

# **Sustainable Finance Capacity Building: Status Quo, Challenges, and Recommendations**

*Input paper for the G20 Sustainable Finance Working Group*

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## Key Message

The lack of capacity to develop and implement sustainable finance frameworks and solutions, particularly in Emerging Markets and Developing Economies (EMDEs), is a major obstacle to mobilizing the necessary multi-trillion-dollar investment for SDGs and climate actions. Although many organizations have recognized the need for and devoted resources to capacity building and technical assistance, there are four barriers hindering the effective delivery of sustainable investment capacity building services: 1) Lack of consistent financial support: there are many different types of capacity building service providers, including those hosted by financial firms, governmental and semi-governmental agencies, financial sector industrial associations, research entities, international organizations, NGOs, educational entities and so on. Many of them are providing such services for free as a public goods, however many do not have access to consistent financial support to develop and deliver quality services. 2) Insufficient coverage of topics and audiences: many of existing services focused on a narrow range of topics, and have not delivered the needed impact that requires integration of knowledges across spectrums of the sustainable finance field; in the meantime, most of them cover a small segment of the potential audience or geographical regions, therefore contents developed are not cost effectively utilized; 3) Lack of coordination: most capacity building programs are developed in silo without coordination with other content providers, resulting in duplication of efforts; 4) Lack of innovation in effective delivery: many contents developed are presented in format that may not be suitable for educational purposes and with limited scalability.

To greatly improve the effectiveness of capacity building programs and expand their reach to a significantly larger target audience, we believe that the following efforts are needed: 1) allocation of greater financial resources from relevant institutions, including but not limited to MDBs, governments and philanthropies to sustainable finance capacity building; 2) creation of international capacity building alliances/networks which could improve the efficiency and enhance coordination in utilising and distributing knowledge that are developed by different content providers; 3) The provision of tailored capacity building services and technical assistance programs for EMDEs that lack the basic elements of sustainable finance.

## 1. Introduction: *why capacity is needed in sustainable finance*

. Recent research shows a dramatic expansion of the global green finance market, growing at least by 10-fold over the past decade.<sup>1</sup> For example, the annual issuance of green and sustainable, social (GSS) bonds expanded from USD111bn in 2016 to over USD1tn in 2021<sup>2</sup>.

Though the green and sustainable finance market has made remarkable progress, it is far from being enough to support a global transition called for by the Paris Agreement and UNSDGs. It is estimated that nearly US\$100 trillion of investment will be required globally to meet these targets, leaving a financing gap of over USD\$2.5 trillion annually in developing nations. In addition, the development of sustainable finance market has been very uneven across jurisdictions: the majority of the green finance transactions have occurred in OECD countries and a few larger developing countries such as China. The vast financing gap for sustainability continues to increase and the sustainable finance markets remain underdeveloped in most EMDEs, especially those in Southeast Asia, Central Asia, Africa and Latin America. In 2021, green bonds issued by emerging market economies (excluding China) accounted for only 3.8% of the global total.<sup>3</sup> Only two EMDEs were on the list of top 20 global green bond issuers by country in 2021. This has also manifested in the growing disparity in sustainable finance skills and capacity across different regions.

A 2022 study by the Institute of Finance and Sustainability (IFS)<sup>4</sup>, in collaboration with the World Bank, analysed the barriers to sustainable finance market development in Southeast Asia. The study shows that over half the financial institutions surveyed in Indonesia, Malaysia, Thailand, and the Philippines reported internal resource limitations, including a lack of skilled professionals, as one of the major hurdles to sustainable investment. The surveyed institutions underscored the urgency of promoting awareness and developing expertise in green and sustainable finance within the financial industry and the wider economy. The UNDP Financial Centres for Sustainability (FC4S) also conducted an annual assessment with its member financial centres to evaluate and track their sustainable finance development progress. Its Assessment Report of 2022 highlighted a substantial demand for skilled professionals in the development of sustainable finance systems worldwide.

Transition finance, a segment of the sustainable finance market that gains greater prominence, present unique challenges for practitioners due to a broader range of required skills and technical capacities. Transition finance fills the financial void for

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<sup>1</sup> Accelerating growth for global green finance, TheCityUK, <https://www.thecityuk.com/news/accelerating-growth-for-global-green-finance/>. Green bond data are from Climate Bonds Initiative.

<sup>2</sup> Green, Social, and Sustainability (GSS) Bonds, the World Bank. (Nov 2022). <https://thedocs.worldbank.org/en/doc/ae1d8d0d9da9248894741792a93b80bd-0340012022/original/GSS-Quarterly-Newsletter-Issue-No-1.pdf>

<sup>3</sup> CBI (2022). Sustainable Debt Tops \$1 Trillion in Record Breaking 2021. <https://www.climatebonds.net/2022/04/sustainable-debt-tops-1-trillion-record-breaking-2021-green-growth-75-new-report#:~:text=Green%20leads%20with%20a%2075%25%20jump%20in%202021,increased%20by%20more%20than%2050%25%20to%20reach%20USD250m.>

<sup>4</sup> World Bank; Institute of Finance and Sustainability. 2022. Unleashing Sustainable Finance in Southeast Asia (November 2022). <http://hdl.handle.net/10986/38341>

high-emitting sectors struggling to secure financing for decarbonizations. Compared with the financing of some “pure green” activities, credible transition finance solutions depend on highly technical methodologies for identifying, labelling, verifying and reporting of transition activities and requires stronger capacity from policymakers, regulators, and practitioners.

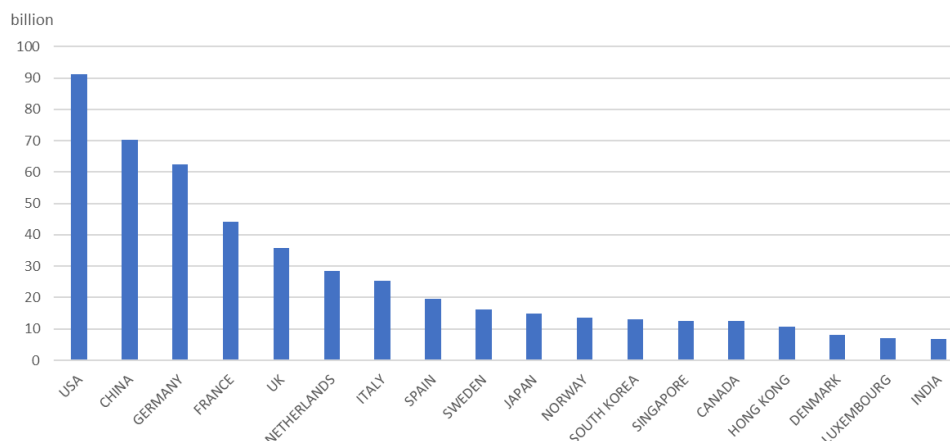


Chart 1: Green bond issuance by jurisdictions in 2021 (Data Source: CBI)

The 2022 G20 Sustainable Finance Report<sup>5</sup> stressed the need for technical assistance to expedite this transition, emphasizing the urgent demand for capacity-building programs in diverse areas of sustainable finance. In 2023, under India's G20 presidency, enhancing the capacity of the ecosystem to expand sustainable finance has been prioritized. As laid out in its work plan, the SFWG plans to develop a Technical Assistance Action Plan (TAAP), identifying technical assistance gaps and priority areas while proposing tailored actions for various stakeholders across the public and private sectors. This article presents an initial analysis of the most significant capacity gaps in sustainable finance, maps key areas for improvement, and develops a number of recommendations.

<sup>5</sup> G20 Sustainable Finance Report (2022). <https://g20sfgw.org/document-repository/>

## 2.State of Play: global sustainable finance capacity building

### 2.1 Snapshot of current capacity building initiatives

The international community has devoted some resources and explored methods and approaches to bolster capacity building in sustainable finance. This paper attempts to conduct a quick stock-taking of existing approaches on enhancing capacity in sustainable finance.

Currently, at least 30 capacity-building initiatives of different size are in operation, and they are hosted by diverse range of organizations, including public institutions, financial institutions, private enterprises, universities, research institutions, non-governmental organizations, and consulting firms. Most of them offer face-to-face training events, courses and knowledge exchange programs in areas of the organizers' expertise. Some organizations employ digital technology and online platforms for large-scale, lower cost capacity building, by offering pre-recorded instructional videos or utilizing artificial intelligence (AI) technology to answer basic questions. Depending on their resources and target audience, these capacity building initiatives differ in scope, depth, topics and target audience covered. Table 1 provides a short description of [35] capacity building initiatives, and two case studies of such initiatives – including SBFN and GFLP -- are presented in Boxes 1 and 2 below.

#### ***Box 1. Sustainable Banking and Finance Network (SBFN)***

The Sustainable Banking and Finance Network (SBFN), previously known as the Sustainable Banking Network (SBN), initiated by the IFC in early 2010s as a voluntary platform for financial sector regulatory bodies and industry associations, aims to disseminate knowledge and enhance capabilities for financial regulators, ministries, and industry associations in emerging markets. The SBFN provides member-driven peer-to-peer knowledge sharing and technical assistance from IFC and World Bank initiatives. It now encompasses 72 member institutions from 62 developing and emerging countries.

The SBFN releases a Global Progress Report every two years, establishing broad benchmarks for national sustainable finance initiatives within emerging markets. In addition, from March 2022, 41 individual Country Progress Reports have been made accessible via SBFN's online Knowledge Base<sup>6</sup>.

SBFN assists its members in pursuing dual objectives: enhancing risk management and ESG governance by financial institutions, and boosting capital directed towards activities with positive social and environmental implications. These aims are pursued via four member-led thematic working groups concentrating on Measurement, Sustainable Finance Instrument, Taskforce for Low-income Member Countries, and Data & Disclosure. The Working Groups have been actively developing capabilities among SBFN members through webinars and thematic research. For instance, the Low-Income Member Working Group has compiled a diagnostic report examining the

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<sup>6</sup> Source: Global and Country Progress Reports 2021&2022. <https://www.sbfnetwork.org/publications/global-progress-report-2021/>

unique challenges and opportunities that low-income countries encounter in sustainable finance, complemented by comprehensive case studies, country analyses, and specialized tools for guiding decisions and implementing national sustainable finance roadmaps<sup>7</sup>.

In February, the SFWG hosted a workshop which discussed topics including capacity building, drawing insights from a broad array of stakeholders. The workshop identified a number of obstacles to effective delivery of capacity building, including a dearth of reliable data to assess capacity deficiencies, the absence of tailored solutions, and insufficient and inconsistent financial support for pooling capacity-building resources, including domain specialists.<sup>8</sup>

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<sup>7</sup> Source: SBFN TASK FORCE FOR LOW-INCOME MEMBER COUNTRIES <https://www.sbfnetwork.org/working-groups/task-force-for-low-income-member-countries/>

<sup>8</sup> G20 workshop on Capacity-building of the ecosystem for Scaling-up sustainable finance. <https://q20sfwg.org/wp-content/uploads/2023/03/G20-Workshop-on-capacity-building-2023-summary.pdf>

**Table 1: Examples of Capacity Building Initiatives and Platforms**

Types of Sponsors		Descriptions	
	Name of the Initiative/Platform	Topic Coverage	Key Features
International Financial Institutions and International Initiatives	<ul style="list-style-type: none"> <li>▪ Sustainable Banking and Finance Network (SBFN)</li> <li>▪ UNEP FI PRB Academy</li> <li>▪ PRI Academy</li> </ul>	<ul style="list-style-type: none"> <li>▪ Management and disclosure of ESG risks</li> <li>▪ Sustainable finance roadmaps/Strategy</li> <li>▪ Others</li> </ul>	<ul style="list-style-type: none"> <li>▪ Providing peer-to-peer exchanges, such as study tours, virtual knowledge exchanges, and learning events, among members.</li> <li>▪ Providing toolkits and research materials;</li> <li>▪ Providing high-level intergovernmental country and/or regional experience exchanges in developing sustainable finance;</li> <li>▪ Facing national regulators, big financial firms and other international organisations.</li> </ul>
Government-led	<ul style="list-style-type: none"> <li>▪ Hong Kong Centre for Green and Sustainable Finance (endorsed by HKMA)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Various topics on green and sustainable finance</li> </ul>	<ul style="list-style-type: none"> <li>▪ Aiming to develop capacity building framework;</li> <li>▪ Special focus on young people to take up GSF and provide with practical industry experience.</li> </ul>
	<ul style="list-style-type: none"> <li>▪ India Ministry of MSMEs</li> </ul>	<ul style="list-style-type: none"> <li>▪ Sustainability and climate change</li> </ul>	<ul style="list-style-type: none"> <li>▪ Dedicated training to provide tailored capacity building for MSMEs, including. sustainability<sup>9</sup>.</li> </ul>
Research institutes or University-led	<ul style="list-style-type: none"> <li>▪ Cambridge Institute of Sustainability Leadership</li> <li>▪ Oxford Sustainable Finance Group</li> <li>▪ LSE, Grantham Research Institute</li> <li>▪ Imperial College, London Centre for Climate Finance and Investment</li> </ul>	<ul style="list-style-type: none"> <li>▪ Various topics on green and sustainable finance</li> </ul>	<ul style="list-style-type: none"> <li>▪ Providing advanced and technical research on various topics in the sustainable finance field;</li> <li>▪ Providing full-time education degrees relevant to climate, environment and sustainable finance;</li> <li>▪ Providing short-term training programs for senior management and work professionals.</li> </ul>

<sup>9</sup> Entrepreneurship and Skill Development Programs. <https://www.msme.gov.in/entrepreneurship-and-skill-development-programs>



Types of Sponsors	Descriptions		
	Name of the Initiative/Platform	Topic Coverage	Key Features
Non-for-profit Organizations and Industry Associations	<ul style="list-style-type: none"> <li>▪ Green Finance Leadership Programme (GFLP)</li> <li>▪ HK Green Finance Association</li> <li>▪ International Capital Markets Association (ICMA)</li> <li>▪ Global Reporting Initiative (GRI)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Various topics on green and sustainable finance</li> <li>▪ Following latest trends</li> </ul>	<ul style="list-style-type: none"> <li>▪ Providing series of capacity building events facing regional and international audience;</li> <li>▪ Aiming to both providing general knowledge on green and sustainable finance and addressing some country-specific sustainability challenges</li> <li>▪ Suitable for practitioners.</li> </ul>
Professional Training and Qualification	<ul style="list-style-type: none"> <li>▪ CFA Institute</li> <li>▪ Global Association of Risk Professionals (GARP)</li> <li>▪ European Federation of Financial Analysts Societies (EFFAS)</li> <li>▪ European Institute of Management and Finance (EIMF)</li> <li>▪ Chartered Banker Institute</li> </ul>	<ul style="list-style-type: none"> <li>▪ ESG investing</li> <li>▪ Climate regulations, Reporting, Climate Risks</li> </ul>	<ul style="list-style-type: none"> <li>▪ Providing accredited certification, mainly on ESG, Climate Risk, Reporting topics;</li> <li>▪ Self-studying with exams.</li> <li>▪ Suitable for practitioners but also accessible for non-practitioners.</li> </ul>
Dedicated/Topic-specific	<ul style="list-style-type: none"> <li>▪ Sustainability Accounting Standards Board (SASB)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Focusing on Reporting and Accounting</li> </ul>	<ul style="list-style-type: none"> <li>▪ Providing paid online courses and study materials</li> <li>▪ Self-studying, with completion certificate.</li> </ul>
Online Educational Platform	<ul style="list-style-type: none"> <li>▪ Coursera</li> <li>▪ MooC</li> </ul>	<ul style="list-style-type: none"> <li>▪ Climate change, sustainable development, climate finance.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Providing introductory and general topic courses;</li> <li>▪ Self-studying with exams.</li> </ul>

Note: The target audience and fields listed in the table are not exhaustive; the table only presents a selection of examples.

### **Box 2. Green Finance Leadership Programme (GFLP)**

The Global Green Finance Leadership Program (GFLP), launched in May 2018 and now hosted by the Beijing-based Institute of Finance and Sustainability (IFS), is a platform for in-depth knowledge exchange and regional dialogue on best practices for scaling-up sustainable finance, with a focus on enhancing capacity in EMDEs.

Over the past five years, the GFLP has successfully hosted more than a dozen capacity building events, including off-line and on-line events, in China, Morocco, Mongolia, Kazakhstan and Malaysia, attracting more than 4,500 participants from over 70 jurisdictions, most of which are developing economies. The GFLP has also supported and participated in more than 20 seminars and capacity building events held by other institutions. GFLP activities include convening seminars and trainings, field trips, research projects. The GFLP provides newsletters, research reports, and more than 200 video and audio products on its website.

Speakers at GFLP events include representatives from more than 150 organizations globally, including governments and regulatory authorities, IOs, MDBs and private financial institutions, academia, third-party service providers, and the broader development community.

The GFLP has several notable strengths: firstly, its activities provided a comprehensive coverage of the most important elements for developing sustainable finance for EMDEs, including awareness, taxonomies, disclosure, financial products, and policy incentives, and invited experienced policy-makers and market practitioners to give lectures and guide discussions. In the past few years, the GFLP events had successfully inspired many country authorities/regulators to kick off their sustainable finance roadmaps. Secondly, recognizing the capacity constraints and local priorities of EMDEs, the GFLP provides a platform for knowledge exchange, via active discussions and debates, among developing countries, in addition to offering international best practices from more advanced markets. Thirdly, the GFLP's **multifaceted approach** to capacity building, encompassing workshops, research projects, newsletters, and video recordings caters to a wide range of needs. The GFLP also organized technical assistance for countries that raised special requests for help.

## **2.2 Key Areas for Capacity Building**

Based on lessons and experiences from jurisdictions that have successfully developed their sustainable finance markets, we believe that capacity in the following six areas is critical: taxonomies, disclosure, product innovation, risk analysis and management, policy incentives, and origination of sustainable projects.

The design, development and implementation of each area requires a diverse range of knowledges, skills and expertise. For example, taxonomies have been developed in more than 20 jurisdictions as a basis for identifying, labelling and incentivising sustainable finance activities. However, developing a taxonomy from scratch may take

a few years if a country uses only domestic expertise and resources. As more jurisdictions are looking to develop their own taxonomies or adopt an internationally recognized taxonomy, it is important for the international community to provide “templates” or “building blocks” to help these jurisdictions to speed up the process of taxonomy development and adoption (see Box 3).

As another example, sustainability disclosure, which is key to preventing green-washing and ensuring transparency of sustainable finance activities, is a complex and rapidly expanding field. Within disclosure, regulators play a crucial role in advancing policy and regulatory infrastructure to promote the integration of sustainability-related disclosure in both the real sectors and the financial sector. Consequently, regulators need to understand the importance and the art for developing disclosure rules, while corporates and financial institutions must enhance their abilities to comply with regulatory requirements at both domestic and international levels. Moreover, closely intertwined with disclosure practices are data collection, analysis, and verification, which contribute to risk analysis and inform organizational strategies and actions in sustainability.

### **Box 3. Supporting the development of national green taxonomies in developing countries**

Green (or sustainable finance) taxonomy is a classification on economic activities that are eligible for green and sustainable finance. It establishes market clarity and helps investors to make informed decisions on investing in eligible green projects and assets.

Many green taxonomies are developed by country authorities or regulators. EU, China and about 20 other countries/jurisdictions have already published their official taxonomies. Countries align their green taxonomies with the SDG/climate objectives and with their national sustainable development priorities. Due to technical complexity, developing a taxonomy in a large economy (such as EU and China) involved multi-year efforts from hundreds of specialists. Most smaller developing countries do not have the resources, and indeed no need, to re-draft the key building blocks of the taxonomy which are already global public knowledge. In the past few years, with the help from a number of capacity building initiatives and platforms, some developing economies in Asia, Africa and Latin American has made good progress in this regard by learning from international practices.

Specifically, the national authorities of Mongolia, Kazakhstan and Sri Lanka and major banks in Pakistan have already developed their green taxonomies in the last few years. Each taxonomy went through intensive technical consultations with experts from global networks (e.g., SBFN, GFLP, CBI, and IPSF Taxonomy Working Group) and jurisdictions with successful experience, such as the EU and China. As a result, these taxonomies not only achieve good alignment with existing practices but also adapted to the local context. In particular, the green taxonomy of Sri Lanka was the first to be

developed based on the EU-China led Common Ground Taxonomy (CGT), meanwhile referencing the IFC’s Blue Finance Guidelines and Climate Smart Agriculture activities<sup>10</sup>.

Moreover, some international organisations have been updating and producing knowledge products for taxonomy development in emerging economies. For example, the World Bank published the guideline on “Developing a National Green Taxonomy” in 2020, which will help financial regulators in emerging economies better understand the development processes and potential approaches<sup>11</sup>. UNDP assisted a number of countries, such as Mongolia, to develop SDG taxonomies, which are expanded versions of the green taxonomies with coverage of projects with social impact.

**Table 2: Selected Topics/Target Audience for Sustainable Finance Capacity Building**

Pillars	Skills needed	Stakeholders/Clients		
		Regulator	Corporate	FIs
<b>Taxonomies/ Other alignment approaches</b>	Green taxonomies, transition taxonomies	√		
	ESG ratings and other alignment tools (e.g. Paris alignment thermometer) Verification/Second Party Opinions		√	√
<b>Disclosure</b>	Regulation and Guidance	√		
	Carbon Accounting	√	√	√
	Disclose against international frameworks and national regulatory requirements (e.g. TCFD, ISSB)	√	√	√
	Development of disclosure reports		√	√
	Sustainability-related Risk Analysis	√	√	√
	Data collection, analysis and verification	√	√	√
<b>Financial products</b>	Regulation and guidance on product and market development	√		
	Sustainable loans, bonds, equity, insurance and ESG products, etc.			
	Sustainability-linked and other transition finance products			√
<b>Incentives</b>	Policy incentives design (monetary, fiscal, and other non-pricing tools)	√		
	Carbon market development		√	√
<b>Risk analysis and mgmt</b>	Identify, quantify and manage climate and environment related risks, including physical and transition risks for climate.	√		√

<sup>10</sup>Central Bank of Sri Lanka and IFC Launch New Move to Spur Green Sustainable Investments. (2022). <https://www.lankabusinessnews.com/central-bank-of-sri-lanka-and-ifc-launch-new-move-to-spur-green-sustainable-investments/>

<sup>11</sup> The World Bank (2020). How to Develop a National Green Taxonomy for Emerging Markets - A New World Bank Guide. <https://www.worldbank.org/en/news/press-release/2020/07/12/how-to-develop-a-national-green-taxonomy-for-emerging-markets-a-new-world-bank-guide#:~:text=KUALA%20LUMPUR%2C%20July%2013%2C%202020%20E2%80%93%20The%20World,who%20seek%20to%20E2%80%9Cgreen%E2%80%9D%20their%20countries%E2%80%99%20financial%20systems.>

<b>Project origination</b>	Help project owners, normally firms and corporates, to prepare green projects for better bankability, such as those might be eligible for some incentives.		√	
<b>Cross-cutting</b>	Developing institutional sustainable finance strategy, targets and action plans			√
	Developing science-based net zero targets and implementation plans	√		√
	Fundamental knowledge about environment, climate and sustainability	√	√	√
	Communications	√	√	√

Table 2 provides a preliminary list of topics that we believe are important for sustainable finance capacity building. Of course, the table can be expanded and customized to encompass various aspects of sustainable finance as new topics such as transition finance and biodiversity financing are emerging. When considering transition finance, in addition to the skills outlined in the table, it is crucial to include additional expertise related to the development of transition plans and targets. These skills are essential for firms and financial institutions to effectively navigate the complexities of transitioning towards a low-carbon and sustainable future and enhancing their capacity to successfully implement transition finance initiatives.

#### **Box 4. Capacity building on Sustainable Debt Instruments—Tailored courses offered by ICMA**

The International Capital Market Association (ICMA) is a not-for-profit association, which focuses on a comprehensive range of market practice and regulatory issues that matters to international market functioning. It prioritises three core fixed income market areas – primary, secondary, repo and collateral: with two cross-cutting themes of sustainable finance and FinTech.

ICMA serves as Secretariat of the Green Bond Principles (GBP), the Social Bond Principles (SBP), the Sustainability Bond Guidelines (SBG) and the Sustainability-Linked Bond Principles (SLBP) – principles that have become the leading framework globally for issuance of green, social and sustainability bonds.

Education & Training has been an essential component of ICMA’s work, covering from market fundamentals to latest developments. Overall, there are both assessed and non-assessed courses across foundation, advanced and specialist levels in a variety of formats (including in-person, livestreamed and online self-study). As for the accreditation, the courses are accredited by CPD® Certification Service and approved by the Securities & Futures Commission of Hong Kong for Continuous Professional Training (CPT), and some advanced courses are aligned with European Qualifications Framework (EQF) level 5.

Currently under the Sustainable Finance Course, eight tracks are provided, including Foundation level (introduction to GSS bonds, Sustainable Bond, and on request,

Sustainable-linked bonds), Advanced level (Sustainable Bond Certificate) as well as partnership-based courses, like Sustainable Debt Training delivered in collaboration with CBI.

### 2.3 Gaps and Challenges

As we noted above, efforts on sustainable finance capacity building have made by many organizations in recent years. However, relative to the vast demand for capacity building, especially from the 140 + EMDEs, the scope, depth and effectiveness of the current efforts are far from sufficient. Based on our experience from operating the GFLP, discussions with organizers of the other capacity building initiatives, and a large number of clients from EMDEs, we believe that there are four outstanding gaps between the demand for and supply of sustainable finance capacity building.

**First lack of financial support, resulting in limited scale of services.** Most sustainable finance capacity building initiatives, as those reviewed in Table 1, are operated by industrial associations, NGOs, international networks associated with IOs, and educational institutions. The sponsors of these initiatives are mostly non-for-profit organizations, and do not have access to large, consistent funding support for sustainable finance capacity building. Due to funding constraints, they typically offer a small-scale capacity building service as a “side job” of their main operations. There are very few initiatives that are “dedicated” to sustainable finance capacity building. Therefore, the target audience that these initiatives/programs can reach are still very limited. Many of these providers encounter challenges in obtaining consistent financial support to enhance and deliver their services with utmost quality.

**Secondly, lack of integration of contents for effective usage.** Sustainable finance is an eco-system that requires knowledge and capacity in many areas. However, as many knowledge providers are specialists in certain fields (e.g., on taxonomy, disclosure, products, risk analysis, etc.), they tend to offer knowledge products in their respective fields in silo. Only a small number of initiatives have made efforts to integrate these knowledges as a package for EMDEs, taking into account their local needs and priorities. In addition, our experience on delivering capacity building service in developing country highlights the need to integrate the process management knowledge with technical contents<sup>12</sup>, a challenge that is not yet handled effectively by the current efforts.

**Third, lack of scalability in service delivery.** We believe that in addition to the need for face-to-face training of key people such as regulators and senior managers of financial institutions, which could involve tens of thousands of individual participants, sustainable finance knowledge should also be delivered to millions of market practitioners and service providers at technical/working levels. However, with a few exceptions, the delivery of contents of most existing capacity building initiatives is typically via sporadic in-person seminars or Zoom meetings rather than structured low-cost on-line courses, therefore limiting their scalability and cost effectiveness.

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<sup>12</sup> Many countries asked us which agency should take the lead in developing a taxonomy and how to coordinate with other stakeholders, in addition to the technical knowledge of taxonomy itself.

Moreover, many capacity building efforts are organized by a single or a few organizations with outreach limited by their =their memberships or geographical regions. The fragmentation of capacity building services, or the lack of coordination among key players (via global networks or alliances), also reduces the cost effectiveness of their services.

**Fourth, lack of tailored contents and services for EMDE.** Many contents offered by existing sustainable finance courses are based on experiences and priorities from more developed markets and have not paid sufficient attention to urgent needs of EMDEs. For example, many existing courses focus on helping asset owners/managers to develop and analyse ESG products (e.g., equity or bond funds), but most low-income countries, which rely heavily on bank financing, do not have a well-functioning capital market and want to focus on greening its banking operations. As another example, while many content providers are eager to offer best practices on phasing out fossil fuel projects, the main problems of low-income countries are how to provide clean energy to the majority of the population that do not have access to power.

There is also a shortfall in efforts to integrate and coordinate existing service providers to achieve the greatest possible impact. Many programs are developed in isolation, leading to duplicated efforts.

### 3.Recommendations

Based on the above analysis of gaps and challenges, we believe that greater efforts are needed, at the global, regional and country levels, to scale up capacity building services for sustainable finance, via enhancing the availability of financial support for such efforts, improving coordination and collaboration among different initiatives, innovating the tools and approaches for delivery, and tailor-making contents that are most relevant to EMDEs. Specifically, we make the following recommendations:

- **Mobilising greater financial support for capacity building services.** Governments, international organizations, MDBs and philanthropies should recognize the importance and the public goods nature of capacity building to the realization of Paris Agreement and SDGs, when making decisions on budgetary allocation. In particular, they should appreciate the fact that while multi-trillion dollars of climate and SDG financing is needed every year, their deployment requires hundreds of thousands of capable individuals on the ground in EMDEs. Given that capacity is often the key bottleneck for sustainable project origination, financing and implementation, allocating a small percentage of the total sustainable investment budget (e.g., from governments and MDBs) to capacity building could generate a huge leverage effect that enables many multiples of sustainable investment in aggregate.
- **Creating alliances/networks of sustainable finance initiatives to enable more effective usage of knowledges and distribution channels.** Given that many capacity building initiatives and platforms are already offering services in different areas of sustainable investment, or covering different geographical regions of the EMDEs, it would be ideal if some alliances and/or networks are formed, on a voluntary basis, to aggregate the knowledges generated by different content providers and distribute the knowledges via multiple channels to all members of these alliances/networks. By doing so it helps to integrate and knowledges and experiences into a more useful package for many countries, and can substantially enhance the cost effectiveness of content creation and delivery by avoiding duplication of efforts and increasing participation via the expanded networks.
- **Innovating on delivery approaches to expand access to capacity building programs.** Given that millions of professionals need to be involved in sustainable finance operations in EMDEs, effective delivery of contents to a large audience is needed. Therefore, in addition to face-to-face learning for policy makers and senior managers of financial institutions and corporates, on-line delivery of sustainable finance education will be essential. For effective delivery to a very large audience, capacity building initiatives could use a variety of on-line forms and teaching methods, including structured on-line learning modules/courses, pre-recorded lectures, live webinars, live Q&A sessions and group discussions, on-line quizzes, and e-libraries.
- **Providing tailored capacity building services for EMDEs and MSMEs.** Recognizing that many EMDEs are at an early stage of sustainable finance development, it is important to tailor make appropriate contents for sustainable finance education programs for them. Program designers should understand the facts that many



low-income countries are small economies with limited access to energy and clean water; they have an underdeveloped capital market while the banking system provides the majority of local financing; their economies are often dominated by MSMEs and agriculture; their knowledge basis of sustainable finance is limited; carbon markets are not yet available; and adoption of complex analytical tools is not feasible. Against this backdrop, some basic capacity building modules will need to be re-developed by adapting to local contexts and capacities, and involve local stakeholders in the design and implementation of such programs.