GREEN FINANCE AND THE INTERNATIONAL FINANCIAL ARCHITECTURE

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Green finance is embedded within and delivered through the global financial system and the legal and regulatory framework which supports it (the international financial architecture or IFA).

Two things to unpack on the **relationship between climate finance** and the IFA:

Impact of the structural characteristics of the IFA on the provision, mobilisation and delivery of finance for climate action

Impact of the financial instruments deployed to climate and sustainable development – terms and conditions, operational structure, etc – **on the IFA**

There are **structural features of the IFA which will hinder provision, mobilisation and delivery of finance for climate action and sustainable development**.

The deployment of the ‘wrong kind’ of finance, especially through debt creating and ‘innovative’, private finance, **without adequate fiscal and policy space and without IFA reform** will heighten existing economic and financial vulnerabilities of developing countries and undermine climate action/ sustainable development goals (SDGs) and increase developing countries’ exposure and susceptibility to further financial and climate crises.

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Reliance on debt instruments without significant reforms to the IFA will increase indebtedness and risks greater disorderly defaults, especially for already indebted countries.

Deployment of 'innovative' financial instruments – thematic bonds, sustainability-linked bonds and loans, credit enhancement facilities (guarantees, etc) – **without regulatory safeguards and without IFA reforms generate new transmission nodes for financial instability** within developing countries and within the global financial system.

Lack of adequate public regulation and oversight of cross-border financial flows means that private finance remains a volatile and less sustainable source of finance for global climate action.

Limited financial safety net to support countries during financial and debt crises can lead to greater vulnerability and heighten exposure to financial, trade and climate shocks.