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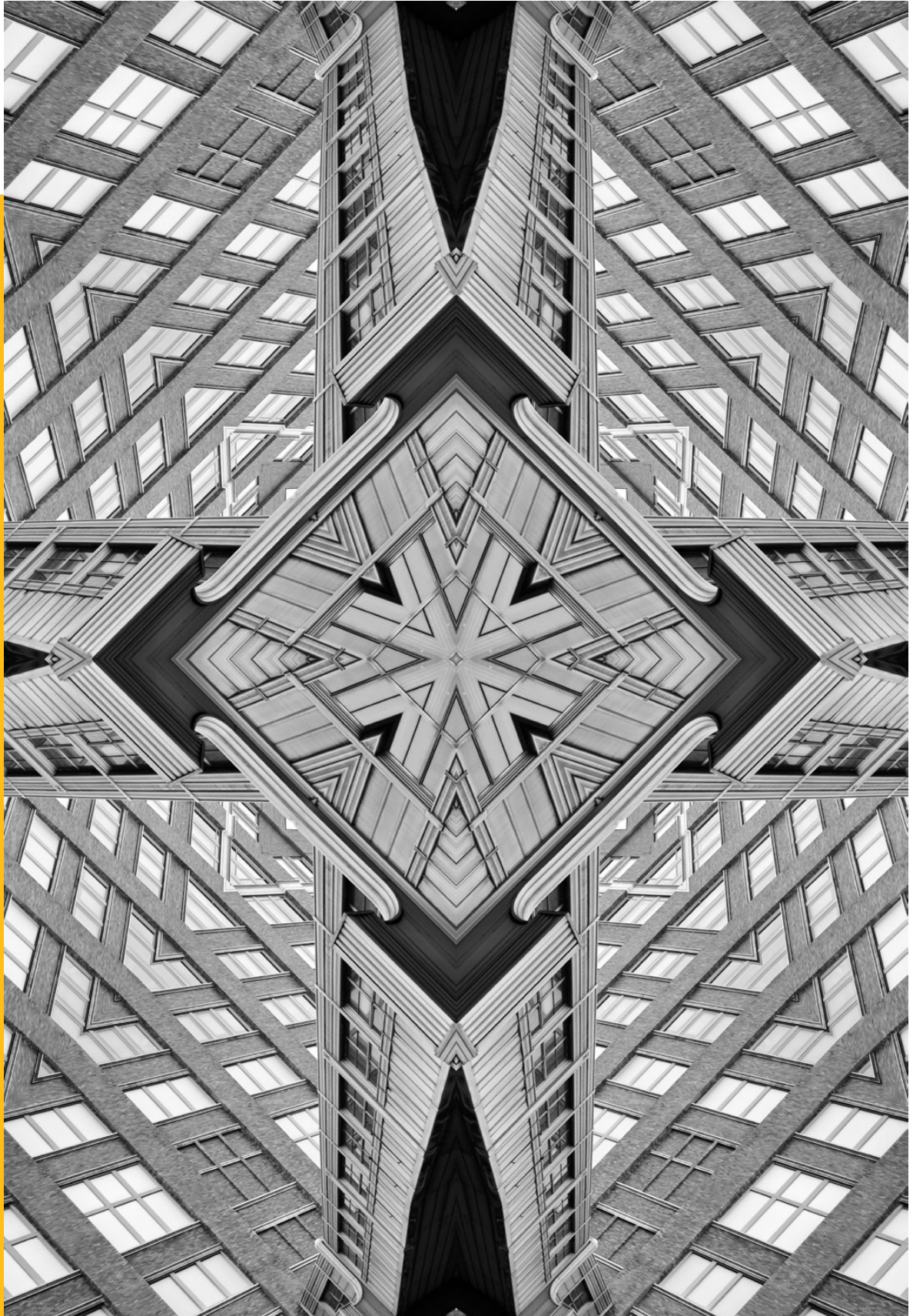
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India's G20 Leadership: Elevating Capacity Building for Sustainable Development Financing

Mannat Jaspal

Abstract

India's G20 Presidency has identified the mandate for the Finance Ministers and Central Bank Governors (FMCBG) as thus: "capacity building of the ecosystem for financing sustainable development." The aim is to scale up efforts in mobilising large pools of global capital for sustainable projects, particularly in emerging and developing economies. Under the aegis of the Sustainable Finance Working Group (SFWG), the G20 proposes the development of the first Technical Assistance Action Plan (TAAP) that will create an ecosystem of capacity-building initiatives encompassing a series of advisory, operational, and technical programs. While the TAAP succeeds in proposing actionable recommendations for capacity-building providers, it does not incorporate a delivery mechanism nor an outcome-based approach to realise these priorities and ambitions. This paper recommends a deliverable-oriented framework for capacity building as identified by the SFWG under India's G20 presidency.

Mobilising large-scale public and private capital is critical for developing countries to accelerate sustainable solutions to their development challenges and realise the Sustainable Development Goals (SDGs) in the Decade of Action. In 2019, the UN Secretary-General estimated the gap in financing for SDGs in developing countries to be between US\$2.5 and US\$3 trillion per year.¹ The COVID-19 pandemic increased this gap by US\$1 trillion, with the SDG financing gap going up to US\$17.9 trillion for the 2020–2025 period, as estimated by the United Nations Conference on Trade and Development (UNCTAD).² The invasion of Ukraine in February 2022 widened this financing gap, and the polycrises are expected to result in cascading credit downgrades, rising cost of capital, and debt distress in developing countries.³ The widening financing divide, if unaddressed, will translate to a lasting sustainable development divide and further exacerbate financial challenges in the long run.⁴

The problem with financing the SDGs is that most of the onus falls on national governments. While Domestic Revenue Mobilization (DRM) for SDG financing is a priority for public finance authorities in emerging economies, underdeveloped capital and financial markets as well as limited opportunities for enhancing tax administration have impeded progress.⁵ The fiscal budgets have been even more constrained since the pandemic and successive debt-sustainability considerations.

The mobilisation of large-scale capital from international funds and private sources will become critical in assisting low- and middle-income countries to grow without compromising their development imperatives. The successful implementation of the SDGs will depend not only on the quantity but also on the quality of financing. Therefore, collective action and a comprehensive approach will be required to meet the SDG indicators by 2030. While the provision of catalytic capital for the social sector that leverages blended finance mechanisms and innovative financial instruments has been a priority, the G20, under the aegis of the Sustainable Finance Working Group (SFWG), must also consider ways by which to increase the absorptive capacity of developing countries to attract this capital. These sentiments and efforts to enhance capacity-building support for developing and emerging economies have been recognised and addressed in the Addis Ababa Action Agenda, which seeks to align financial flows and policies with the SDGs. It also highlights the need to prioritise the strengthening of capacity development and knowledge sharing at the global and regional levels to gain access to, and manage sustainable finance.⁶

To this end, the governments of developing countries operating under capacity constraints are better placed to understand the roadblocks to the provision of SDG financing compared to well-funded G20 countries. Thus, developing countries should lead capacity-building efforts to channel investment for SDGs.

It is only fitting that India's G20 presidency has decided to spearhead efforts in strengthening capacity building in order to facilitate and mobilise large-scale capital for sustainable development. The first Sustainable Finance Working Group (SFWG) meeting highlighted "capacity building of the ecosystem for financing sustainable development" as a key agenda priority; the other two are "mechanisms for mobilisation of timely and adequate resources for climate finance" and "enabling finance for the SDGs".⁷ Subsequently, a G20 workshop was hosted by the Indian presidency in Guwahati, Assam, in February 2023, to inform the SFWG agenda with the objective of identifying specific areas for sustainable finance capacity-building support. The workshop also explored ways of leveraging technical assistance programs to overcome data-related barriers to sustainable investments, and pondered areas of collaboration under existing and prospective capacity-building initiatives.⁸

As a key outcome document, the SFWG proposes to develop a G20 Sustainable Finance Technical Assistance Action Plan (TAAP) for both the public and private sector with the aim of creating an ecosystem of capacity-building initiatives encompassing a series of advisory, operational, and technical programs to aid mobilisation and the scale-up of sustainable finance; this is particularly critical in the context of emerging economies and least-developed countries.⁹ The TAAP endeavours to deliver actionable recommendations for capacity-building providers and encourage synergies among current and forthcoming global initiatives.¹⁰

This paper aims to synthesise and distil the various input papers and sustainable finance reports released by the G20 SFWG over the years, covering aspects of capacity-building support for sustainable development. It will outline a series of recommendations on delivery mechanisms to support the SFWG in realising the suggestions encapsulated in the TAAP.¹¹ The paper will build upon an outcome-oriented framework to bulwark the recommendations and group deliverables on capacity building as identified by the SFWG under India's G20 presidency.

Developing economies face a plethora of challenges in attracting global capital for sustainable development. There are constraints inherent across the entire spectrum of stakeholders in the ecosystem—from regulators, issuers, and rating agencies, to the government and financial institutions—which have precluded progress on capital mobilisation for realising the SDGs. These challenges can be broadly classified as follows:

Gaps in knowledge

There is a lack of knowledge among recipient nations on how best to integrate SDG metrics in policy planning and business strategies. There are disparities in the ways companies collect, evaluate, manage, and report SDG-related data, which make it difficult for investors to assess feasibility and thereby allocate capital towards sustainable projects. Even in cases where data is available, the quality of data is either lacking or not comprehensive enough to be used for investment decision-making purposes. Gaps in the availability, reliability, and comparability of data across jurisdictions is the most persisting challenge.¹² In such circumstances, project preparation and capital deployment pose significant hurdles. Furthermore, the skill sets required to identify efficient instruments, implement appropriate frameworks, and apply relevant science-based methodologies and tools are egregiously lacking. Knowledge gaps also exist in the supply side. Particularly in developing countries, investors, both global and domestic, lack the understanding to assess risks and opportunities from a sustainability lens. This compounds the information asymmetry between lenders and borrowers, leading to market inefficiencies and undervaluation of sustainability projects.¹³

High risk perception

Perception of risk is a significant limitation in the financing of the SDGs, particularly in low-income and developing countries.¹⁴ The absence of transparent investment regulations to protect capital in a contractual disagreement is regarded as a high risk in most emerging countries. Investments in sustainable projects are considered to be unfavourable and riskier in developing countries, which are most in need of a capital influx. Given that the physical and transition risks of climate change are higher in these regions, it threatens to further exacerbate public debt levels and worsen credit ratings.¹⁵ Concerns arising from lack of historical data and inadequate credit information at the project level, as well as rising inflation, high debt, and volatile currencies from the macroeconomic standpoint result in lowering the risk-adjusted returns forecasted for these geographies. These factors have contributed to

Nature of Capacity Constraints

disproportionate and high costs of capital for sustainable projects in developing and low-income economies.¹⁶ Furthermore, the problem is compounded by current risk-rating metrics, which burden nations in the Global South with an unfair premium on capital stemming from biased country-risk perceptions, beyond actual risk.¹⁷

Shortage of regulatory capacity

Prominent institutions within the sustainable finance ecosystem are often lacking in terms of regulatory capacity. Developing countries do not have clear and consistent policies and regulations that would create an enabling environment to attract sustainable capital, send the right long-term policy signal, and boost investor confidence. The lack of uniform standards, complex reporting frameworks, and weak sustainability-related data management have impeded progress towards creating easy channels for sustainable finance in developing countries. The existing financial instruments often do not capture sustainability considerations in their terms of agreements. Furthermore, a lack of coordination among public and private stakeholders can lead to market distortion and prevent efficient capital deployment.¹⁸

Weak domestic capital markets

Capital markets, which have a greater appetite for long-dated investments, are often underdeveloped and underutilised in developing economies.¹⁹ In such scenarios, sustainable projects, particularly those operated by Small and Medium Enterprises (SMEs), find it difficult to access affordable and long-term capital. Moreover, transitioning to capital markets from the banking system is arduous owing to complex compliance processes and weak financial incentives, which further restrict borrowers' capital-raising capacity.²⁰

Investments are skewed towards climate, to the neglect of other SDGs

Given the recent increasing and apposite traction to global warming and climate change, sustainable investments are often skewed towards the climate and environmental aspects of SDGs, leaving other critical goals around poverty alleviation, health, education, gender, and biodiversity struggling to attract investments. This leads to the inevitable cannibalisation of limited resources. Additionally, technical and institutional complexities render these non-climate SDGs un-bankable and difficult to finance.²¹

Nature of Capacity Constraints

These challenges to mobilising and scaling sustainable finance in emerging economies have been corroborated by various studies and surveys. One such report by the fourth annual *State of Play* report by the UNDP-hosted Financial Centres for Sustainability (FC4S) Network presented findings in 2021, surveying 29 global financial centres representing almost one-fourth of global equities.²² The report identified data quality and availability (over 60 percent) and the lack of capacity and qualified workforce (52 percent) as significant bottlenecks.²³ The report further underscored the importance of building consistency across the development of standards, taxonomies, and guidelines (52 percent) as well as strengthening policy and regulatory engagement (48 percent) critical to the sustainable finance agenda.²⁴

Therefore, the provision of capacity-building programmes is essential to address the inherent constraints in developing economies and mobilise large-scale finance by facilitating an enabling environment that is conducive for public and private investments from both domestic and international sources. These programmes should serve the objective of facilitating knowledge sharing and skill building and prioritising actions across key areas and geographies towards reducing risk perception and the concomitant cost of capital, improving business viability and investment performance, and strengthening local markets in emerging economies.

Through the TAAP, India's G20 presidency aims to play a catalytic role in this regard, seeking to prioritise capacity-building efforts in order to scale sustainable finance towards the realisation of SDGs globally.

“Capacity-building programmes can facilitate an enabling environment conducive to public and private investments.”

Relevance to the G20

After the momentous Paris Agreement, signed at the COP21 in 2015, China's G20 Presidency launched a Green Finance Study Group the following year to identify institutional and market barriers to green finance and explore mechanisms to enhance private capital mobilisation for green investments.²⁵ Under Argentina's G20 presidency in 2018, the group's remit was expanded to include sustainable development and investments; it was thereafter renamed the Sustainable Finance Study Group.²⁶ In 2021, under Italy's G20 presidency, the Finance Ministers and Central Bank Governors endorsed the upgrade of the study group and established the G20 SFWG.²⁷ The SFWG mandate involved developing a sustainable finance roadmap with the aim of catalysing sustainable investments, improving sustainability reporting, and aligning the efforts of international financial institutions with the Paris Agreement.²⁸ In this section, this paper examines the commitments and priorities in capacity-building efforts to scale green and sustainable finance through a survey of official communiqués and synthesis reports released by the SFWG G20 presidencies since its inception in 2016.

“The SFWG is mandated to develop a roadmap to catalyse sustainable investments, improve sustainability reporting, and align IFIs' efforts with the Paris Agreement.”

Table 1
Priorities in Capacity Building for Green Finance Mobilisation

G20 presidency, Year	Listed priorities
China, 2016 ²⁹	<ol style="list-style-type: none"> 1. Promote voluntary adoption of responsible investment principles Encourages collaboration among market participants, central banks, finance ministries, and regulators, focusing on knowledge sharing and capacity building. 2. Expand learning networks for capacity building Mobilises support for the expansion of knowledge-based capacity-building platforms such as the Sustainable Banking Network, the Principles for Responsible Investment, and other international and domestic green finance initiatives. 3. Support the development of local green bond markets. Encourages international organisations, development banks, and specialised market bodies to provide support for the development of local green bond markets—including support for the development of green bond guidelines and disclosure requirements—through data collection, knowledge sharing, and capacity building as well as mechanisms to assess environmental and financial risks and opportunities and verify environmental credentials. It highlights the role of development banks in demonstrating pilots by serving as anchor investors and/or issuers in the local-currency green-bond market.
Germany, 2017 ³⁰	<ol style="list-style-type: none"> 1. Expand learning networks for capacity building Acknowledges limited engagement at the national level and promotes the expansion of multistakeholder partnerships across banking, insurance, and investment to serve the green finance needs of developing countries. Promotes learning networks to improve information flows and enhance the analytical capabilities of stakeholders in the ecosystem. 2. Options for encouraging voluntary adoption of ERA Promotes capacity building on financial-sector environmental risk analysis (ERA) to raise awareness among financial institutions that have significant environmental exposures; encourages better quality and more effective use of environmental data; and facilitates knowledge sharing on environment and financial risk and the use of publicly available environmental data (PAED).

Relevance to the G20

G20 presidency, Year	Listed priorities
Argentina, 2018 ³¹	<ol style="list-style-type: none"> 1. Capacity building to support the creation of sustainable assets for capital markets <ol style="list-style-type: none"> a) Facilitates technical training for the analysis of sustainable investments, including skill building for investors and underwriters to assess appropriate risks and opportunities as well as utilise evaluation metrics and tools. It highlights the role of universities as well as the educational departments of trade organisations to develop curricula and impart training. b) Promotes the development of the internal capacity of institutional investors to underwrite sustainable loans as well as monitor and service sustainable debt products. c) Promotes capacity building for asset managers in managing the portfolios of sustainable loan assets for long-term investors. Further, encourages the development of sustainable collateralised loan obligations (CLO) by asset managers that shifts loans into a Special Purpose Vehicle (SPV) and allows balance-sheet capacity to make room for sustainable investments. d) Promotes knowledge sharing on sustainability-related risks and risk-adjusted returns in the debt capital market, which would facilitate bond issuances seeking sustainability outcomes. 2. Voluntary options for developing sustainable private equity and venture capital <p>Encourages the use of standards and metrics for managing sustainable investments by Private Equity/Venture Capital (PE/VC) by accounting for national and regional contexts, and promotes transparency in the use of sustainability or environmental and social standards that would assist in measuring risks, results, and impact, allowing investors to track and compare investment opportunities better.</p> 3. Applications of digital technologies to sustainable finance <p>Promotes raising awareness about the potential opportunities and risks of the application of digital technologies to sustainable finance.</p>

Relevance to the G20

G20 presidency, Year	Listed priorities
Japan, 2019 ³²	<p>1. Share lessons on innovation and technology</p> <p>Promotes energy innovation, including in the use of policy to provide appropriate signals to markets, and encourages capacity-building programmes to promote further expansion of renewable energy use in the transport, heat, and industry sectors as well as demand-side management of the electricity system, off-grid solutions, and energy-storage technologies. It recognises the importance of extending support to startups and SMEs in promoting energy transitions.</p> <p>2. Implementation of SDGs</p> <p>Acknowledges capacity-building assistance to developing countries to help advance progress towards the timely implementation of the SDGs in areas such as poverty eradication, quality infrastructure investment, gender equality, health, education, agriculture, environment, energy, and industrialisation.</p>
Saudi Arabia, 2020 ³³	<p>Under Saudi Arabia’s presidency, the G20’s Development Working Group adopted the G20 Financing for Sustainable Development Framework which delineates the responsibility of the G20 to support capacity building in low-income countries in areas where they face common challenges with a commitment to share “experiences and knowledge, promote on mutually agreed terms both the voluntary transfer of technology and digitalisation and strengthen support to existing related initiatives in line with their national development strategies.”</p>

Relevance to the G20

G20 presidency, Year	Listed priorities
Italy, 2021 ³⁴	<p>Italy's presidency launched the G20 Sustainable Finance (SF) Roadmap, which emphasises the catalysing role of technical assistance across its thematic pillars, more specifically within Focus Area 2 (centred around consistent, comparable, and decision-useful information on sustainability risks, opportunities, and impacts), Focus Area 4 (centred around the role of international financing institutions, public finance, and policy incentives), and Focus Area 5 (centred around cross-cutting issues). It states specific action points under each of these focus areas with the aim of strengthening capacity-building efforts during Italy's presidency and underscores the importance of advancing the implementation of the roadmap during successive presidencies to ensure continuity, relevance, and direction to the sustainable finance agenda. It also focuses on financing SMEs; integrating social consideration into transition framework; the importance of credible Environment, Social, Government (ESG) data and ratings, disclosure, and country platforms; and capacity building to support transition finance and processes.</p> <ol style="list-style-type: none"> <li data-bbox="667 954 1497 1240">1. Action 9 Encourage international organisations (IOs) to enhance capacity-building efforts for SMEs and emerging economies, and address challenges and benefits to sustainability reporting by leveraging digital technologies and solutions. As part of Recommendation 4, it encourages the International Financial Reporting Standards (IFRS) developers to cooperate with other international standard setters to develop and issue more specific sustainability-reporting guidance for SMEs. <li data-bbox="667 1240 1497 1592">2. Action 14 Acknowledges the role of Multilateral Development Banks (MDBs) to provide capacity-building support to emerging economies and SMEs to ensure a just climate transition while facilitating demonstration projects. Furthermore, MDBs must assist in building domestic capacities; greening the financial system; designing the financial policy and regulatory framework, including taxonomies and disclosure requirements; developing policy incentives, product innovations, and sustainable recovery strategies; as well as delivering against their Nationally Determined Contributions (NDC), Paris Agreement goals, and the 2030 SDG Agenda. <li data-bbox="667 1592 1497 1733">3. Action 19 International Organisations and other entities offering technical assistance should harmonise and synchronise their efforts in capacity building to align with the priorities outlined in the Roadmap.

Relevance to the G20

G20 presidency, Year	Listed priorities
Indonesia, 2022 ³⁵	<p>Indonesia’s presidency built on the action points in the SF Roadmap and made specific recommendations to the entire spectrum of stakeholders in the sustainable finance ecosystem, from MDBs, technical assistance providers, and other IOs, to country authorities, domestic Financial Institutions (FIs), relevant authorities, and international networks to enhance capacity-building efforts to scale up capital for the SDG agenda.</p> <ol style="list-style-type: none"> 1. Recommendation 6 MDBs and other IOs are encouraged to provide knowledge sharing and technical assistance programmes in countries that request them with the aim of supporting voluntary financial-sector commitments; improving comparability, transparency, and access to tools, metrics, technologies and methodologies; and providing platforms for effective engagement. International networks, NGOs, and think tanks are also encouraged to expend resources to support these initiatives and extend training in the adoption and implementation of tools that rely on specialised carbon accounting, science-based target setting, and scenario development. 2. Recommendation 12 Encourages training activities as well as tailored technical assistance programmes for officials, regulators, and financial-sector professionals to support the development of sustainable finance policy design and roadmaps, regulation (including disclosure requirements), verification services, methodologies pertaining to ESG, policy incentives, green finance product innovation and development, and the application of fintech solutions in this regard. MDBs, technical assistance providers, and IOs are entrusted with the responsibility to spearhead these capacity-building programmes with the help of local FIs by enhancing their capacities in developing countries. 3. Recommendation 19 Encourages the deployment, adoption, and usage of digital technologies and solutions to enhance efficiency and reduce the costs of sustainable finance operations. This may include the identification and labelling of sustainable activities and assets, tracking and disclosure of granular ESG information, and trading and management of sustainable assets. MDBs, technical assistance providers, and relevant IOs and networks should provide capacity-building support for the same.

The efforts to encourage and enhance capacity building for sustainable finance under G20 Presidencies since 2016 have acknowledged the importance of mainstreaming sustainability considerations in financing and market arrangements to support the achievement of the SDGs to achieve a positive environmental, social, and economic impact. However, several challenges have hampered progress, especially in developing economies and for the Micro, Small and Medium Enterprises (MSMEs), with regard to delivering capacity-building efforts as well as generating the desired outcomes and impact.

First, the design and implementation of these programmes have been left to external agencies, most notably multilateral institutions, public development banks (PDB), and other civil society organisations (CSO), whose resources and capacities are not sufficient to meet the growing demands for capacity building in sustainable finance. Second, while some capacity-building initiatives are already in operation, there is a lack of consensus regarding the most impactful content and delivery methods that align with specific contexts. And finally, the absence of effective coordination and collaboration among capacity-building programmes limits their reach across countries, subjects, and target audiences, potentially resulting in duplicated efforts and ineffectual impact on the ground.³⁶

Therefore, in order to move the needle in the right direction, it is essential to have a more specific and focused action plan with a deliverables-oriented approach that delineates the programme design and structure and mandates implementing agencies with the task at hand.

“The resources of multilateral institutions, public development banks, and other CSOs are insufficient for the demand for capacity building in sustainable finance.”

The Proposed Technical Assistance Action Plan (TAAP)

India's G20 presidency seeks to address this challenge with the first G20 Sustainable Finance TAAP, under the aegis of the SFWG. It aims to not only strengthen but also concretise the recommendations made by the current and previous G20 presidencies to achieve desired results. The TAAP is presented as a multi-year document that will undergo periodic reviews based on the decisions of incoming G20 presidencies, Working Group co-chairs, and members, considering the evolving landscape of sustainable finance markets and the requirements of sustainable finance professionals.³⁷

The TAAP serves to provide direction for information gathering and knowledge sharing among the various stakeholders in the ecosystem to understand the current technical assistance landscape and identify gaps and opportunities as well as good practices and successful experiences, which can be replicated while accounting for each country's unique circumstances. It further aims to provide specific recommendations and action points to capacity-building providers to allow them to complement and scale up existing initiatives with a series of Technical Assistance (TA) programs that are accessible, effective, and attuned to local contexts. However, the mobilisation of financial resources to deliver these activities has been left to the capacity-building providers.³⁸

The G20 SFWG Deliverables 2023 outlines the following recommended action points for the TAAP, which are classified under three broad categories:³⁹

1. **Creating an enabling environment for enhancing capacity-building services**

This section calls for collaboration between public authorities, the private sector, research institutions, NGOs, and industrial associations to bolster and align capacity-building efforts in sustainable finance with national sustainable development plans. It further urges financial market participants to enhance internal capabilities for investing in climate transition and SDGs while establishing competency frameworks to bridge knowledge gaps. It also recommends financial institutions to raise awareness of sustainable financial products, especially among MSMEs, to help clients navigate sustainability-related risks. Finally, it emphasises the need for IOs, development banks, and fora to create a coordinated global network of capacity-building service providers, promoting the scaling of efforts, knowledge sharing, content development, and improved connections with countries and stakeholders in need.

The Proposed Technical Assistance Action Plan (TAAP)

2. Tailoring capacity-building services

This section emphasises collaboration between public sector authorities, PDBs, and IOs with technical assistance providers as well as the recipients of such assistance to tailor capacity-building services to the unique needs of local sustainable finance ecosystems. It further encourages the prioritisation of essential topics such as the implementation of transition finance frameworks, sustainability risk assessment, data collection and reporting, and the issuance of Green, Social and Sustainability (GSS) bonds, particularly focusing on MSMEs and considering the specific requirements of emerging markets and developing economies (EMDEs). The section also underscores the need to leverage digital technologies and online platforms to broaden access and improve the scale and quality of service delivery.

3. Capacity building on transition finance and other SDGs

This section calls upon capacity-building providers to reinforce their efforts in promoting the transition finance framework introduced by the SFWG in 2022, as well as broader topics related to SDGs. Providers are further encouraged to prioritise capacity building and knowledge sharing across the framework's pillars, which encompass identifying transition finance activities and investments, enhancing reporting and disclosure, supporting transition-related financial instruments, crafting incentive policies and support measures, and addressing just transition considerations. Additionally, it advises financial institutions to bolster their capacity in transition planning, emphasising the use of forward-looking data and charting credible pathways to outline the steps needed to achieve their respective transition targets.

Delivery Mechanisms Proposed for the TAAP

This section proposes specific deliverables-oriented recommendations for the SFWG-led TAAP. Since the United Nations Development Programme (UNDP) SDG Finance Sector Hub serves as the G20 SFWG Secretariat, it can be tasked with the responsibility of coordinating these efforts, with assistance from various regional centers as well as programmatic and implementation partners to support developing and emerging economies build a robust institutional framework that enables access to and management of large pools of global capital for sustainable projects.

1. Establish a Capacity-Building Advisory Centre

A plethora of capacity-building and technical-assistance programmes, facilitated by multiple multilateral institutions, are already operational globally (see Box 2). An umbrella Capacity Building Advisory Centre could synchronise and concretise these efforts to ensure effective coordination among the various mechanisms. The UNDP SDG Finance Sector Hub is well placed to support and house this Advisory Centre, given their authority and experience in supporting similar capacity-building efforts.

The objective of the Advisory Centre should be to map and match the capacity-building needs of countries with appropriate programmes that cater to these needs. For instance, India is in the process of establishing a domestic carbon trading system.⁴⁰ The Advisory Centre could have played a pivotal role in aligning India's needs for technical assistance in carbon markets with existing initiatives such as the World Bank's carbon finance and Partnership for Market Readiness (PMR) programmes, thereby ensuring effective coordination among different capacity building efforts and maximising the desired outcome.

BOX 2: Key Capacity-Building Programmes by Multilateral Institutions

European Bank for Reconstruction and Development's (EBRD) Green Economy Transition (GET) Framework: The EBRD's GET Framework is dedicated to guiding economies in adopting green and sustainable practices. Within this framework, the EBRD implements capacity-building initiatives for businesses and financial institutions across countries that fall within its operational region. To illustrate, the EBRD offered technical support to Kazakhstan's national development bank to bolster its capabilities to fund green projects, including those centred on renewable energy and energy efficiency endeavours.⁴¹

Delivery Mechanisms Proposed for the TAAP

Green Building Councils (GBCs): GBCs in different nations administer capacity-building initiatives aimed at advancing environment-friendly and sustainable construction methodologies. These programmes encompass training and certification offerings tailored for professionals working within the construction and real-estate industries. As an illustration, the U.S. Green Building Council (USGBC) provides LEED certification programmes, fostering the adoption of sustainable construction practices on a global scale.⁴²

UNDP's Green Finance Development Program (GFDP): The primary objective of the GFDP is to advance green finance and sustainable development by enhancing the capabilities of financial institutions, regulatory bodies, and enterprises. This comprehensive programme encompasses training, knowledge exchange, and policy assistance. Notably, it has facilitated the integration of environmental and social risk management into lending practices within China's banking sector.⁴³

The World Bank's Carbon Finance Capacity Building Program: The Carbon Finance Capacity Building Program by the World Bank serves as a support initiative for the establishment of carbon pricing mechanisms and the facilitation of access to carbon finance. This program offers both training and technical support to governments, enterprises, and financial institutions. In the case of Colombia, it played a pivotal role in assisting the government in the formulation and execution of a carbon tax.⁴⁴

The World Bank's Partnership for Market Readiness (PMR): PMR is a capacity-building programme designed to assist countries in the formulation and execution of carbon-pricing mechanisms. This initiative facilitates the development of essential competencies and expertise required to establish functional carbon markets or systems for carbon taxation. PMR has collaborated with nations such as Mexico, Thailand, and Chile to create and test market-driven strategies to curtail greenhouse gas emissions.⁴⁵

Asian Development Bank (ADB): The ADB conducts capacity-building initiatives, such as those in the Pacific region, to bolster the capabilities of governments, enterprises, and financial institutions in the field of climate finance. In Fiji, the ADB collaborated with the government to fortify the latter's ability to secure climate financing for projects related to renewable energy and resilience.⁴⁶

2. Design a National Sustainable Finance Readiness Programme

The G20 can assist countries in setting up a National Sustainable Finance Readiness Programme in order to help governments access capital and deliver and monitor transformable sustainable finance projects at both the national and subnational level. This will serve as a pivotal policy signal for both domestic and international investors, offering a clear and committed direction for their investments. The Ministry of Finance, working closely with the relevant line ministries and in collaboration with central banks, should take the lead in implementing the programme. The G20 Finance Ministers and Central Bank Governors (FMCBG) meetings should consider addressing this as a priority.

The programme can assist governments in mainstreaming sustainable metrics into national, subnational, and sectoral policies and budgets. It can help local policymakers design and execute policies and regulations, including an interoperable taxonomy; internationally aligned reporting and disclosure frameworks; sustainable risk assessment tools, standards, and instruments; and robust data-collection and management systems.

The programme may also consider putting in place an effective blended finance policy that would incorporate mechanisms to ensure a balance in concessional and non-concessional funding and optimal restructuring of blended finances and resources.

It should also aim to gather recommendations and best practices from other countries implementing these programmes towards enabling knowledge sharing, minimising imminent risks, and ensuring optimal utilisation of cross-border resources. The programme should also be responsible for monitoring MDBs and Development Finance Institutions (DFIs) in their efforts towards early market creation; de-risking transition projects; and crowding in private capital.⁴⁷ For example, the European Union (EU) initiated the LIFE Clean Energy Transition sub-programme, which is designed to facilitate the shift towards an energy-efficient, renewable energy-based, climate-neutral, and resilient economy. The initiative aims to assist the EU in developing national, regional, and local policy frameworks that promote clean energy transition. It also focuses on expediting the adoption of technological and digital solutions to support these endeavours, enhancing the professional skills of the workforce, exploring opportunities to attract private investment for transition activities, and engaging and empowering citizens in the journey towards clean energy transition.⁴⁸ In another instance, with support from the German Federal

Delivery Mechanisms Proposed for the TAAP

Ministry for Economic Cooperation and Development, the German Agency for International Cooperation (GIZ) collaborated with the Chile government to implement a Climate Finance Readiness Programme with the objective of enhancing the legal and regulatory frameworks for renewable energy by mainstreaming climate change considerations into national, subnational, and sectoral planning and policies. The programme resulted in renewable energy projects attracting investments of hundreds of millions of dollars in the country.⁴⁹

3. Create a National Project Preparation and Development Facility

Developing countries often lack the institutional capacity to develop and design technical funding proposals or respond to complex procedural funding applications.⁵⁰ The TAAP should help countries design an exclusive national-level Project Preparation and Development Facility which could be useful in assisting local institutions and businesses in project preparation application processes. The TAAP should further delineate the framework of the facility in terms of organisational structure and regulations, and oversee management of the facility's foundation charter and main policy document. This facility should also fall under the ambit of the Ministry of Finance or Economy of the respective country.

On the demand side, the facility should support the identification and initial assessment of sustainable projects. It can then assist potential borrowers in the formulation of project proposals through the institutionalisation of cross-national technical training. This may include financial, technical, and political prefeasibility studies, cost-benefit analyses, development of capacity-evaluation tools, budgeting frameworks, and project delivery planning.⁵¹ Project advisory support could be provided in the initial phase of project implementation to strengthen the capacity of project owners.

On the supply side, the facility should build diverse networks with potential donors, partners, and the private sector to ease access to concessional transition finance for shortlisted projects. MDBs and other major transnational actors in public development finance should take the lead in supporting the facility to enhance its project analysis and preparation capacity as well as in intermediating between the lenders and borrowers of capital. For example, through crafting funding proposals and offering expertise in financial, technical, and political viability, GIZ played a pivotal role in assisting Mexico in obtaining 14 million euros for its Nationally Appropriate Mitigation Action (NAMA), which is aimed at enhancing energy efficiency in new social housing projects.⁵²

Delivery Mechanisms Proposed for the TAAP

Similarly, UNDP executed a project in the CIS (Commonwealth of Independent States) region with the goal of offering technical assistance for project preparation, targeting potential funding from international financial institutions. It also helped establish a Project Preparation Foundation, which was formally incorporated into the Kyrgyz Republic's government programme from 2018 to 2023. This assistance extended to governmental and corporate entities in countries including Armenia, Belarus, Kazakhstan, Kyrgyzstan, and Tajikistan.⁵³

4. Build a Sustainable Finance Human Resource Development Academy

The skilling and training of stakeholders providing as well as seeking capital is critical to ensure a sustained stream of finance for transition-associated projects, eventually encompassing all SDGs. Efforts must be made to bridge the knowledge gaps in the ecosystem and develop a comprehensive framework, including a legal basis for human resources management, certifications, guidelines, and training modules in order to build the technical capacity of people across key industries.

The UNDP SDG Finance Sector Hub should house a Sustainable Finance Human Resource Development Academy (SF-HRDA) and work with skill-development line ministries in countries to design and offer training programmes to raise awareness and enhance the capabilities of government agencies, national financial institutions, businesses, and entrepreneurs in effectively managing transition finance projects. The academy will be responsible for rolling out awareness programmes on transition finance; developing knowledge products such as analytical and technical studies, policy briefs, surveys, and analytical papers on issues of key significance; conducting regional workshops, seminars, presentations, and case studies; and delivering training modules via a Technical Assistance Portal. It should also encourage knowledge transfer through public-private partnerships and secondment programs with foreign investors and international development finance institutions.⁵⁴

The proposed TAAP should support the institutionalisation of the recommended capacity-building delivery mechanisms to support the provision of capacity building and technical assistance at the country level in order to scale the access and provision of critical sustainable finance. These recommendations should be contextualised within the local aspirations, ambitions, and commitments of each state.

The key fundamental outcomes from the implementation of these deliverables under the TAAP can be ascertained as: a) the creation of sustainable finance-focused investible pipelines; b) improvement in the business viability of investee projects; and c) enhanced investment performance of sustainable projects, which will further help unlock outcome-based large-scale and long-dated financing at favourable rates. [ORF](#)

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