



Farm worker wearing a face mask to harvest coffee beans, Colombia. / iStock

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G24/AFI: Inclusive green finance key to global climate solutions

Global thought leaders and policymakers urged the adoption of a holistic approach to green finance and financial inclusion at an annual event co-hosted on 13 April by the Intergovernmental Group of Twenty-Four (G-24) and AFI, amplifying calls for a post-COVID-19 recovery that is both climate friendly and inclusive of disadvantaged groups.

The pandemic has shone a light on the importance of building resilience against future crises and threats, such as those posed by climate change, by investing in a low-carbon economy and the well-being of most at-risk groups. In the AFI network, this concept is championed by **inclusive green finance** (IGF), a workstream that has grown rapidly to become a key member-driven topic of convergence and an important aspect of the fast-emerging global green finance discussion.

G-24 and AFI members concurred that the unprecedented fallout from COVID-19 has exacerbated pre-existing inequalities and disproportionately impacted already vulnerable individuals and communities, the same groups that benefit most from financial inclusion. These include small businesses, women and girls, youth, older persons, persons with disabilities and forcibly displaced persons.

Against this austere backdrop, **Central Bank of Egypt** (CBE) Deputy Governor Gamal Negm **called on his fellow regulators** to develop tailored and sensitive policy approaches that address the unique challenges facing at-risk groups, echoing the network's **Kigali Statement** on accelerating financial inclusion for disadvantaged groups

"In light of COVID-19, all countries need to employ a people-centric approach to protect the financial inclusion gains of the last decade, and to prevent falling back catastrophically in respect of progress towards the Sustainable Development Goals," he said.

"Our policy responses to the pandemic, must leave no one behind," Deputy Governor Negm added, reflecting a fundamental principle of the Sustainable Development Goals (SDGs) and financial inclusion efforts among AFI network members.

Over 30 central bank governors, deputy governors, ministers and other leaders from both developing and developed countries joined the two-hour virtual roundtable to share practical experiences and recommendations towards establishing IGF as a

powerful contributor to strategies for national and global economic recovery from the ongoing pandemic.

For the first time, developed country regulators were also invited to speak at the high-level gathering, advancing effective cooperation by offering unique perspectives and insight into various responses for countering the climate emergency, including reducing emissions, building capacities and raising awareness.

Participants emphasized that the impact of price and financial instability on social issues underscored the strength of policymakers in mitigating and building resilience against the negative impacts of the climate emergency, crucially, through the advocacy of IGF. As a rapidly evolving area in which a **significant body of policy guidance and case studies** has now been developed within the AFI network, IGF is an important aspect of the fast-emerging global green finance discussion.

In the fight against climate change, Banco de España Deputy Governor Margarita Delgado urged her fellow regulators to embrace their role as crucial actors in measuring and factoring environmental risks to foster robust economies.

“This is a very important question not only for developing countries but also developed countries,” said Deputy Governor Delgado. “We also have pockets of poverty ... and need to adapt the economy to the new [COVID-19] situation.”

Growing threats to the financial sector, **Central Bank of Kenya** Governor Patrick Njoroge said, had motivated central banks to become “fully involved” in climate change issues.

“It’s everybody’s business,” he explained, adding that failures to make progress in tackling climate change will end up as “another factor keeping people away from financial inclusion and we know the losses, including social losses, that come of this.”

Banco Central del Paraguay President José Cantero Sienra added that “central banks can be a platform for constructive dialogue to create a new, more sustainable and green economy.”

According to **Central Bank of Seychelles** Second Deputy Governor Jenifer Sullivan, her institution was already focused on creating financial stability by implementing a green recovery from COVID-19. Among the measures she shared was a loan repayment system that was being used to fund and protect local marine life.

For Bank of Ghana Deputy Governor Elsie Addo Awadzi, women could become key “agents of change”, as one of the groups most impacted by climate change and COVID-19. “There is a critical role for gender at the heart of IGF development,” she said.

“As we make efforts to promote access to finance for women and IGF policies, women should be considered as there are a lot of synergies,” Deputy Governor Awadzi said, emphasizing the relevance of sex-disaggregated data. Here, however, speakers also noted numerous shortfalls, with several drawing focus to the need for more tracking, reporting and collection of reliable data as pivotal for effective policy initiatives.

The importance of sound data and analytical tools were also noted by Banca D’Italia Deputy Governor Luigi Fererico Signorini, who described the current “far from satisfactory” situation exposed risks of “greenwashing”. He also called for progress in the adoption of shared and detailed international taxonomies.

Other notable areas of opportunity included in insurance and other risk-sharing mechanisms as an intersect between climate change and financial inclusion, as well in financial and digital technology. With widespread access and use, IMF Deputy Director of Monetary and Capital Markets Department Ratna Sahay said, they could help build resilience and accelerate economic recovery in the aftermath of natural disasters.

so reiterating the role of the financial sector in enabling investment in new opportunities for vulnerable communities most affected by environmental change was Prof. Dr. Ulrich Volz from SOAS, University of London, who co-authored a [report](#) with AFI that delved into the ability of financial inclusion to enable and support climate change adaptation and mitigation.

More than 170 participants gathered for the event, including around 100 representatives from 37 AFI member institutions. It was held as part of the International Monetary Fund (IMF) and World Bank virtual Spring Meetings, representing each of G24 and AFI global membership, as well as developed country regulators and international organizations. AFI knowledge and funding partners, including the Swedish International Development Cooperation Agency (Sida) and the German Federal [Ministry for the Environment, Nature Conservation and Nuclear Safety](#) (BMU), observed the session. Representatives from the European Central Bank, European Banking Authority and the European Commission were also in attendance.

Amid a greater sense of urgency for climate change action, Financial Stability Board (FSB) Deputy Secretary General Rupert Thorne said that stakeholders must put more emphasis on “the importance of a strategic vision, good coordination and clear communication.” Thorne listed climate change as a key priority for the FSB in 2021, adding that financial inclusion would also be factored in as it is underpinned by financial stability.

Markets, meanwhile, were also said to be showing greater demand for sustainable products, including green finance, green bonds and sustainable finance options. According to Deputy Governor Delgado, Banco de España has been steadily increasing its holdings of green bonds while President Sienna drew attention to a Paraguayan bank that sold USD300 million in sustainable bonds to international investors in 2020, a first for a Latin American financial institution.

While praising this positive momentum, AFI Executive Director Dr. Alfred Hannig also reminded participants that there was still much progress to be made, adding that strategic collaboration and constructive dialogue would help fuel future milestones, including with private sector stakeholders.

“Climate change does not give us the luxury of waiting, testing and pondering ... we are all affected by these issues and the solutions needs to be coordinated and implemented across countries, sectors and institutions,” he said.

By offering perspectives from a diverse range of standpoints, the G-24/AFI gathering acted as an important step towards increased collaboration on inclusive green finance. In previous years, the roundtable event has been used to galvanized action on cutting-edge topics, such as gender inclusive finance, financial technology regulation and the challenges of de-risking.

Central banks and financial policymakers are in prime position to not only to contribute to the development of inclusive green finance policies, but also drive global discussions on innovative and integrated approaches to climate change , as demonstrated in the AFI network’s endorsement of the [Sharm El Sheikh Accord on Financial Inclusion, Climate Change and Green Finance](#), aligned with the 2030 Sustainable Development Goals Agenda.

AFI’s [Inclusive Green Finance](#) (IGF) workstream is part of the [International Climate Initiative](#) (IKI) supported by the [German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety](#) (BMU), based on a decision of the German Bundestag.
