Executive Summary

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Taking place from 2-7 March 2017, in Lusaka Zambia, the conference and workshops held on green finance were successful in educating participants about Green Finance and the opportunities and challenges in implementing green projects. Part of this success was also attributed to the interactive panel discussions, presentations, workshops and the use of literature videos and other practical case studies on green projects.

Overall, the main conclusions from the conference were:

- Green finance is seen as part of good governance and integrity. Low enforcement of environmental and social regulations can lead to social conflicts (such as around mines and dams) and market impacts in losses to lenders and investors, and even macroeconomic stability risks. In order to prevent these, there is a need for the regulator to adopt due diligence requirements that seek to overcome weaknesses in environmental regulation and enforcement.

- In Zambia, opportunities for green finance such as renewable energy, energy efficiency, agricultural development and SME productivity are potentially commercial. However, these opportunities are inadequately financed both because of barriers in demand for investment such as informality of enterprises, lack of asset registration, lack of financial literacy, corruption, policy uncertainty and because of barriers in supply such as unresponsive financial institutions, short-termism, lack of credit information, lack of understanding of opportunities. Together with investment, extending insurance is essential for resilience to natural hazards.

- Market infrastructures such as credit rating agencies, accountants, lawyers and analysts are also constrained in many developing countries. In Zambia, for instance, many of the barriers that constrain sustainable investment are not specific to sustainable finance, but are more general constraints to attract and allocate capital through the financial system. Inclusive green investment in Zambia is mainly constrained by short-term outlook in the investment chain, a fragmented institutional investor market and high returns to government bonds that tend to crowd out investments in other asset classes.

- Participants in the sessions emphasised that in developing countries and specifically Zambia, the need for green and sustainable investment is not an isolated issue, but is linked to the critical challenge to meet infrastructure and energy needs, to improve health and to enable efficiency and access to finance.

- The administrative burden of incompatible environmental standards and monitoring requirements by international donors and international financial institutions was also raised as an issue. In fact, it represents an important factor that can deter local financial institutions from accessing and intermediating concessional green finance.

- Many smaller developing countries have had difficulty in demonstrating that they have the track record and institutional capacity to comply with the Green Climate Fund's fiduciary and gender policy standards, and that they can apply the relevant environmental and social safeguards in order to access international climate finance.

- Both domestic and international factors are driving action on green finance in developing countries. New business opportunities and market pressures (including through supply chains) play a critical role, together with rising recognition that environmental risks can result in defaulting loans. At the same time, foreign banks, regional leadership and peer exchange have often been important catalysts. Many development finance institutions (DFIs) have invested to support financial product innovation and uptake, and there is increasing understanding of simple and practical financial mechanisms such as guarantees, first loss capital, and green bonds that can be used to advance green investment.

- The *myclimate* project exemplary case study of green finance in Kenya demonstrated the opportunities for SMEs in Zambia to benefit from green finance if they become compliant with the requirements of development finance institutions.

- The AGF's Green Guarantee Facility was commended as an efficient solution to finance environmentally friendly projects through partner financial institutions. **It was generally agreed that the financial system requires some improvement to decrease the prohibitive interest rates.**

Hence, in regards to the conclusions deducted from this conference, the fast moving state of Green Finance in the world and more prominently in Africa, the importance of furthering this discussion with major actors (Financial institutions, the development community, small and medium enterprises, national and international authorities…) was equally highlighted. Kenya, Ghana and Cote d'Ivoire were selected to host the next rounds of the Green Finance conference and complementary workshops.