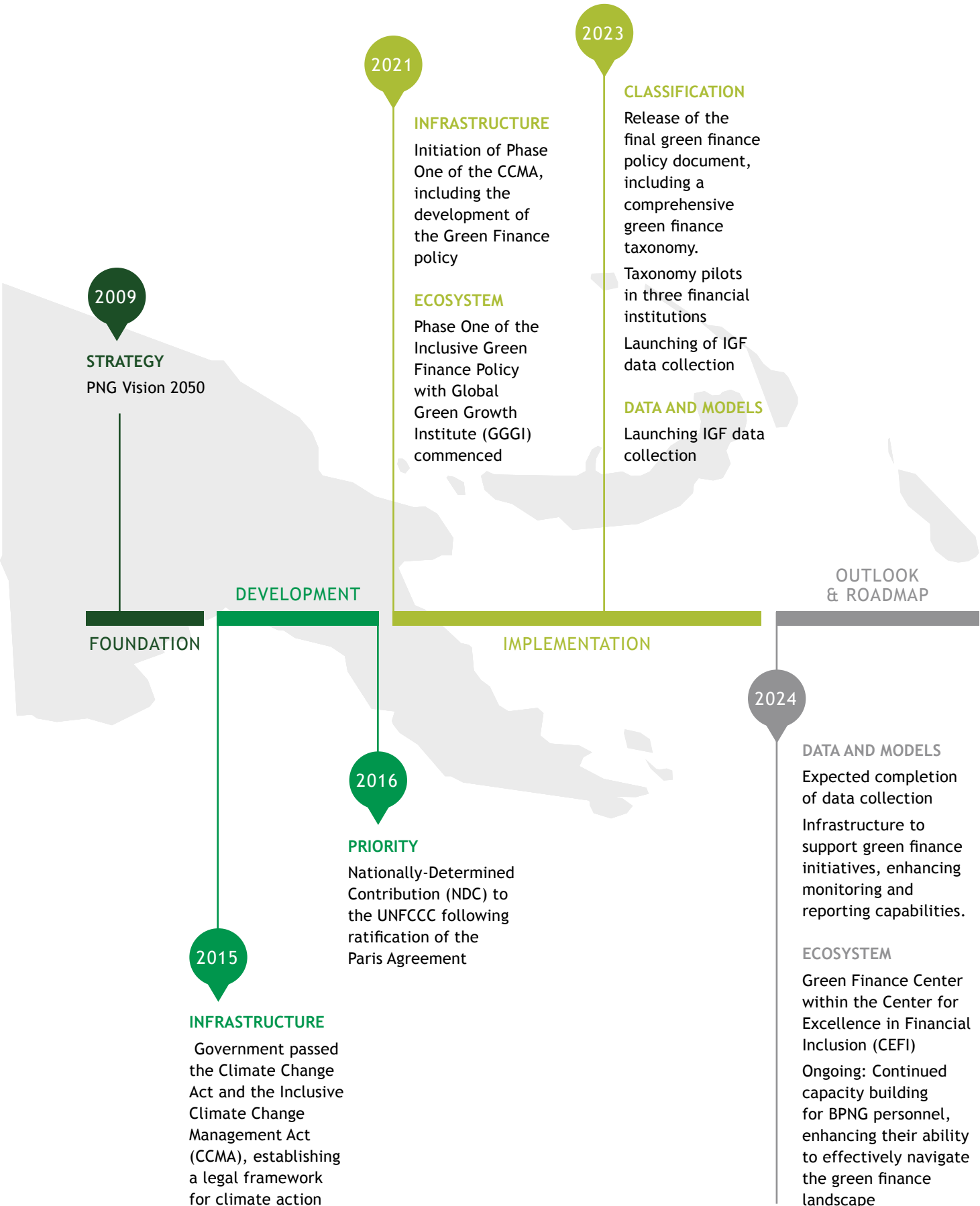
Egypt has made significant strides in addressing climate change through initiatives led by the CBE and the establishment of the Climate Risk Committee chaired by the Prime Minister. This committee, which includes representatives from key ministries, plays a pivotal role in ensuring that climate-related actions align with national goals and coordinates efforts among different stakeholders. To support Egypt's Vision 2030, the CBE collaborates closely with several stakeholders to strengthen sustainable finance regulations, integrating the Sustainability and Financial Inclusion Departments within its operations. This commitment was highlighted by the issuance of binding regulations mandating banks to establish dedicated sustainable finance departments reporting directly to their CEOs, ensuring that sustainability is embedded in core banking operations. The CBE's participation in global forums and multiple international organizations further underscores its dedication to increasing its capacity in sustainable finance and aligning with global best practices.

To accelerate progress in IGF, the CBE has focused on practical tools and frameworks. Banks in Egypt report a range of indicators related to their sustainable finance portfolios, guided by classifications issued by the Ministry of Environment and the IFC. Analysts evaluate these projects quarterly, providing comprehensive impact assessment reports that guide the understanding of progress and challenges in financing sustainable projects. The CBE's sustainability department plays a crucial role in guiding banks to overcome challenges, such as breaking down departmental silos, ensuring alignment with bank strategies, and facilitating the effective implementation of sustainable finance initiatives. These efforts highlight the importance of tailored approaches, continuous monitoring, and collaboration among regulatory authorities and commercial banks to foster a robust IGF ecosystem in Egypt.

PAPUA NEW GUINEA



PAPUA NEW GUINEA



INTRODUCTION

Papua New Guinea (PNG) is acutely vulnerable to climate change impacts such as rising sea levels, frequent extreme weather events, and shifting agricultural productivity.

Confronted with geographical and infrastructural challenges, PNG faces natural hazards including landslides, floods, droughts, and cyclones, all intensified by climate change. Influences from the El Niño Southern Oscillation (ENSO) and the South Pacific Convergence Zone (SPCZ) contribute to climate variability, affecting rainfall patterns and increasing extreme weather events. Ranked ninth globally for disaster risk, PNG addresses these environmental challenges through climate change legislation and international agreements like the Paris Climate Agreement. The Climate Change and Development Authority (CCDA) spearheads national

climate-compatible growth, while the Bank of Papua New Guinea (BPNG) drives financial resilience through the Green Finance policy. These efforts demonstrate PNG's commitment to sustainable development and climate adaptation, integrating IGF strategies as outlined in the AFI Roadmap for IGF Implementation.

Papua New Guinea (PNG) is highly vulnerable to the impacts of climate change, including rising sea levels, increased frequency of extreme weather events, and changes in agricultural productivity. This case study explores how PNG has integrated IGF strategies into its financial ecosystem, focusing on the application of Building Blocks and Policy Tools from the AFI Roadmap for IGF Implementation.

FINANCIAL SECTOR OVERVIEW

The financial sector in PNG is regulated by:

Bank of Papua New Guinea (BPNG): Responsible for monetary policy and financial supervision.



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TIMELINE OF BUILDING BLOCKS AND POLICY TOOLS



**BUILDING BLOCK 1:
ADOPTION OF AN IGF STRATEGY**

- **2009**
Launch of PNG Vision 2050, outlining the country’s long-term development strategy including sustainable and climate-resilient goals.
- **2019**
Initiation of the IGF strategy by BPNG, emphasizing the integration of climate risks into financial sector policies.
- **2022**
Development of the National Financial Inclusion Strategy, incorporating IGF elements to align financial inclusion with environmental sustainability goals.



**BUILDING BLOCK 2:
ESTABLISHING IGF AS A PRIORITY**

- **2016**
Ratification of the Paris Climate Agreement and submission of PNG’s Nationally Determined Contributions (NDCs) to the (United Nations Framework Convention on Climate Change (UNFCCC).
- **2021**
Integration of green finance into the national development agenda, emphasizing sustainable economic growth and environmental protection.
- **2023**
Revision of the National Financial Inclusion Strategy to further prioritize IGF and gender inclusiveness.



**BUILDING BLOCK 3:
CLASSIFICATION OF IGF CONDUCT**

- **2020**
Introduction of guidelines for ESRM to integrate sustainability into financial decision-making processes.
- **2023**
(June): Release of the Green Finance Policy by the Prime Minister, including a green finance

taxonomy, diagnostic study, and a three-year roadmap. Implementation of the Green Finance Strategy, outlining specific actions and objectives for sustainable finance.

- **2024**
Planned pilot of the Green Finance Taxonomy with MiBank, Nationwide Microbank, Women’s Microbank, and Bank South Pacific (BSP).



**BUILDING BLOCK 4:
BUILDING THE IGF ECOSYSTEM**

- Development of partnerships with international organizations such as the World Bank and Asian Development Bank (ADB) to enhance the IGF ecosystem.
- **2021**
Identification of technical partners, leading to the selection of the Global Green Growth Institute (GGGI).
- **2023**
Establishment of the Green Finance Centre within the Centre for Excellence in Financial Inclusion (CEFI), with recruitment for key positions underway.



**BUILDING BLOCK 5:
BUILDING FINANCIAL
INFRASTRUCTURE**

- **2023**
Implementation of a digital platform to facilitate green finance transactions and reporting.



**BUILDING BLOCK 6:
DATA AND MODELS**

- **2020**
Establishment of a comprehensive framework to assess environmental and social risks.
- **2022**
Launch of a data collection initiative to gather detailed information on green finance activities and their impacts.

KEY POLICY TOOLS AND THEIR CLASSIFICATION



POLICY TOOL 1: ADVOCACY AND AWARENESS RAISING

- ✓ **Steering Committee and Technical Working Groups:** PNG operates with a steering committee providing guidance and technical working groups offering specialized inputs. To date, eight steering committee meetings and three technical working group sessions have been conducted. Drafts from foreign consultants were presented to the technical working group for feedback and adaptation to the local context, a process that involved nearly 30 stakeholders from government institutions, financial bodies, NGOs, and CSOs, all contributing their technical expertise.
- ✓ **Public Awareness Campaigns:** PNG has conducted awareness raising campaigns to educate stakeholders about the benefits and importance of green finance.



POLICY TOOL 2: EDUCATION AND CAPACITY BUILDING

- ✓ **Training Programs and Workshops:** BPNG has organized training programs and workshops to build the capacity of financial regulators, focusing on enhancing their understanding of sustainable finance principles and the implementation of IGF strategies.
- ✓ **International Training Programs and Peer Exchanges:** Participation in international training programs and peer-to-peer exchanges to enrich regulators' understanding of global best practices in sustainable finance.
- ✓ **2024-ongoing:** Continued capacity building of BPNG personnel, enhancing their ability to effectively navigate the green finance landscape.

TRAINING TO SUPERVISED FINANCIAL INSTITUTIONS

- ✓ **Workshops on Green Finance and Environmental Risk Management:** Training sessions conducted to educate financial institutions on the integration of green finance principles and environmental risk management into their operations.



POLICY TOOL 3: FINANCIAL INCENTIVES

- ✓ **Proposed Financial Incentives:** PNG plans to introduce financial incentives such as subsidies, low-interest loans, and credit guarantee schemes to promote green investments, aiming to reduce the financial barriers to adopting sustainable practices.
- ✓ **National Funding Mechanisms:** Leveraging global funds to provide financial support for green projects, including grants and low-interest loans aimed at promoting sustainable investments.

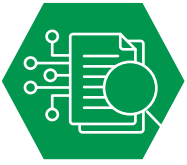


POLICY TOOLS 4 AND 5: VOLUNTARY STANDARDS AND MANDATORY REGULATIONS

- ✓ **2015:** Passing of the Climate Change Bill, establishing a legal framework for climate action.
- ✓ **ESRM Guidelines (2020):** These guidelines integrate sustainability into financial decision-making processes, ensuring that environmental and social risks are considered.
- ✓ **2021 (June):** Initiation of Phase One of the Inclusive Climate Change Management Act (CCMA) 2015, including the development of the Green Finance policy.
- ✓ **Green Finance Strategy (2023):** This strategy outlines specific actions and objectives for promoting sustainable finance in PNG.

REGULATORY SANDBOXES

- ✓ **Pilot Projects and Testing Phases (Ongoing):** PNG uses pilot projects and testing phases to evaluate the effectiveness of new green finance initiatives, allowing for adjustments before full implementation.



POLICY TOOL 6: RESEARCH AND DATA COLLECTION

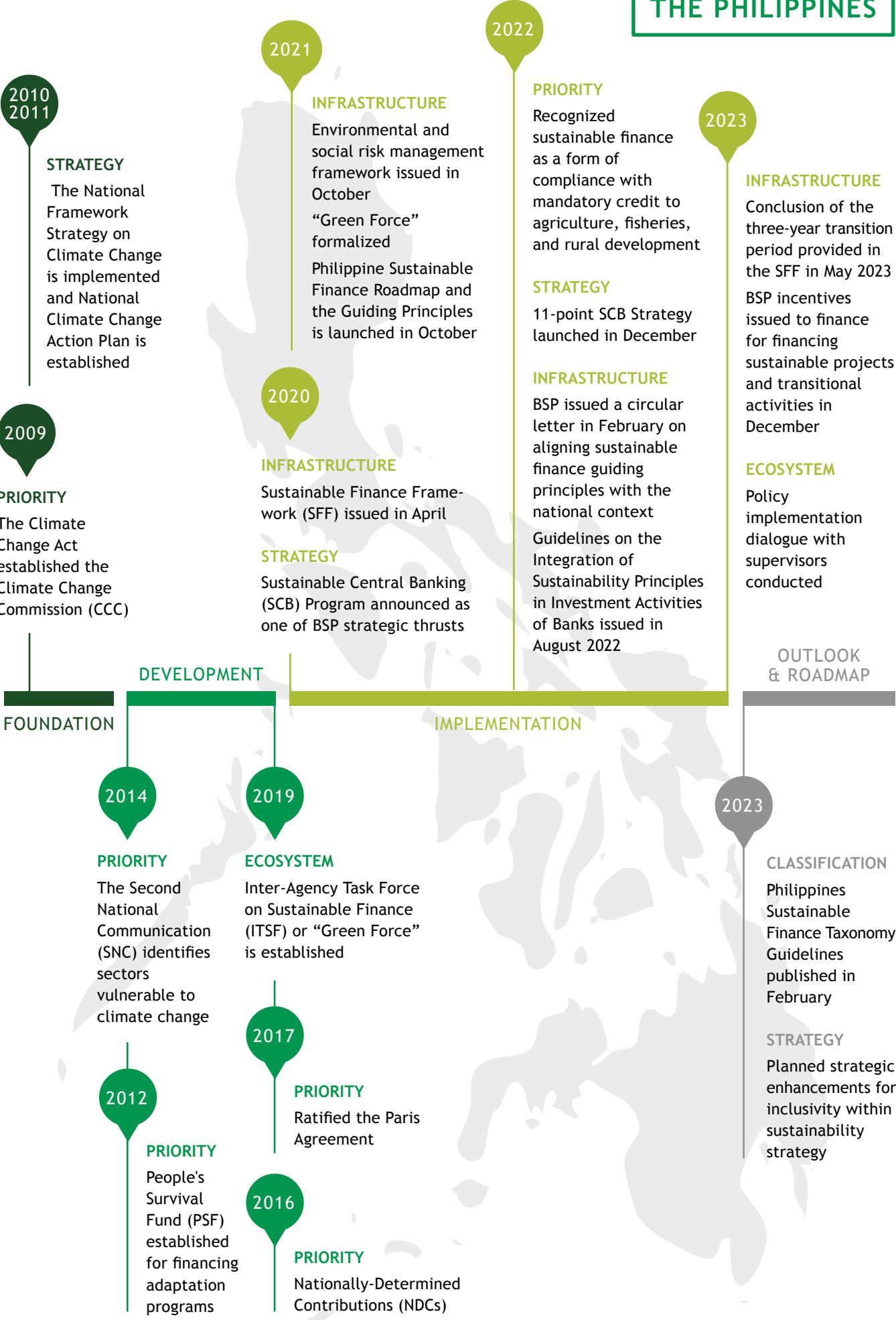
- ✓ **Comprehensive Framework for Environmental and Social Risks (2020):** This framework supports data collection and analysis to assess the environmental and social risks associated with financial activities.
- ✓ **Data Collection Initiatives (2022):** PNG has launched initiatives to gather detailed information on green finance activities and their impacts, enhancing the understanding of the benefits and challenges of sustainable finance.
- ✓ **2024:** Expected completion of data collection infrastructure to support green finance initiatives, enhancing monitoring and reporting capabilities.

PNG's journey with IGF has made significant strides through the development and implementation of the Green Finance Policy. Coordinated by the CCDA and aligned with PNG Vision 2050, the policy aims to address climate risks and promote sustainable financial practices. The BPNG has played a pivotal role, establishing the Green Finance Centre and collaborating with technical partners like the GGCI. Phase One, marked by the release of a green finance taxonomy and a strategic roadmap, set the stage for structured green investments. Key learnings emphasize the importance of institutional capacity building, stakeholder engagement, and the creation of a supportive policy framework. Recommendations include enhancing the ability of financial institutions to assess green projects, increasing domestic funding for green initiatives, and developing robust monitoring and reporting systems. Looking ahead, PNG aims to pilot the Green Finance Taxonomy with selected banks, demonstrating a replicable model for the region. The focus on digital financial services is critical for reaching remote areas while highlighting the role of technology in financial inclusion. Overall, PNG's IGF journey reflects a commitment to climate resilience and sustainable development, with prospects for broader regional impacts.

THE PHILIPPINES



THE PHILIPPINES



INTRODUCTION

The Philippines, highly vulnerable to climate change and rising temperatures, faces frequent typhoons, rising sea levels, and changing weather patterns that impact agriculture, fisheries, and economic stability.

This case study examines the integration of IGF strategies into its financial ecosystem, utilizing the AFI Roadmap for IGF Implementation. The archipelago, comprising 7,641 islands, features a humid climate and mountainous terrain, with narrow coastal plains. Renowned for its biodiversity, the country generates USD3.5 billion annually from its extensive coastlines and marine resources. However, the Philippines faces multiple climate risks, including floods, droughts, typhoons, landslides, heavy rainfall, and tropical cyclones, with sea-level rise expected to threaten up to one million people with flooding by 2070. Agriculture is particularly vulnerable to flooding and droughts, which could reduce productivity and exacerbate income inequality. Effective adaptation and disaster risk reduction are crucial to maintaining progress in poverty alleviation amid these challenges.

FINANCIAL SECTOR OVERVIEW

The Philippine financial sector is overseen and regulated by:

- ✓ **Bangko Sentral ng Pilipinas (BSP):** Responsible for price stability, financial stability, and oversight

of the payment and settlement systems in the Philippines. The BSP supervises banks, quasi-banks, trust entities, money service businesses, credit granting businesses, payment systems operators, and other financial institutions, which under special laws, are subject to BSP supervision.⁹

- ✓ **Securities and Exchange Commission (SEC):** Regulatory agency charged with supervision of the corporate sector, capital market participants, the securities and investment instruments market, and safeguarding the interests of the investing public.¹⁰
- ✓ **Insurance Commission (IC):** Regulates and supervises the insurance, pre-need, and health maintenance organization (HMO) industries.¹¹
- ✓ **Philippine Deposit Insurance Corporation (PDIC):** Provides deposit insurance coverage for the depositing public and helps promote financial stability.¹²

The above regulatory agencies form the Financial Sector Forum (FSF), a voluntary inter-agency body dedicated to facilitating consultation and information exchange on supervision concerns, as well as coordinating the regulatory and supervisory policies and efforts of its member agencies.¹³

⁹ Further information is available at: <http://www.bsp.gov.ph/downloads/regs/RA11211.pdf> and <http://www.bsp.gov.ph/downloads/Regulations/gba.pdf>

¹⁰ Further information is available at: https://www.sec.gov.ph/wp-content/uploads/2020/08/2020TransparencySeal_SEC-Strategic-Plan.pdf

¹¹ Further information is available at: https://www.insurance.gov.ph/wp-content/uploads/2023/03/IC_Citizens-Charter_Rev-2023.pdf

¹² Further information is available at: <https://www.pdic.gov.ph/about-pdic>

¹³ Further information is available at: https://www.bsp.gov.ph/Regulations/Issuances%20of%20Policy%20Exposure%20Drafts/PH_Sustainable_Finance_Taxonomy_Guidelines_Consultation_Paper.pdf



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TIMELINE OF BUILDING BLOCKS AND POLICY TOOLS



BUILDING BLOCK 1:
ADOPTION OF AN IGF STRATEGY

2009

The Climate Change Act established the Climate Change Commission (CCC) as the lead policymaking body in the Philippines for climate change. The Climate Change Act was amended in 2011 to create the People’s Survival Fund (PSF) for the financing of adaptation programs.

2011

The National Climate Change Action Plan was formulated outlining the programs and activities for adaptation and mitigation in line with the national development plans.¹⁴

2020

The BSP launched the Sustainable Central Banking (SCB) Program as part of its 2020-2023 Strategy Map which promotes the sustainability agenda in the financial sector, with the BSP’s 11 action points launched in December 2022.¹⁵ The promotion of inclusive green finance is also echoed in one of the 11 action points.

2021

The Philippine Sustainable Finance Roadmap was launched outlining strategic actions to promote sustainable finance.

2022

Building from the 2015 strategy, the National Strategy for Financial Inclusion was enhanced with increased financing access for MSMEs, including startups, and the agriculture sector as one of the four desired outcomes.¹⁶

¹⁴ Further information is available at: <https://climate.gov.ph/our-programs/national-climate-change-action-plan/monitoring-and-evaluation>

¹⁵ The BSP launched its 2024-2029 Enterprise Strategy in June 2024 which includes, among others, the strategy on mainstreamed inclusion in the sustainability agenda.

¹⁶ Further information is available at: <https://www.bsp.gov.ph/Pages/InclusiveFinance/NSFI-2022-2028.pdf>



BUILDING BLOCK 2:
ESTABLISHING IGF AS A PRIORITY

2021

The Philippine Sustainable Finance Guiding Principles was launched to provide principles-based guidance on identifying economic activities that contribute to sustainable development.

2023

The draft Philippine Sustainable Finance Taxonomy Guidelines¹⁷ was circulated for feedback. In February 2024, the BSP adopted the Philippine Sustainable Finance Taxonomy Guidelines.

The local taxonomy initially focused on climate change mitigation and adaptation, with plans for continuous expansion to cover biodiversity and the circular economy. The sectors covered in the current version are aligned with the priority sectors under the NDC and NAP, while a dedicated section provides a simplified approach to assess the activities of MSMEs for sustainable financing. The draft was circulated for written feedback in September 2023, with parallel in-person consultations with different stakeholders to gather additional input. The final version of the taxonomy was released in February 2024 and is now embodied in the regulations issued by the BSP and the SEC for their respective supervised entities.



BUILDING BLOCK 3:
CLASSIFICATION OF IGF CONDUCT

2014

The Second National Communication (SNC) identified agriculture, water resources, infrastructure, and human health as highly vulnerable sectors to climate change.¹⁸

2016

The Philippines submitted its Nationally Determined Contributions (NDCs) with updates in 2021.

2017

The Philippines ratified the Paris Agreement.

¹⁷ The taxonomy is aligned with the country’s climate strategies and targets and with the ASEAN Taxonomy for Sustainable Finance.

¹⁸ Further information is available at: <https://unfccc.int/non-annex-I-NCs>

- **2020**
The BSP issued the Sustainable Finance Framework (SFF) to integrate sustainability principles into the corporate and risk governance, strategic objectives, and operations of banks.
- **2021**
The ESRM Framework was released requiring banks to incorporate E&S factors in their credit and operational risk management systems.
- **2022**
The BSP's SFF was amended to incorporate E&S factors in the investment activities of banks.



BUILDING BLOCK 4: BUILDING THE IGF ECOSYSTEM

- **2017**
The BSP and International Finance Corp. (IFC) signed a Memorandum of Understanding to promote and support the BSP's capacity building, supervised institutions, and stakeholders in the adoption of good Environmental and Social Governance (ESG) and corporate governance practices in banking operations.¹⁹
- **2021**
The creation of the Inter-Agency Task Force on Sustainable Finance (ITSF), also known as the Green Force,²⁰ was formalized²¹ in 2021 with support from the UK under the ASEAN Low Carbon Energy Programme (ALCEP). Co-chaired by the Department of Finance and the Climate Change Commission, the Green Force is comprised of 18 financial sector authorities and government agencies. Its goals are to harmonize government policies on green and sustainable projects, establish a cohesive action plan to institutionalize sustainable finance, and develop a pipeline of sustainable investments, thereby contributing to the Philippines' Sustainable Development Goals and climate objectives.

¹⁹ Further information is available at: <https://www.bsp.gov.ph/SitePages/MediaAndResearch/MediaDisp.aspx?ItemID=4297>

²⁰ The ITSF was initially convened in 2019 as IACSF, the Inter-Agency Council on Sustainable Finance (IACSF). Available at: <https://documents1.worldbank.org/curated/en/244321629266625579/pdf/Philippines-Financial-Sector-Assessment-Program-Climate-Change-and-Environmental-Risks-and-Opportunities-Technical-Note.pdf>

²¹ Climate Change Commission Resolution No. 2021-002. Available at: <https://climate.gov.ph/knowledge/climate-laws-and-policies/resolutions>

- Establishment of partnerships with international organizations such as the Green Climate Fund (GCF) and the Global Environment Facility (GEF) to enhance the IGF ecosystem.

- **2022**
The FSF created a dedicated technical working group tasked with harmonizing regulations on corporate governance, risk management, and disclosure requirements related to sustainable finance, as well as developing the sustainable finance taxonomy.

The BSP actively supports the banking industry in the Philippines through partnerships and engagement with banking associations, for example, the Bankers Institute of the Philippines (BAIPHIL), Bankers Association of the Philippines, Chamber of Thrift Banks, Rural Bankers Association of the Philippines, and Cooperative Association of the Philippines. The bank also collaborates with knowledge partners and multilateral organizations to conduct webinars on a variety of topics, including the implementation of BSP guidelines, climate stress testing, and sustainability reporting. These efforts aim to promote the sustainability agenda within the financial sector and elevate the capacity of supervised entities and supervisors.



BUILDING BLOCK 5: BUILDING FINANCIAL INFRASTRUCTURE

- **2015**
The National Retail Payment System was launched to reform the retail payment system and accelerate digital payments in the country.²²
- **2019**
The National QR Code Standard was launched with person-to-person and person-to-merchant use cases.
- **2021**
The Philippines established its Sustainable Finance Framework to support its sustainability commitments and facilitate the issuance and reporting of sustainable financing instruments.²³

²² Further information is available at: https://www.bsp.gov.ph/Media_And_Research/Primers%20Faqs/Digital%20Payments%20Transformation%20Roadmap%20Report.pdf

²³ Further information is available at: <https://www.treasury.gov.ph/wp-content/uploads/2022/01/Republic-of-Philippines-Sustainable-Finance-Framework-vF-with-disclaimer.pdf>



BUILDING BLOCK 6: DATA AND MODELS

2019

Development of the Disaster Risk Financing and Insurance (DRFI) strategy to strengthen resilience to climate-related risks.

2020

The BSP's SFF requires that banks disclose sustainability-related information in their 2023 annual report.

KEY POLICY TOOLS AND THEIR CLASSIFICATION



POLICY TOOL 1: ADVOCACY AND AWARENESS RAISING

- ✓ **Green Force and Financial Inclusion Steering Committee:** These bodies, which have been instrumental in advocating for sustainable finance and stakeholder collaboration, work with various international organizations to align policies with global standards, enhancing the effectiveness of IGF strategies.
- ✓ **Regional Collaboration and Engagement:** The BSP is a member of global associations such as AFI, the Sustainable Finance and Banking Network (SBFN) and the Network for Greening the Financial System (NGFS). In addition, the bank is actively engaged in multiple working groups and committees established by the NGFS and ASEAN related to sustainable finance, among others, and, as of 2024, is a new member of the NGFS Steering Committee for a two-year term.



POLICY TOOL 2: EDUCATION AND CAPACITY BUILDING

- ✓ **Training and Workshops:** The BSP organized trainings and workshops to build the capacity of financial institutions and supervisors in collaboration with a range of development partners and industry associations. These learning sessions focused on enhancing their understanding of sustainable finance concepts and principles, sustainable finance products and practices, climate stress testing, and sustainability reporting.
- ✓ **International Trainings and Peer Exchanges:** Participation in international training programs and peer-to-peer exchanges to broaden regulators' understanding of global best practices in sustainable finance.
- ✓ **High-level Forum on ESG Practices:** This event, targeted at high-level officials from banks and government agencies, aimed to raise awareness on sustainable banking and climate finance, available tools and resources, and existing practices on how ESG and ESRM can be integrated into banks' lending and investment decisions.²⁴



POLICY TOOL 3: FINANCIAL INCENTIVES

- ✓ **Regulatory Relief for Disaster-Affected Financial Institutions:** To support resilience-building endeavors, the Philippines provides regulatory relief, such as relaxed capital requirements, for financial institutions affected by disasters.
- ✓ **Sustainable Finance in Mandated Lending:** Sustainable finance instruments extended by banks are recognized as an eligible mode of compliance with mandatory credit to agriculture, fisheries, and rural development.
- ✓ **Incentivized Financing of Green or Sustainable Projects or Activities:** In December 2023, through Circular No. 11857,²⁵ the BSP introduced additional time-bound incentive measures for banks, such

²⁴ Further information is available at: <https://www.bsp.gov.ph/SitePages/MediaAndResearch/MediaDisp.aspx?ItemId=4536>

²⁵ Further information is available at: <https://www.bsp.gov.ph/Regulations/Issuances/2023/1185.pdf>

as increasing the single borrower's limit by 15 percent and reducing reserve requirement rates to zero percent for sustainable bonds.

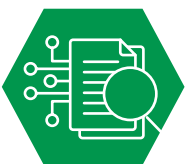


POLICY TOOLS 4 AND 5: VOLUNTARY STANDARDS AND MANDATORY REGULATIONS

- ✓ **Sustainable Finance Framework (2020):** Issued by the BSP to integrate sustainability principles into the corporate governance, risk management systems, strategic objectives, and operations of banks. This framework, which took effect in May 2023, provided banks with a three-year period to revisit strategies and undertake adjustments in policies and procedures, if necessary.
- ✓ **ESRM Guidelines (2021):** Require banks to incorporate E&S factors in their credit and operational risk management systems.
- ✓ **Integration of Sustainability Principles in Investment Activities of Banks (2022):** Requires banks to incorporate sustainability principles in their investments in debt or equity securities issued by companies.
- ✓ **Implementation of an ESRM System (2022):** The BSP released supplementary guidance outlining approaches that banks can consider when developing their ESRM systems, along with references to publications from international associations and standard-setting bodies to support this development and implementation.

REGULATORY SANDBOXES

Pilot Projects and Testing Phases (ongoing): The Philippines uses pilot projects and testing phases to evaluate the effectiveness of new green finance initiatives, allowing for adjustments before full implementation.



POLICY TOOL 6: RESEARCH AND DATA COLLECTION

- ✓ **Disaster Risk Financing and Insurance (DRFI) Strategy (2019):** Enhances resilience to climate-related risks by collecting data on potential disaster impacts and financial vulnerabilities.

Preliminary Studies on Climate Change and Biodiversity Loss (2020, 2023):

The BSP conducted two preliminary research studies on the impact of extreme rainfall episodes and biodiversity loss on the performance of the Philippine banking system.

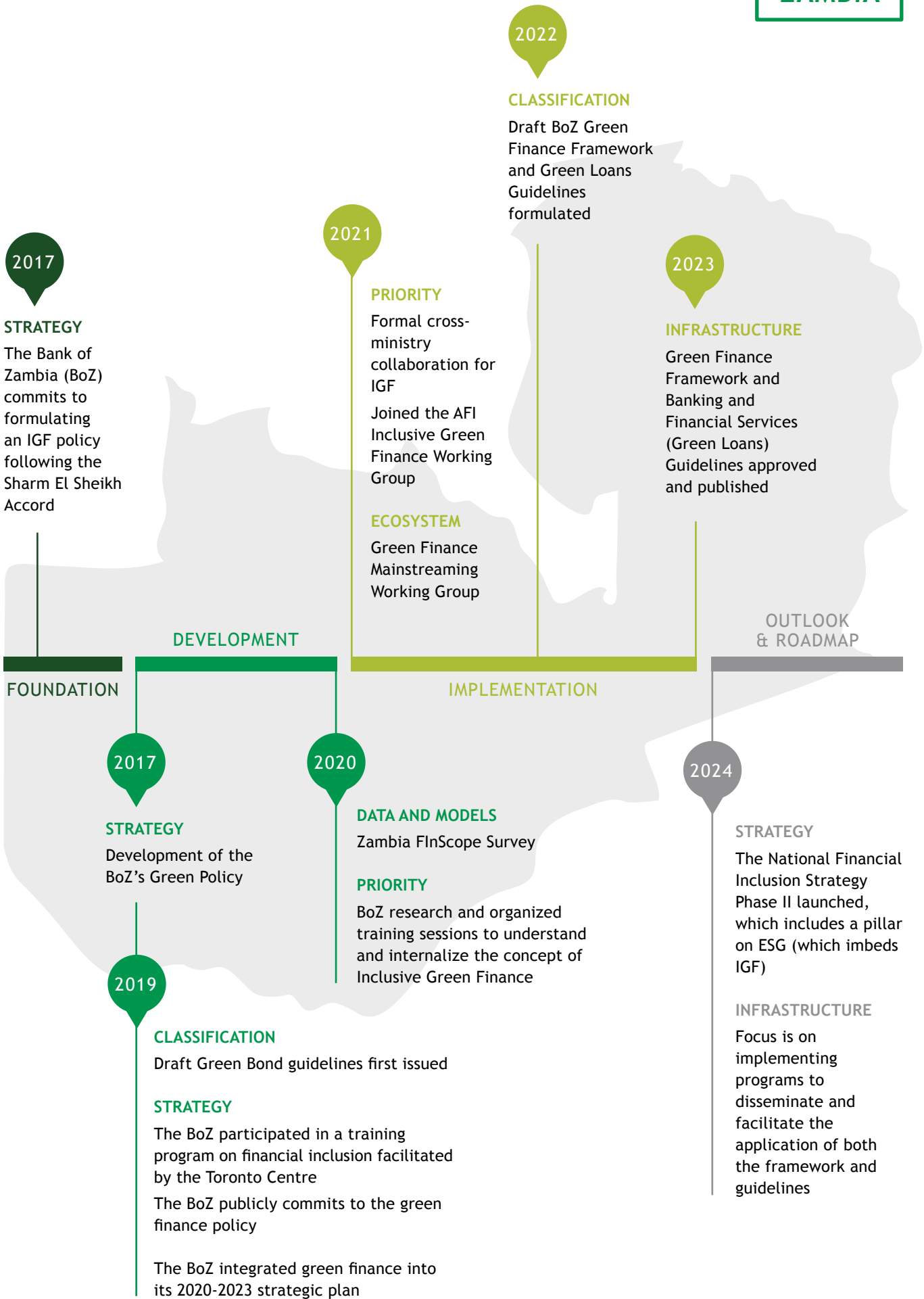
The BSP is collecting branch-level data and loan data from banks per counterparty and economic activity, in accordance with the national industrial classification code.

The Philippines has made significant strides in integrating IGF into its financial system, with a robust framework of policies and guidelines. The Climate Change Act of 2009 and subsequent amendments established key institutions and funding mechanisms, such as the People's Survival Fund, to address climate change adaptation. The BSP's phased implementation of sustainability-related guidelines, including the Sustainable Finance Framework and Environmental and Social Risk Management Guidelines, has deepened its ability to effectively manage climate, environmental, and social risks. Collaborative initiatives like the Philippine Sustainable Finance Roadmap, Guiding Principles, and Taxonomy Guidelines highlight the importance of multi-agency efforts in promoting sustainable finance. The adoption of the Philippine Sustainable Finance Taxonomy Guidelines serves as a tool to facilitate capital flows to eligible sustainable activities and provides a simplified assessment approach for MSME activities. The taxonomy promotes transparency and reinforces informed investment decisions. Key recommendations include enhancing transparency and comparability of sustainability-related information to empower investors and continuing capacity building efforts to support financial institutions in implementing green finance practices. Future prospects look promising as the BSP aims to integrate sustainability, financial inclusion, and digital transformation, positioning itself as a leader in promoting IGF. Continued collaboration with international partners and local stakeholders will be crucial in addressing climate risks and ensuring inclusive economic growth.

ZAMBIA



ZAMBIA



INTRODUCTION

Zambia is experiencing harsh climate change impacts characterized by seasonal floods, high temperatures, and droughts that primarily hurt natural resource-dependent sectors, such as agriculture and food security.

This paper examines how a country like Zambia has utilized the Building Blocks and Policy Tools channeled in the AFI Roadmap for IGF Implementation. Such a policy may include objectives, governance mechanisms, capacity building initiatives, policy frameworks, funding mechanisms, IGF conduct classification, ecosystem creation, infrastructure development, and data collection efforts that will contribute to the reduction of climate risks and a more resilient financial sector.

FINANCIAL SECTOR OVERVIEW

The financial sector in Zambia is regulated by three main entities:

- ✓ **Bank of Zambia (BoZ):** Manages monetary and supervisory policies.
- ✓ **Securities and Exchange Commission (SEC):** Oversees the capital markets.
- ✓ **Pensions and Insurance Authority (PIA):** Supervises the pension and insurance industry.

Additionally, partner regulators include the Competition and Consumer Protection Commission (CCPC), Financial Intelligence Centre (FIC), Zambia Information and Communication Technology Authority (ZICTA), and Patents and Companies Registration Agency (PACRA).

The sector includes over 19 banks, various non-bank financial institutions, and organizations such as brokerage firms, fund managers, and insurance companies.



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TIMELINE OF BUILDING BLOCKS AND POLICY TOOLS



**BUILDING BLOCK 1:
ADOPTION OF AN IGF STRATEGY**

- **2017**
The BoZ endorsed the Sharm El Sheikh Accord, formalizing its commitment to green finance.
- **2018**
Development of the BoZ’s Green Policy to integrate environmental sustainability principles into monetary, regulatory, and supervisory policies.



**BUILDING BLOCK 2:
ESTABLISHING IGF AS A PRIORITY**

- **2019**
The BoZ engaged in targeted training by the Toronto Centre, aligning with its green finance priorities.
- **2020-2021**
Conducted research and training sessions with support from entities like AFI and the World Bank, actively engaging with stakeholders and international partners.
- **2021**
Collaborative efforts with ministries, including the Ministry of Lands and Natural Resources and the Ministry of Green Economy and Environment, strengthened Zambia’s commitment to sustainable finance. Joined the AFI Inclusive Green Finance Working Group.
- **2024**
The National Financial Inclusion Strategy Phase II launched, which includes a pillar on ESG (which imbeds IGF).



**BUILDING BLOCK 3:
CLASSIFICATION OF IGF CONDUCT**

- **2019**
The SEC published guidelines and listing rules for issuing green bonds to support climate-related projects, creating credible opportunities for raising financing through green bonds, and

addressing Eligible Green Project Categories in accordance with the international Green Bond Principles established in 2018.

- **2022**
The BoZ drafted a Green Finance Framework and Banking and Financial Services (Green Loans) Guidelines for green loans.
- **2023**
The BoZ’s Green Finance Framework and Banking and Financial Services (Green Loan) Guidelines were finalized and approved, providing a comprehensive definition of green finance, covering risk management, the provision of green financial services, and reporting components.



**BUILDING BLOCK 4:
BUILDING THE IGF ECOSYSTEM**

- In 2021, Zambia established the Green Finance Mainstreaming Working Group (GFMWG), comprised of members from key financial regulators and environmental institutions, including government ministries and international organizations, to guide the mainstreaming of green finance in financial sector policies. The GFMWG works with stakeholders from the private sector, academia, and entities regulated by its member institutions to implement approved activities, with oversight provided by a Secretariat located at the Securities and Exchange Commission, supported by a UNDP BIOFIN secondee. Governance is upheld through a rotational chairmanship among financial regulators, ensuring equitable representation and adherence to best practices. This collaborative framework operates under formal terms of reference and agreements, ensuring a coordinated and transparent approach to green finance initiatives.



**BUILDING BLOCK 5:
BUILDING FINANCIAL
INFRASTRUCTURE**

- **2023**
Approval and publication of the Green Finance Framework and Green Loan Guidelines, which provide a structured framework for financial institutions to engage in green financing. The

guidelines emphasize the need for proportionate access to green finance for micro-enterprises and SMEs, promoting financial inclusion alongside environmental sustainability and financial stability.



BUILDING BLOCK 6:
DATA AND MODELS

2020
The FinScope survey, which highlighted the need for inclusive green finance products to strengthen resilience, significantly influenced policy development by shaping the Bank’s policy framework and including indicators such as financial health, education, and climate change impacts.

Zambia’s proximity to neighboring countries necessitates regional climate change collaboration, underscored by recent dialogues from SADC CISNA and AACB, with the BoZ actively participating through AFI and regional forums like OMFIF and SADC CISNA, where AFI’s Sub-Saharan Africa team, identifies climate risks and formulates mitigation policies. Regional consultations in 2023, including AACB sessions, addressed climate impacts on monetary policies and inflation, while the SADC Harmonized Consumer Price Indices framework worked to align inflation rates in Botswana. As climate change, particularly droughts, increasingly impact the economy, central banks must carefully manage price stability to navigate these challenges.



POLICY TOOL 2:
EDUCATION AND CAPACITY BUILDING

- ✓ **Targeted Training by the Toronto Centre (2019):** This training aligned with Zambia’s green finance priorities and built capacity among financial regulators.
- ✓ **Research and Training with AFI and World Bank (2020-2021):** These sessions enhanced the understanding and implementation of green finance strategies among Zambia’s financial regulators.
- ✓ **Workshops and Seminars on Green Finance and Environmental Risk Management (2019-2021):** These training sessions were conducted to educate and build capacity among financial institutions in Zambia, ensuring they understand and can implement green finance practices.

KEY POLICY TOOLS AND THEIR CLASSIFICATION



POLICY TOOL 1:
ADVOCACY AND AWARENESS RAISING

- ✓ **Stakeholder Engagement and Market Outreach Efforts:** Zambia’s advocacy strategy involves engaging stakeholders and the market to promote green finance initiatives. The aforementioned GFMWG, comprising representatives from financial regulatory institutions, ministries, and international organizations, provides crucial input and recommendations for policy approvals and coordinates the implementation of green finance initiatives.
- ✓ **Regional Collaboration:** Participation in regional forums like the SADC Committee of Insurance, Securities, and Non-Banking Financial Authorities (SADC CISNA), and the Association of African Central Banks (AACB) collaboratively address climate impacts on monetary policies and inflation.

Capacity building is essential for the BoZ and financial institutions (FIs) to navigate IGF, with the BoZ working with partners like the World Bank and UNDP Biodiversity Finance (BIOFIN) on specific programs, while business development organizations provide training for FIs. These efforts underscore the need to build capacity at regulatory and institutional levels for effective green finance integration. The Green Finance Mainstreaming Working Group also enhances understanding among members, including the PIA.



POLICY TOOL 3:
FINANCIAL INCENTIVES

- ✓ **Leveraging Global Funds:** National funding mechanisms facilitated by the Ministry of Green

Economy and Environment support sustainable projects by providing financial incentives for green finance initiatives.



POLICY TOOLS 4 AND 5: VOLUNTARY STANDARDS AND MANDATORY REGULATIONS

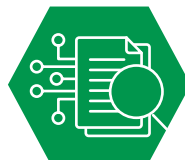
- ✓ **Green Finance Framework (2023):** Defines green finance, covering risk management, and the provision of green financial services.

The Green Finance Framework guides financial service providers on corporate governance, risk management, and lending policies, emphasizing environmental considerations and the risk management of green finance for corporates and SMEs, particularly those owned by women and youth entrepreneurs. Aligning with national commitments like the Nationally Determined Contributions (NDCs), the framework highlights the importance of access to finance, driven by market partnerships with international agencies and global green funds, for implementing green finance initiatives. Adopted by the Bank of Zambia and financial institutions, the framework encourages the use of sandboxes for experimenting with digital innovations in green finance and outlines five key objectives: integrating environmental sustainability into the Bank of Zambia's policies; creating a regulatory environment conducive to green finance; defining green finance comprehensively; providing guidelines on monetary policy, supervisory frameworks, government policy alignment, and IGF; and detailing an annual activity roadmap for implementing green finance initiatives.

- ✓ **Green Loan Guidelines (2023):** Provides standards for green loans, including eligible projects and monitoring requirements.

The Green Loan Guidelines aim to support the achievement of the Sustainable Development Goals, NDCs, national development plans, and green growth goals through green and sustainable finance. They set transparent and consistent standards for green loan provision and encourage financial service providers to monitor, disclose, and report on borrowers and green finance projects, emphasizing the need for appropriate policies, structures, and practices to provide green loans while ensuring financial stability. Addressing the intersection of green finance and financial inclusion, the guidelines stress proportionality, urging financial

service providers to recognize diverse needs and ensure equitable access to green finance for micro-enterprises, thus reflecting a commitment to both green finance and financial inclusion.



POLICY TOOL 6: RESEARCH AND DATA COLLECTION

- ✓ **FinScope Survey (2020):** Incorporated climate change indicators to influence policy development, providing critical data to support the creation and implementation of IGF products.

KEY LEARNINGS AND RECOMMENDATIONS

Zambia can sustain progress in IGF by aligning its regulatory framework with international standards through BoZ initiatives and leveraging global funds like the Green Climate Fund for sustainable projects, facilitated by national entities. Establishing a Community of Practice for stakeholder information sharing, promoting resilient digital infrastructure through DFS, and developing key performance indicators (KPIs) for IGF strategy implementation, including Green Loan Guidelines, will further advance the cause and ensure systematic monitoring and evaluation.

The second National Financial Inclusion Strategy emphasizes IGF and climate change, highlighting access to finance for climate-related disasters in agriculture and enhancing resilience through financial solutions. The GFMWG is instrumental in developing Zambia's green finance landscape, focusing on taxonomy, green bonds, and investment guidelines. Crafting a national green finance strategy and establishing a green finance tagging and reporting system will streamline fund identification and classification based on environmental impacts. Integrating digital solutions, particularly DFS, is recognized for innovating green loan products, with the Green Finance Framework encouraging sandbox regulations for digital green finance innovations. Through collaboration, innovation, and concerted action, Zambia aims to build a resilient green finance ecosystem, promoting inclusive growth and sustainable development for current and future generations.

CONCLUSION



The case study highlights of six AFI member countries on their journeys in IGF provide valuable insights into the various strategies, regulatory frameworks, and Policy Tools adopted, as well as prospects for future momentum.

These findings, drawn from the real-life experiences of country stakeholders, underscore the significance of national contexts, stakeholder engagement, regulatory body capacity building, policy formulation, and data management in advancing IGF.

STRATEGIC FRAMEWORK AND REGULATORY SUPPORT

Early adoption of IGF strategies is identified as a critical success factor for setting a strong foundation for sustainable finance initiatives. Countries that proactively integrate IGF into national agendas are better positioned to implement effective policies and achieve significant progress. **Regulatory bodies play an essential role** in facilitating this process by providing the necessary support and oversight, with their commitment to continuous learning and capacity building being vital in managing the complexities of IGF. By promoting a sustainability culture within regulatory institutions, IGF strategies can be more effectively understood and prioritized.

CAPACITY BUILDING AND STAKEHOLDER ENGAGEMENT

Continuous capacity building for financial regulators and institutions is essential to keep pace with evolving sustainable finance practices. Tailored training programs, workshops, and educational initiatives enhance the understanding of environmental sustainability principles and regulatory best practices. Establishing dedicated units within regulatory bodies to lead IGF efforts can prove to be particularly impactful, serving as centers of excellence to provide support, guidance, and technical assistance to stakeholders.

The importance of stakeholder collaboration was another key finding. **Engaging various stakeholders**, including government entities, financial institutions, environmental agencies, and industry associations, **fosters more**

unified approaches to IGF. Dynamic regulatory frameworks that incorporate feedback mechanisms and periodic reviews help boost adaptation to changing market conditions and technological advancements. Regular stakeholder engagement and working groups can facilitate cross-sectoral dialogue, while regional collaborations and international partnerships enhance knowledge-sharing and resource mobilization.

FINANCIAL INCENTIVES AND MARKET DEVELOPMENT

Financial incentives such as low-interest loans, subsidies, and credit guarantee schemes can be **effective in promoting green investments, while the development of innovative financial products**, including green bonds and sustainable investment funds, can accelerate investment towards sustainable projects. These incentives and products not only attract investors but also help integrate IGF principles into the broader financial markets.

DATA COLLECTION AND REPORTING

Consistent and transparent reporting frameworks are vital for monitoring progress and ensuring accountability in IGF initiatives. The utilization of **detailed taxonomies and guidelines** has been effective to better classify and manage green finance activities. **Standardized reporting frameworks** and metrics for measuring and reporting on green finance activities enhance data quality, availability, and accessibility. Also, collaboration with research institutions and data analytics firms to develop advanced predictive modeling and scenario analysis tools fosters informed decision-making and robust risk management strategies.

INNOVATION AND ADAPTABILITY

Flexibility and adaptation are identified as critical components for successful IGF implementation. The ability to adapt strategies and policies in response to emerging challenges allows countries to navigate their unique paths towards sustainable finance. **Leveraging digital technologies** and encouraging a culture of innovation within regulatory institutions — often through best-practice sandbox approaches — enables more agile and nimble development and testing of new ideas and solutions.

NEED FOR CONTINUOUS LEARNING AND ADAPTATION

Continuous learning and adaptation are necessary as the IGF landscape evolves, requiring countries to remain agile and responsive to new challenges and opportunities. Embedding climate-related lenses into the risk management frameworks and operations of financial institutions can enhance resilience and mitigate potential financial losses associated with climate change impacts. Cultivating strategic partnerships with research institutions, technology startups, and venture capital firms further supports continuous improvement and innovation in sustainable finance regulation and supervision.

LESSONS LEARNED

To advance sustainable and green finance initiatives, central banks and financial regulators can adopt several actionable strategies based on leading practices. Embedding green finance strategies into national development agendas ensures coherence and alignment with broader socioeconomic objectives. Continuous capacity building, stakeholder engagement, and dynamic regulatory frameworks are essential to achieve a unified approach to IGF. Financial incentives, innovative products, and transparent reporting frameworks play a crucial role in promoting green investments and ensuring accountability.

By drawing on lessons learned and shared experiences from AFI member countries, central banks and financial regulators can develop playbooks for identifying, prioritizing, and driving progress in IGF. This collaborative effort will advance a more sustainable and inclusive financial system, contributing to broader socioeconomic development goals.

Early adoption and a clear articulation of IGF strategies are crucial for setting a strong foundation.

Regulatory support is vital for successful IGF implementation.

Ongoing education and training of financial regulators and financial institutions are essential for keeping up with evolving sustainable finance practices.

Continuous learning and adaptation are necessary as the IGF landscape evolves, requiring countries to remain agile and responsive to new challenges and opportunities.

Collaboration among stakeholders encourages dialogue, shares best practices, and promotes unified approaches to IGF.

Financial incentives, such as low-interest loans, subsidies, and credit guarantee schemes, are effective in promoting green investments.

Innovative financial products play a crucial role in driving investment towards sustainable projects.

Consistent and transparent reporting frameworks are vital for monitoring progress and ensuring accountability.

The use of comprehensive taxonomies and guidelines helps effectively classify and manage green finance activities.

It is important to embrace adaptive strategies and policies to flexibly respond to new and emerging challenges.

Embedding IGF strategies into national development agendas ensures coherence and alignment with broader socioeconomic objectives.

The journey towards inclusive green finance is not standardized, and countries must be flexible and adaptable in their approach. Early adoption of IGF strategies, regulatory support, continuous capacity building, stakeholder collaboration, financial incentives, innovative products, transparent reporting, and continuous learning are all vital components of successful IGF implementation. By leveraging these insights and mobilizing a collective effort, countries can build robust and comprehensive IGF initiatives that drive sustainable development and financial inclusion.

ANNEX 1. COMMON CHALLENGES AND PROPOSED SOLUTIONS

Building on the insights gained from the diverse experiences showcased in the case studies, this section sheds light on the common challenges confronted by regulators across various countries. Beyond delineating these challenges, the objective is to propose potential solutions to mitigate them.

POLITICAL WILL AND STAKEHOLDER SUPPORT

CHALLENGES

POLICY TOOLS AND RECOMMENDED SOLUTIONS

POLITICAL SUPPORT

Governmental resistance may take the form of pressure from officials through pressure to maintain existing norms and resist embracing change.

POLICY TOOLS

ADVOCACY AND AWARENESS RAISING / CAPACITY BUILDING

The regulatory institution should remain steadfast in its commitment to advance sustainable finance, avoiding political entanglements; address resistance to change by promoting open communication and collaboration with government representatives, emphasizing the benefits of sustainable practices and policies for both the economy and society.

Education and Awareness Campaigns: Inform government representatives about the benefits and importance of sustainable finance, addressing any misconceptions and building support.

Engagement and Collaboration: Support partnerships between regulatory bodies, industry experts, and government officials to co-create sustainable finance policies.

Showcase Successful Models: Present case studies and pilot projects that demonstrate the positive impact of sustainable finance, providing tangible examples and encouraging confidence in the transition.

STAKEHOLDER COMMITMENT

Ensuring that stakeholders understand the role of regulators in sustainable and inclusive green finance may pose a challenge.

Acknowledging the linkage between financial stability and sustainable finance is crucial to strengthen market development and risk management.

POLICY TOOLS

ADVOCACY AND AWARENESS RAISING / EDUCATION AND CAPACITY BUILDING

Stakeholder Engagement Forums: Organize regular forums and workshops involving regulators and stakeholders from the finance industry, environmental organizations, and academia to foster dialogue and mutual understanding.

Transparency and Communication: Clearly communicate the rationale behind regulatory interventions and the potential benefits for financial stability and market development.

Capacity Building Initiatives: Offer training sessions and capacity building programs for stakeholders to deepen their understanding of the interlinkage between financial stability and sustainable finance, emphasizing the importance of regulatory oversight in mitigating systemic risks.

Promotion of Best Practices: Promote best practices and success stories where regulatory interventions have contributed to both financial stability and environmental sustainability.

ENGAGEMENT OF NATIONAL STAKEHOLDERS

The rapidly changing landscape of sustainable finance underscores the necessity for collaborative efforts and initiatives involving banking federations, organizations, and knowledge partners.

POLICY TOOLS

ADVOCACY AND AWARENESS RAISING / TRAINING

Establish Collaborative Platforms: Create formalized collaborative platforms, such as working groups, task forces, or industry associations, that bring together banking federations, financial organizations, and knowledge partners to facilitate knowledge sharing, exchange of best practices, and joint initiatives in sustainable finance.

Joint Research and Development: Initiate joint research and development projects between banking federations, financial institutions, and research organizations to advance knowledge and innovation in sustainable finance, including topics such as green financial products, impact measurement methodologies, and sustainable investment strategies.

Capacity Building and Training Programs: Collaborate on the design and delivery of capacity building and training programs for banking federations, financial institutions, and other stakeholders involved in sustainable finance, leveraging the expertise and resources of knowledge partners to improve the effectiveness and reach of capacity building initiatives.

CHANGING ESTABLISHED PRACTICES

Overcoming established practices and advancing a new approach to financing green activities requires effective communication and education.

POLICY TOOLS **ADVOCACY AND AWARENESS RAISING / EDUCATION AND CAPACITY BUILDING**

Stakeholder Engagement Workshops: Organize interactive workshops and forums to engage stakeholders from diverse sectors, including financial institutions, government agencies, businesses, and civil society, in discussions on the benefits and opportunities of financing green activities.

Communication Campaigns: Launch targeted communication campaigns to raise awareness about the importance of financing green activities, emphasizing the positive impacts on environmental sustainability, social responsibility, and long-term economic resilience.

Public-Private Partnerships: Facilitate public-private partnerships to promote collaboration and innovation in financing green activities, leveraging the strengths and resources of both sectors to overcome barriers and accelerate the transition to sustainable finance.

RESISTANCE TO ADDITIONAL REGULATION

Financial institutions, often wielding significant political power, may resist additional regulations and supervision. Upholding decisions based on principles and emphasizing environmental responsibility is vital in the face of resistance.

POLICY TOOLS **ADVOCACY AND AWARENESS RAISING / VOLUNTARY STANDARDS MANDATORY REGULATIONS / DATA COLLECTION**

Accountability: Implement mechanisms for public oversight and scrutiny to hold financial institutions accountable for their environmental and social impacts, encouraging a culture of responsibility and ethical conduct.

Engagement and Dialogue: Promote constructive dialogue and engagement with financial institutions to understand their concerns and perspectives.

Incentivize Responsible Behavior: Introduce incentives to reward financial institutions that demonstrate proactive efforts towards environmental sustainability.

Regulatory Leadership and Consistency: Demonstrate regulatory leadership by setting clear expectations and standards for environmental risk management and sustainable finance practices. Maintain consistency in regulatory enforcement and supervision, ensuring that all financial institutions are subject to the same standards and requirements to prevent regulatory arbitrage.

BALANCED AND PROPORTIONATE REGULATION

CHALLENGES

POLICY TOOLS AND RECOMMENDED SOLUTIONS

BALANCE BETWEEN FINANCIAL INCLUSION AND ENVIRONMENTAL CONCERNS

Navigating the delicate balance between financial inclusion and environmental concerns is complex. Certain economic activities may not align with environmental sustainability but are crucial for specific segments of the population.

POLICY TOOLS **VOLUNTARY STANDARDS / MANDATORY REGULATIONS / DATA COLLECTION ADVOCACY AND AWARENESS RAISING / EDUCATION AND CAPACITY BUILDING**

Identify and address the unique economic activities in different regions. Exceptions or a nuanced understanding of local realities may be necessary to avoid inadvertent financial exclusion.

Tailored Policy Frameworks: Implement targeted policies that support sustainable alternatives for essential economic activities, ensuring financial inclusion without compromising environmental objectives.

Impact Assessments: Conduct comprehensive impact assessments to evaluate the environmental consequences of financial inclusion policies and economic activities, and use the findings to inform policy decisions.

Innovative Financing Solutions: Encourage partnerships between financial institutions, government agencies, and community organizations to develop tailored financial products and services that promote financial inclusion and environmental sustainability.

Education and Empowerment: Empower communities through education and awareness programs on sustainable practices and alternative livelihood options.

Capacity Building and Technical Assistance: Provide technical assistance and capacity building support to financial institutions.

Stakeholder Consultations: Conduct extensive consultations with local communities, businesses, and industry stakeholders to gain insights into regional economic activities and environmental challenges. Incorporate feedback from stakeholders into the regulatory decision-making process.

Gradual Transition Strategies: Implement phased regulatory approaches that allow for a gradual transition towards sustainable finance, minimizing disruptions to essential lending activities. Set clear timelines and milestones, providing certainty to financial institutions and borrowers.

POLICY TOOLS

FINANCIAL INCENTIVES / ADVOCACY AND AWARENESS RAISING EDUCATION AND CAPACITY BUILDING

EXPLORING INCENTIVES

The need to explore incentives for financial institutions to engage in green finance suggests a challenge in aligning financial incentives with sustainable practices and encouraging greater participation in green finance initiatives.

Financial Incentive Mechanisms: Develop and implement financial incentive schemes to encourage financial institutions to prioritize green finance activities.

Risk Mitigation Instruments: Collaborate with development finance institutions and multilateral organizations to provide guarantees or credit enhancements for green finance projects, mitigating risks and unlocking additional financing opportunities.

Green Finance Infrastructure: Facilitate the development of green finance infrastructure, such as standardized reporting frameworks or certification schemes, to reduce transaction costs and increase market efficiency for green investments.

Capacity Building and Technical Assistance: Offer capacity-building support and technical assistance to financial institutions to strengthen their capabilities in assessing and managing environmental risks, as well as identifying viable green finance opportunities.

LACK OF DEFINITIONS

CHALLENGES

POLICY TOOLS AND RECOMMENDED SOLUTIONS

LACK OF GREEN TAXONOMIES

While there may be a positive response from financial institutions, challenges may be linked to the absence of a green taxonomy, making it difficult to establish a common understanding of what qualifies as sustainable and green in the local context. A sustainable or green finance taxonomy facilitates a common understanding among financial institutions though the lack of clarity may undermine the effective implementation of green finance initiatives.

POLICY TOOLS

VOLUNTARY STANDARDS / MANDATORY REGULATIONS / DATA COLLECTION ADVOCACY AND AWARENESS RAISING / EDUCATION AND CAPACITY BUILDING

Development of Green Taxonomies: Collaborate with stakeholders, including financial institutions, government agencies, and industry experts, to develop a comprehensive and inclusive green finance taxonomy that defines criteria and standards for identifying sustainable and green investments. Ensure that the taxonomy reflects local environmental priorities, social considerations, and economic development goals to promote alignment with national sustainability objectives.

Capacity Building and Training: Provide training and capacity building programs to educate financial institutions and relevant stakeholders about the green finance taxonomy and its application in investment decision-making processes.

Regular Review and Updates: Establish mechanisms for regular review and updates of the green finance taxonomy to incorporate evolving best practices, scientific insights, and stakeholder feedback.

Stakeholder Collaboration: Promote collaboration among financial institutions, regulatory bodies, industry experts, and policymakers to collectively develop a green finance taxonomy that addresses the specific needs and priorities of all stakeholders.

Adaptive Implementation Strategies: Adopt flexible implementation strategies that allow for iterative refinement and adaptation of the green finance taxonomy over time based on feedback, market dynamics, and emerging sustainability trends.

LIMITED AWARENESS AND MARKET SENSITIZATION

CHALLENGES

POLICY TOOLS AND RECOMMENDED SOLUTIONS

LIMITED UNDERSTANDING OF GREEN FINANCE PRODUCTS AND SERVICES

Sustainable or Green Finance Guidelines may not be implemented due to the lack of familiarity with these instruments.

POLICY TOOLS **ADVOCACY AND AWARENESS RAISING / EDUCATION AND CAPACITY BUILDING**

Education and Training Programs: Develop educational materials and training programs targeted at financial institutions and market participants to increase awareness and understanding of green finance products. Offer workshops, webinars, and seminars to provide practical guidance on the design and implementation of tailored green finance products and services.

Partnerships and Collaboration: Collaborate with academic institutions, research organizations, and civil society groups to conduct outreach activities and awareness campaigns focused on sustainable and green finance guidelines and their relevance for achieving environmental and social objectives.

Incentives and Recognition: Introduce incentives, such as awards, certifications, or preferential treatment, to reward financial institutions that demonstrate leadership in implementing sustainable and green finance guidelines and introducing aligned green products and services.

DEMAND-SIDE MEASUREMENT AND ASSESSMENT

Unlike the theoretically established supply-side, the demand-side, i.e. projects that may be eligible for financing, is not well known and defined, which represents a challenge for financial institutions to identify potential clients.

POLICY TOOLS **ADVOCACY AND AWARENESS RAISING / EDUCATION AND CAPACITY BUILDING DATA COLLECTION**

Market Research and Analysis: Conduct comprehensive market research to identify and analyze potential green finance projects and opportunities, including their environmental and social impact, market demand, and financial feasibility. Collaborate with industry associations, research institutions, and government agencies to gather data and insights on emerging trends, innovative technologies, and sustainable development priorities that can inform investment decisions.

Capacity Building for Project Identification: Provide training and capacity building programs for financial institutions to enhance their ability to identify and evaluate potential green finance projects, including guidance on project screening, due diligence, and risk assessment.

SENIOR MANAGEMENT ENGAGEMENT: CULTIVATING A SUSTAINABLE DECISION-MAKING MINDSET

Changing the mindset of CEOs and board members is identified as a crucial challenge. Convincing decision-makers about the importance of non-financial climate-related risks, especially in the face of associated expenses, is a significant hurdle.

POLICY TOOLS **ADVOCACY AND AWARENESS RAISING / EDUCATION AND CAPACITY BUILDING MANDATORY REGULATIONS**

Evidence-Based Advocacy: Present compelling evidence and case studies demonstrating the financial and reputational risks associated with climate change and environmental degradation, highlighting the potential long-term costs of inaction compared to the short-term expenses of implementing sustainable practices. Utilize data and research from reputable sources to illustrate the materiality of non-financial climate-related risks, including the impacts on asset valuations, market competitiveness, regulatory compliance, and stakeholder perceptions.

Strategic Communication: Develop targeted communication strategies that resonate with CEOs and board members, emphasizing the strategic importance of addressing non-financial climate-related risks as integral to long-term business resilience, competitiveness, and value creation.

Engagement and Education: Facilitate direct engagement and dialogue with CEOs and board members through workshops, seminars, and executive briefings focused on raising awareness and understanding of non-financial climate-related risks and opportunities.

Executive Education Programs: Offer executive education programs and workshops focused on sustainable finance tailored specifically for CEOs and board members, providing them with the knowledge, skills, and tools necessary to navigate the complexities of sustainability in the financial sector.

LIMITED CAPACITY

CHALLENGES

POLICY TOOLS AND RECOMMENDED SOLUTIONS

REGULATORY CAPACITY ENHANCEMENTS

Regulatory teams face the initial challenge of enhancing their own capacity as a regulatory institution.

POLICY TOOLS ADVOCACY AND AWARENESS RAISING / EDUCATION AND CAPACITY BUILDING

Regulatory institutions should dedicate their efforts, particularly at the beginning of the process, to improving their understanding of the rapidly evolving sustainable and green finance landscape.

Internal Training and Development Programs: Implement tailored training programs and workshops to increase the knowledge and skills of regulatory teams on sustainable and green finance concepts, regulatory frameworks, and best practices. Offer specialized courses and certifications in areas such as environmental risk assessments, green finance regulations, and climate-related financial disclosures to build regulatory capacity in key areas of expertise.

External Expertise and Partnerships: Seek collaborations with external experts, academic institutions, and international organizations to access specialized knowledge, resources, and technical assistance for regulatory capacity building initiatives. Establish partnerships with regulatory counterparts in other jurisdictions to facilitate knowledge exchange, peer learning, and mutual support in advancing sustainable finance agendas and regulatory reforms.

Continuous Learning and Professional Development: Encourage regulatory staff to pursue continuous learning and professional development opportunities through participation in conferences, seminars, and industry events focused on sustainable finance and regulatory innovation.

DIFFERENT LEVELS OF EXPERIENCE AMONG BANKS

Within the financial sector, navigating the evolving landscape may be challenging as banks differ in their levels of knowledge and accomplishments.

Compliance with new regulations may be a challenge, especially for smaller financial institutions that may perceive the framework as applicable only to larger institutions.

POLICY TOOLS EDUCATION AND CAPACITY BUILDING

Targeted Capacity-Building Initiatives: Offer comprehensive training programs tailored to the specific needs and capacities of different financial institutions. Providing educational resources, workshops, and access to expert guidance can help bridge knowledge gaps and empower banks to effectively adopt sustainable finance practices.

For smaller financial institutions struggling with compliance under new regulations, offer support and guidance through clear and accessible guidelines, technical assistance, and compliance programs specifically designed for their needs. Additionally, collaborative initiatives that encourage knowledge sharing and peer learning among institutions of varying sizes can facilitate compliance and promote a culture of sustainability across the financial sector.

LACK OF LOCAL EXPERTISE

The lack of local certification agents for green projects perpetuates reliance on foreign consultants.

POLICY TOOLS ADVOCACY AND AWARENESS RAISING / EDUCATION AND CAPACITY BUILDING

Local Capacity Building Initiatives: Implement programs to build local capacity for green project certification, including training workshops, certification courses, and professional development opportunities for local professionals, engineers, and environmental experts. Partner with educational institutions, industry associations, and government agencies to develop specialized training curricula and certification programs tailored to the needs of the local market.

Knowledge Transfer and Mentoring Programs: Facilitate knowledge transfer and mentoring programs that pair experienced international consultants with local professionals to provide on-the-job training, technical assistance, and guidance in green project certification practices.

Policy Support and Recognition: Advocate for government policies and regulations that prioritize the use of local certification agents for green projects, mandating or incentivizing the inclusion of locally certified professionals in project development, planning, and implementation.

LIMITED DATA AVAILABILITY

CHALLENGES

POLICY TOOLS AND RECOMMENDED SOLUTIONS

DATA GATHERING

Gathering specific and granular data is identified as a challenge.

POLICY TOOLS DATA COLLECTION

Data Standardization and Harmonization: Establish standardized data collection protocols and reporting frameworks to ensure consistency, comparability, and reliability of data across different sources and stakeholders in the green finance ecosystem.

DIGITALIZATION AND AUTOMATION: Leverage digital technologies and automation tools to streamline data collection processes, minimize manual errors, and enhance data quality and timeliness. Implement digital platforms, data analytics software, and machine learning algorithms to automate data collection, validation, and analysis tasks, freeing up resources for more strategic activities and decision-making.

REPORTING

Rating and reporting templates need enhancements to capture more specific data essential for frequent data collection. The challenge lies in adapting templates to evolving policies and refining them to meet the data requirements of IGF.

POLICY TOOLS DATA COLLECTION

Template Refinement for Enhanced Data Capture: Review and update existing rating and reporting templates to align with evolving policies, regulatory frameworks, and data requirements. Incorporate additional fields, metrics, and indicators into the templates to capture more specific and granular data on green finance activities, including environmental and social impacts, financial performance, and risk exposures.

Adaptive Template Management: Implement a flexible template management system that allows for ongoing adaptation and refinement of templates in response to changing policies, regulatory guidelines, and stakeholder feedback. Establish regular review cycles and update processes to ensure that templates remain relevant, comprehensive, and effective in capturing the necessary data for monitoring and reporting on green finance initiatives.

ACRONYMS

AACB	Association of African Central Banks	FRA	Financial Regulatory Authority
AFIA	ASEAN Finance and Investment Agenda	GCF	Green Climate Fund
ALCEP	ASEAN Low Carbon Energy Programme	GFMWG	Green Finance Mainstreaming Working Group
ASEAN	Association of Southeast Asian Nations	GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
ATM	Automated Teller Machine	GRI	Global Reporting Initiative
BB	Bangladesh Bank	IC	Insurance Commission
BCCSAP	Bangladesh Climate Change Strategy and Action Plan	IDTP	Integrated Digital Transformation Platform
BOZ	Bank of Zambia	IFC	International Finance Corporation
BPNG	Bank of Papua New Guinea	IGF	Inclusive Green Finance
CAPMAS	Central Agency of Public Mobilization Statistics	IPCC	Intergovernmental Panel on Climate Change
CBE	Central Bank of Egypt	ITSF	Inter-Agency Task Force on Sustainable Finance
CCC	Climate Change Commission	KPI	Key Performance Indicator
CCDA	Climate Change and Development Authority	NAP	National Action Plan
CCPC	Competition and Consumer Protection Commission	NDC	Nationally Determined Contributions
CFF	Climate Fiscal Framework	PACRA	Patents and Companies Registration Agency
CISNA	Committee of Insurance, Securities and Non-Banking Financial Authorities	PIA	Pensions and Insurance Authority
CSR	Corporate Social Responsibility	PNG	Papua New Guinea
DENR	Department of Environment and Natural Resources	POS	Point of Sale
DFS	Digital Financial Services	PSF	People's Survival Fund
DOF	Department of Finance	SADC	Southern African Development Community
DRFI	Disaster Risk Financing and Insurance	SCB	Sustainable Central Banking
ENSO	El Niño Southern Oscillation	SEC	Securities and Exchange Commission
ESG	Environmental Social Governance	SNC	Second National Communication
ESRM	Environmental and Social Risk Management	SPCZ	South Pacific Convergence Zone
EU	European Union	TCFD	Task Force on Climate-related Financial Disclosures
FIC	Financial Intelligence Centre	UNDP	United Nations Development Programme
		UNDP BIOFIN	UNDP Biodiversity Finance
		UNFCCC	United Nations Framework Convention on Climate Change
		ZICTA	Zambia Information and Communication Technology Authority

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