

## EXECUTIVE SUMMARY

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China has taken a global leadership role in promoting the mainstreaming of green finance, and has moved the needle forward in a very short period of time. Yet, the full potential of green finance in China is constrained, primarily due to a lack of institutionalized effort to build capacity. Ma Jun, the former green finance point person, chief economist at the People's Bank of China (PBOC) and current chairman of the Green Finance Committee, singled out capacity as “key” to the growth of green finance, and the single biggest challenge.

Capacity building is needed in three distinct areas:

- Banks and financial institutions lack capacity and knowledge of the available tools to assess environmental costs and benefits.
- The development and innovation of green financing products requires capacity.
- Government officials at the central and local levels need to better understand the fundamentals of green finance and how to grow capacity of this sector at both levels.

While the bigger banks have begun to develop and conduct training programs, most capacity building programs still vary in quality and content. The relatively low share of green credit in their overall loan portfolios provide this evidence. In addition, training for government leaders, particularly at the local levels (provincial and below) is nonexistent.

There are over [six million employees of financial intermediary firms](#), private and public, that could be connected to green finance. This daunting scope requires setting forth a scalable structure with intrinsic processes to ensure quality and reduce redundancies.

Unlocking the potential of green finance in China, then, depends on the execution of capacity-building fundamentals to include:

- Promoting a mix of funding sources
- Developing a standardized structure
- Collaborating with stakeholders
- Standardizing programs for quality
- Incentivizing government officials
- Measuring progress with accountable metrics
- Building consumer awareness
- Going out to observe firsthand
- Leveraging international partnerships

This paper will provide a brief overview of the current efforts in China as a baseline for green finance development, but the focus will be on practical steps to institutionalize a capacity building framework. As green finance knowledge and tools evolve, capacity building must continually adapt, so we emphasize implementation and structure over specific content.

<b>Capacity Building Recommendations</b>	
<b>FUNDING</b>	Encourage a mix of public and private funding, which is often low despite widespread recognition of the importance of training. This will help to extend limited budgets and adopt multipliers, such as “train the trainers” and online platforms.
<b>STRUCTURE</b>	Appoint an official or unofficial lead coordinator to develop standardized materials, track programs and program gaps, and disseminate information.
<b>COLLABORATE</b>	Pool resources and leverage existing programs across non-governmental organizations, the private sector and the international community.
<b>STANDARDIZE</b>	Develop standard programs to ensure quality and reduce redundancy.
<b>INCENTIVIZE</b>	Incorporate environmental metrics into the criteria for promoting local officials to signal the importance of capacity building.
<b>MEASURE</b>	Develop metrics to track progress, build in accountability and demonstrate a tangible impact, which can help secure funding.
<b>BUILD AWARENESS</b>	Promote greater consumer awareness to increase demand for environmental products.
<b>GO OUT</b>	Conduct field studies that are crucial to capacity building. There is no substitute for firsthand observation.
<b>INTERNATIONAL PARTNERSHIPS</b>	Continue to leverage the work of the international community, led by the UN Environmental Programme.
<b>TRIED AND TRUE</b>	Methods of scaling training programs quickly such as “train the trainers” programs, building out online platforms, and convening stakeholders are particularly useful.