



INCLUSIVE GREEN
FINANCE (IGF)
WORKING GROUP



SME FINANCE (SMEF)
WORKING GROUP

INCLUSIVE GREEN FINANCE POLICIES FOR GREENING MSMEs: A TOOLKIT



TOOLKIT

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EXECUTIVE SUMMARY

Micro, Small, and Medium Enterprises (MSMEs) are central to economic development but remain disproportionately vulnerable to climate risks and financial exclusion. Inclusive Green Finance (IGF) offers a transformative pathway by integrating financial inclusion with climate resilience, enabling MSMEs to adopt sustainable business models while contributing meaningfully to national climate goals.

This toolkit, developed by the Inclusive Green Finance Working Group and the SME Finance Working Group of the Alliance for Financial Inclusion (AFI), provides practical guidance for policymakers, regulators, and financial service providers to plan, develop, and implement IGF policies tailored to MSMEs needs. It represents the final output of AFI's three-part knowledge series on Inclusive Green Finance initiatives for MSMEs, building on **Green Transition Measures for MSMEs¹** and **MSMEs as Agents of Green Change: National Roadmaps from Eswatini and Zambia.²**

The toolkit presents a three-phased approach to policy development: **Planning, Formulation, and Implementation**. Each phase includes detailed activities, country examples, and checklists to support context-sensitive and impact-driven policy development.

Several cross-cutting insights emerge from global best practices and country experiences, particularly from Eswatini and Zambia. MSMEs are not only critical drivers of green growth and climate resilience but also central actors in advancing inclusive and sustainable economic transitions. Evidence shows that inclusive finance generates more equitable outcomes, particularly for women-led and rural MSMEs, which are often the most vulnerable to climate shocks. Awareness-raising, targeted incentives, and capacity-building initiatives have proven essential in accelerating the adoption

of green practices. Similarly, coordinated ecosystems anchored in strong stakeholder engagement significantly amplify the effectiveness of IGF policies.

The policy development journey further highlights the importance of peer learning among AFI members, which both strengthens institutional capacity and accelerates policy formulation. Comprehensive diagnostic studies ensure that policies are evidence-based and closely aligned with the realities of MSMEs. Inclusive governance processes promote institutional alignment and build the sense of ownership necessary for sustained implementation. Moreover, designing policies through a gender-responsive lens enhances both social relevance and broader economic impact.

Building on these lessons, a set of strategic recommendations emerges to guide countries in translating insights into concrete action. Effective IGF policy requires institutionalized stakeholder engagement and cross-sectoral coordination, with particular attention to high-risk and high-potential MSMEs. The policy scope should be clear and aligned with national climate and development objectives, while ambition should be balanced with institutional capacity through phased implementation. Communicating the benefits of IGF effectively helps build MSME trust and participation, while equitable distribution of costs and benefits ensures fairness across stakeholders. Finally, operationalizing monitoring, reporting, and evaluation mechanisms supports adaptive learning, enabling policies to evolve in response to emerging needs and opportunities.

By applying these insights and recommendations, countries can create enabling environments where MSMEs thrive as agents of green change, driving climate resilience, inclusive growth, and sustainable development.

¹ Alliance for Financial Inclusion. 2024. Green transition measures for MSMEs. Available at: <https://www.afi-global.org/publication/green-transition-measures-for-msmes/>

² Alliance for Financial Inclusion. 2025. MSMEs as agents of green change: National Roadmaps from Eswatini and Zambia. Available at: <https://www.afi-global.org/publication/msmes-as-agents-of-green-change-national-roadmaps-from-eswatini-and-zambia/>

INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) are vital to national economies but remain highly vulnerable to climate risks and financial exclusion. Inclusive Green Finance (IGF) offers a transformative solution by providing MSMEs with tailored financial services that support their transition to low-carbon, climate-resilient business models. By integrating the goals of green finance and financial inclusion, IGF enables MSMEs to adopt sustainable practices while enhancing their economic resilience.

Micro, Small, and Medium Enterprises (MSMEs) are vital to national economies but remain highly vulnerable to climate risks and financial exclusion. Inclusive Green Finance (IGF) offers a transformative solution by providing MSMEs with tailored financial services that support their transition to low-carbon, climate-resilient business models. By integrating the goals of **green finance** and **financial inclusion**, IGF enables MSMEs to adopt sustainable practices while enhancing their economic resilience.

AFI's Inclusive Green Finance Working Group (IGFWG) is at the forefront of advancing IGF research and supporting the development of green financial inclusion policy solutions, with a particular focus on communities most vulnerable to climate change. Accordingly, the IGFWG has developed a series of knowledge products to guide policy design and implementation.

The AFI report **Green Transition Measures for MSMEs**,³ highlights the exposure of MSMEs to climate risks while recognizing their potential to drive sustainable change, calling for targeted policy, regulatory, and institutional support aligned with the Paris Agreement and SDGs. Building on this, **MSMEs as Agents of Green Change: National Roadmaps from Eswatini and Zambia**⁴

offers practical examples of how IGF can be embedded into national strategies through stakeholder engagement and context-specific solutions to empower MSMEs as agents of change.

Further advancing this work, this toolkit, **IGF Policies for MSMEs: A Toolkit**, provides adaptable guidance for designing and implementing policies that align financial inclusion with green finance for MSMEs. Drawing on global best practices and country-level experiences, particularly from Eswatini and Zambia, the toolkit emphasizes the development of inclusive, scalable, and context-sensitive IGF strategies to enable MSMEs to adopt climate-smart business models.

The toolkit presents a three-phased approach to policy development: **Planning, Formulation and Implementation**. Each phase includes detailed activities, country examples and checklists to support context-sensitive and impact-driven policy development. Together, these phases provide a practical framework for designing IGF policies that are context-sensitive and impact-driven, building resilient, inclusive financial ecosystems where MSMEs thrive as agents of sustainable development.

³ Alliance for Financial Inclusion. 2024. Green transition measures for MSMEs. Available at: <https://www.afi-global.org/publication/green-transition-measures-for-msmes/>

⁴ Alliance for Financial Inclusion. 2025. MSMEs as agents of green change: National Roadmaps from Eswatini and Zambia. Available at: <https://www.afi-global.org/publication/msmes-as-agents-of-green-change-national-roadmaps-from-eswatini-and-zambia/>

PURPOSE, SCOPE, AND USE OF THE TOOLKIT

This toolkit is designed to support policymakers, regulators, and financial service providers in developing and implementing IGF policies that enable MSMEs to adopt sustainable business practices, access green finance, and contribute to climate adaptation and mitigation efforts.

Recognizing that IGF policy development varies across national contexts, the toolkit provides a flexible, structured approach that can be adapted to macro-level policymaking or micro-level initiatives led by financial institutions and MSMEs.

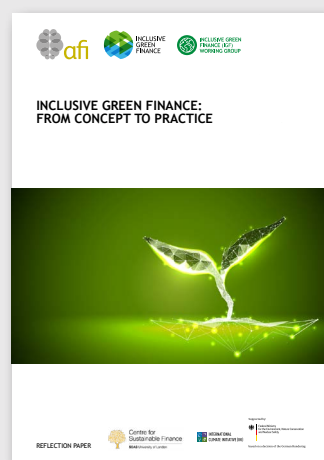
The toolkit emphasizes the importance of targeted, proportionate policies that address the unique challenges faced by MSMEs such as, limited access to finance, risk perceptions, and regulatory barriers, while ensuring alignment with national sustainability objectives. It promotes cross-sector collaboration and encourages the development of regulatory frameworks that reduce the risk of MSME exclusion from green finance opportunities.

Drawing on learnings from various sources and incorporating practical insights from AFI knowledge products, together with best practices from countries leading the sustainable finance agenda, the toolkit offers step-by-step guidance that can be adapted to country specific priorities and policy development phases.⁵ Key AFI reference documents include:

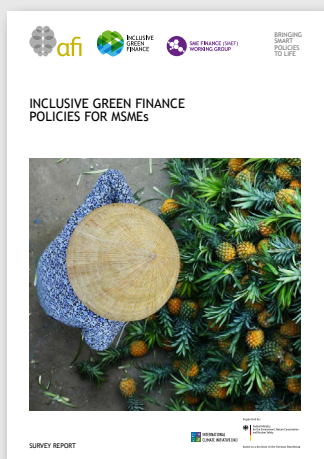
⁵ To remain effective, the toolkit should be periodically updated to reflect evolving MSME landscapes, financial sector reforms, and global climate and sustainability goals.



Green Transition Measures for MSMEs
> View [here](#)



Inclusive Green Finance: From Concept to Practice
> View [here](#)



Inclusive Green Finance Policies for MSMEs
> View [here](#)



Integrating Inclusive Green Finance Policies into National Financial Inclusion Strategies
> View [here](#)

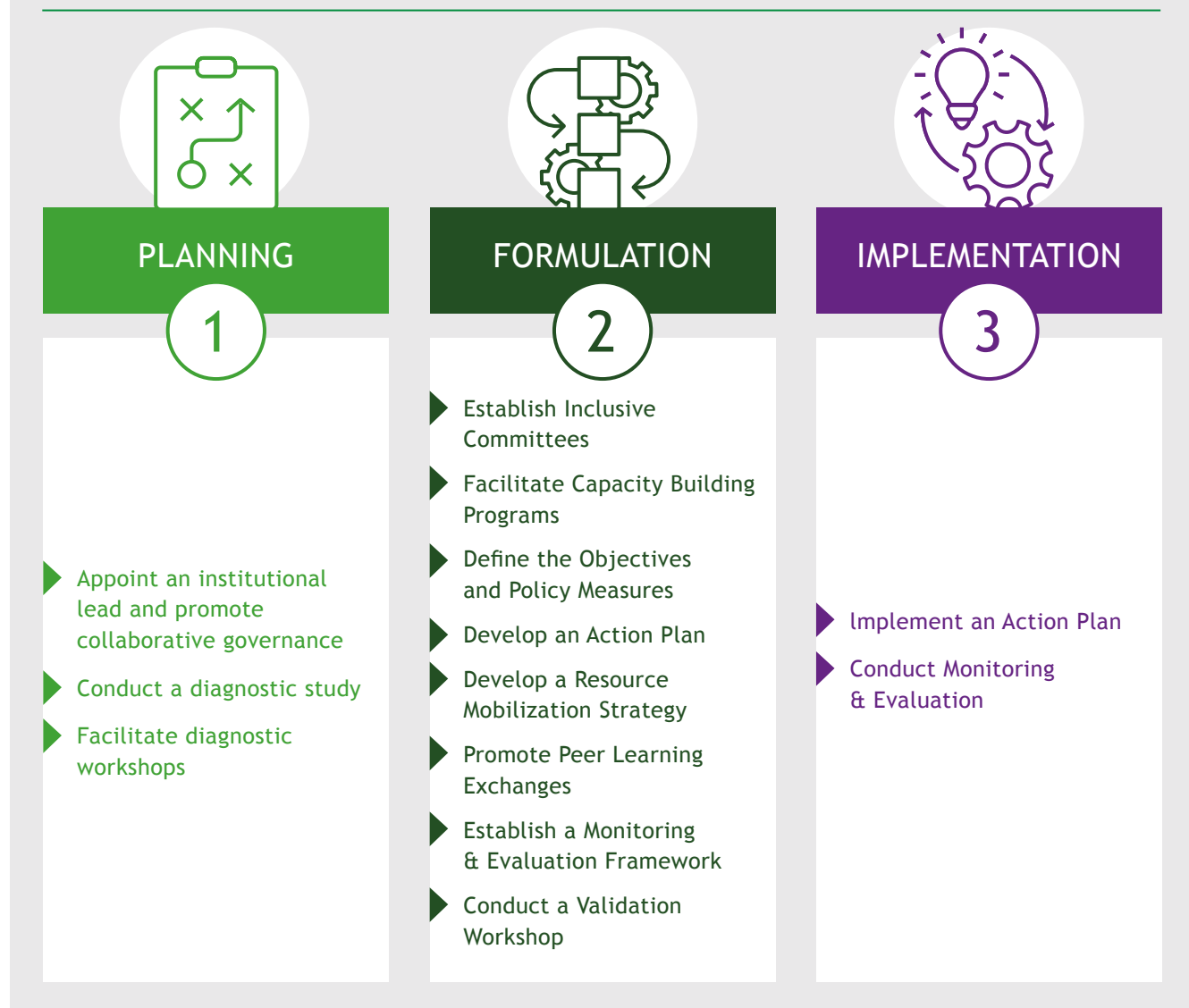
PROCESS TO DEVELOP A GREEN MSME FINANCE POLICY

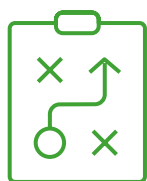
Countries have adopted varied approaches to plan and develop their Green MSME Finance policies (GMSMEF). Regardless of the approach, aligning financial inclusion with green finance from a MSME perspective is essential to drive financial system reforms that support MSMEs in their climate change mitigation, adaptation, and resilience building efforts.

This toolkit draws on the experiences of AFI member countries and global best practices to guide the development of GMSMEF policies.⁶ It is structured around three core phases – **Planning, Formulation, and Implementation** – with each phase featuring key activities to support progress throughout the policy development process.

⁶ Green MSME Finance Policy in the context of this toolkit includes roadmaps and strategies for Greening MSMEs.

FIGURE 1. PHASES IN GREEN MSME FINANCE POLICY DEVELOPMENT





1 PLANNING PHASE

The planning phase of GMSMEF policy development plays a vital role in aligning financial inclusion with sustainability, ensuring that MSMEs have equitable access to green finance. The planning phase consists of three activities which are detailed below.

FIGURE 2.
KEY ACTIVITIES UNDER THE PLANNING PHASE



ACTIVITY 1

Appoint an institutional lead and promote collaborative governance



ACTIVITY 2

Conduct a diagnostic study



ACTIVITY 3

Facilitate diagnostic workshops

Source: PHB Development



Appoint an Institutional Lead and Promote Collaborative Governance

OBJECTIVE

Appoint a strong lead institution and establish a structured, multi-stakeholder platform to coordinate the development of the GMSMEF policy in a transparent, inclusive, and sustainable manner.

Why Institutional Leadership and Collaboration Matter

Strong institutional leadership provides political authority, strategic direction, and accountability, while collaborative platforms ensure that diverse perspectives shape policy design. Since IGF policies cut across sustainability, financial inclusion, and financial stability, domains often managed by different entities are essential to clarify institutional roles and create mechanisms for dialogue.

The lead institution should ideally be a specialized public entity such as the Ministry of Finance, central bank, or financial regulatory authority. These institutions often have the mandate, technical expertise, and convening power to guide the process. Their role is to anchor the policy, safeguard alignment with national and international frameworks, and mobilize resources. A notable example includes Morocco's "Roadmap for Aligning the Moroccan Financial Sector with Sustainable Development (2016)" led by the Central Bank of Morocco (Bank Al-Maghrib).



Member Highlight: Bank Al-Maghrib's role in the Roadmap for aligning the Moroccan Financial Sector with Sustainable Development (2016) - an Example of Leadership and Collaboration





Bank Al-Maghrib (Central Bank of Morocco) played a strategic leadership role in initiating and coordinating the roadmap's planning phase, ensuring alignment with Morocco's National Sustainable Development Strategy and international best practices. The bank facilitated inclusive consultations with regulators, financial institutions, and professional bodies, helping define the roadmap's five key pillars. Through its guidance, the planning phase was marked by coherence, stakeholder engagement, and a clear vision for transitioning Morocco's financial sector toward sustainability.

Once appointed, the institutional lead should convene a multi-stakeholder platform that ensures inclusivity, collaboration, and coordination. This may take the form of a **tiered governance structure** with:

- A Steering Committee for high-level oversight.
- A Technical Committee for detailed policy design.
- A Green Finance Secretariat to support coordination, dialogue, and knowledge sharing.

Clear Terms of Reference (ToR) or operating guidelines should be developed for each committee to define roles, responsibilities, and decision-making processes, ensuring accountability and preventing fragmentation. Continuous engagement with stakeholders, including ministries, regulators, financial institutions, MSMEs, and civil society, will foster ownership, trust, and alignment.

TABLE 1. INSIGHTS ON INSTITUTIONAL LEADERSHIP AND COLLABORATIVE APPROACHES

| | |
|--|---|
|  <p>Mongolia</p> | <p>The Mongolian Sustainable Finance Association, representing the private sector, led the development of the National Sustainable Finance Roadmap of Mongolia, which was then approved by the Financial Stability Council comprising the Central Bank of Mongolia, the Financial Regulatory Commission, the Ministry of Finance, and the Deposit Insurance Commission, with support from the Mongolian Sustainable Finance Association, International Finance Corporation (IFC), United Nations Environment Program (UNEP) Inquiry, and the European Bank for Reconstruction and Development (EBRD).</p> |
|  <p>Papua New Guinea (PNG)</p> | <p>PNG's IGF Policy 2023 was developed with guidance from the Steering Committee chaired by the Bank of PNG, and members from the Department of Treasury, the Climate Change and Development Authority, Centre for Excellence in Financial Inclusion, AFI, Global Green Growth Institute, and the New Zealand Ministry of Foreign Affairs and Trade. The project was funded by the New Zealand Ministry of Foreign Affairs and Trade.</p> |
|  <p>Thailand</p> | <p>The development and finalization of the Sustainable Finance Initiatives for Thailand was led by the Sustainable Finance Working Group comprising the Ministry of Finance, Bank of Thailand, Securities and Exchange Commission of Thailand, Office of Insurance Commission, and the Stock Exchange of Thailand, with support from IFC and the Sustainable Banking and Finance Network (SBFN).</p> |
|  <p>Zambia</p> | <p>The Ministry of Finance and National Planning spearheaded the development and finalization of the IGF roadmap in close coordination with the Ministry of Green Economy and Environment, the Ministry of Small and Medium Enterprise Development and the Bank of Zambia, with support from AFI.</p> |



CHECKLIST FOR INSTITUTIONAL LEADERSHIP AND COLLABORATION

- ✓ **Institutional Authority and Mandate:**
The lead has a clear legal and policy mandate to coordinate GMSMEF policy development.
- ✓ **Convening Power and Inclusivity:**
Ability to mobilize ministries, regulators, financial institutions, MSMEs, and civil society in a structured process.
- ✓ **Technical Expertise:** Proven capacity in sustainable finance, financial inclusion, and climate risk management.
- ✓ **Governance Structure:** Existence (or creation) of a Steering Committee, Technical Committee, and Secretariat with clear ToR or operating guidelines.
- ✓ **Policy and Regulatory Capacity:**
Ability to design policies aligned with national priorities and international sustainability commitments.
- ✓ **Resource Mobilization:** Capacity to attract public, private, and climate finance.
- ✓ **Monitoring and Accountability:**
Mechanisms in place to track progress, ensure transparency, and adapt strategies.



Tip: Use a decision matrix or scoring tool to identify the most suitable lead institution and map stakeholder roles within the governance structure.



Conduct a Diagnostic Study

OBJECTIVE

The diagnostic study establishes a comprehensive understanding of the MSME landscape, with particular attention to green finance and climate resilience. It captures both institutional and MSME perspectives, identifying gaps, barriers, and opportunities. By combining literature, data, and stakeholder insights, the diagnostic provides the evidence base needed to design inclusive, practical, and scalable GMSMEF policies.

Diagnostics that Drive Inclusive Green Finance

Unlocking green finance for MSMEs begins with a clear evidence base. The diagnostic process ensures that the GMSMEF policy design is grounded in realities by:

1 **Conducting a comprehensive literature and policy review:** The diagnostic begins with a thorough review of national policies, regulatory frameworks, and global best practices to contextualize the green finance landscape. This step maps the financial ecosystem, assesses the existing policy and regulatory framework, and identifies areas of alignment or fragmentation. It also evaluates market readiness, highlighting gaps, challenges, and opportunities for MSMEs to access green finance. By synthesizing these insights, the literature review establishes a baseline understanding that informs the design of research instruments and ensures the diagnostic is grounded in evidence, aligned with national priorities, and responsive to MSME needs.

2 **Field Research:** The diagnostic builds on the literature review with robust field research that combines quantitative and qualitative methods to capture perspectives from across the ecosystem. Surveys with MSMEs explore their financing needs, awareness of green opportunities, and barriers to adopting climate-resilient practices. Financial institutions are assessed to evaluate the availability of green products, institutional capacity, and appetite for expanding services to MSMEs. Interviews and consultations with regulators and public entities examine how policy, institutional, and regulatory frameworks enable or constrain green finance. This multi-stakeholder approach generates actionable insights, validates findings across demand and supply sides, and highlights priority areas for intervention.

3

Synthesis: Findings are then consolidated into a diagnostic report. The report highlights policy and regulatory gaps, financing needs, and sectoral opportunities, providing a clear picture of the MSME green finance ecosystem. It serves as the foundational reference for the IGF policy formulation, ensuring that priorities are evidence-based, stakeholder coordination is structured, and interventions are both practical and scalable. By grounding recommendations in MSME realities and institutional perspectives, the report creates a shared evidence base that guides inclusive, coherent, and forward-looking policy design.

TABLE 2. KEY ACTIVITIES AND OBJECTIVES OF DIAGNOSTIC STUDY

| ACTIVITIES | OBJECTIVES |
|---|---|
| Comprehensive literature and policy review | <ul style="list-style-type: none"> ✓ Map national policies, strategies, and regulatory frameworks related to green finance and MSMEs ✓ Take stock of international commitments and contextualize the national landscape ✓ Identify policy and regulatory gaps, market readiness, and MSME financing needs |
| Field research (quantitative and qualitative) | <ul style="list-style-type: none"> ✓ Gather insights from MSMEs, financial institutions, regulators, and public entities through surveys, interviews, and consultations ✓ Assess MSME demand for green finance, adaptation, and mitigation strategies ✓ Evaluate supply-side readiness, product offerings, and institutional capacity ✓ Identify barriers, drivers, and opportunities to expand inclusive green finance |
| Synthesis into a diagnostic report | <ul style="list-style-type: none"> ✓ Consolidate evidence into a reference document for policy formulation ✓ Highlight key policy gaps, financing needs, and sectoral opportunities ✓ Define target MSME groups, including women-owned MSMEs (WMSMEs) ✓ Provide a shared evidence base for priority-setting, stakeholder coordination, and roadmap design |



Facilitate Diagnostic Workshops

OBJECTIVE

Strengthen the credibility, inclusiveness, and policy relevance of the diagnostic process by engaging stakeholders at key stages of the planning phase, ensuring that findings, tools, and recommendations reflect the realities of MSMEs and align with national priorities.

Validating Diagnostics for Impact

Diagnostic workshops are a critical step in translating findings into actionable policy. Ideally, a sensitization workshop is held before data collection to engage government institutions, financial regulators, MSME associations, and development partners in reviewing and refining research tools. This ensures that surveys and interviews capture context-specific realities, such as MSMEs' awareness, access to, and use of green finance and technologies.

Once data collection and analysis are complete, a second workshop is convened to present preliminary findings and draft recommendations. Stakeholders provide feedback, clarify insights, and highlight priority areas, including gender-responsive approaches, sector-specific interventions, and the needs of informal enterprises.

By creating structured spaces for dialogue and iterative feedback, these workshops promote inclusive engagement, strengthen the credibility of the findings, and help ensure that GMSMEF policies are practical, responsive, and aligned with stakeholder expectations.

TABLE 3.
COUNTRY EXAMPLES OF DIAGNOSTIC WORKSHOPS



The Ministry of Finance facilitated two workshops, one prior to data collection and one to validate the findings. These sessions refined survey tools, strengthened inclusivity, and ensured recommendations aligned with national priorities for the green transition of MSMEs.



Zambia

The Ministry of Finance and National Planning facilitated two workshops which brought together key institutions including the Bank of Zambia, the Securities and Exchange Commission, the Ministry of Green Economy and Environment, the Ministry of Small and Medium Enterprise Development, and private sector associations. Stakeholders validated the draft diagnostic study and the roadmap, emphasizing gender and MSME sector-specific approaches. Their feedback strengthened the roadmap, resulting in better alignment with Zambia's MSME economic and social realities, thereby boosting its relevance



CHECKLIST FOR DIAGNOSTIC WORKSHOPS

- ✓ **Pre-Data Collection Sensitization:** Convene a workshop before data collection to validate research tools with government, regulators, MSME associations, and partners.
- ✓ **Post-Analysis Validation:** Hold a diagnostic workshop after data analysis to present the preliminary findings and recommendations.
- ✓ **Stakeholder Feedback:** Gather inputs to refine insights, ensure gender-responsive and MSME sector-specific approaches, and strengthen policy relevance.
- ✓ **Build Ownership and Buy-In:** Use workshops to promote consensus and support for policy formulation.



Tip: Document all feedback to inform and guide the final revisions of the diagnostic report and promote transparency.

2 **FORMULATION** **PHASE**

The formulation phase is a critical stage in GMSMEF policy development, where diagnostic insights are transformed into a unified vision and actionable policy for MSMEs. It establishes the foundation for strategic roadmaps, policy frameworks and implementation plans that drive sustainable financial ecosystems that work for MSMEs. Drawing on global best practices and the case studies, the formulation phase typically comprises seven key activities, as detailed below:

FIGURE 3.
KEY ACTIVITIES UNDER THE FORMULATION PHASE



ACTIVITY 1
Establish Inclusive Committees



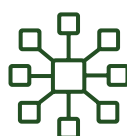
ACTIVITY 2
Facilitate Capacity Building Programs



ACTIVITY 3
Define the Objectives and Policy Measures



ACTIVITY 4
Develop an Action Plan



ACTIVITY 5
Develop a Resource Mobilization Strategy



ACTIVITY 6
Promote Peer Learning



ACTIVITY 7
Establish a Monitoring and Evaluation Framework



ACTIVITY 8
Conduct a Validation Workshop

Within this overarching framework, countries may emphasize different activities depending on their national context, but the core activities remain universally applicable.

Member Highlight: The valuable role of Zambia's Ministry of Finance and National Planning (MoFNP) in the formulation phase of their IGF Roadmap for MSMEs

The Ministry of Finance and National Planning (MoFNP) oversaw the development of the “Roadmap for Greening MSMEs”, executed with the support of a consulting firm. The roadmap included targeted strategies and interventions addressing gaps across seven thematic areas and formulated an action plan for greening MSMEs. An implementation plan and a monitoring and evaluation framework were established to ensure accountability and progress tracking. The formulation process concluded with a validation workshop, after which the roadmap was officially approved. The entire process was completed within six months, demonstrating the potential for relatively rapid development of an evidence-based IGF policy when strong leadership and technical support are in place.



Establish Inclusive Committees

OBJECTIVE

Establish Committees with diverse representation to guide and coordinate GMSMEF policy development.

Committee Setup

To ensure inclusive and effective policy development, committees with balanced representation from key stakeholder groups should be established during the formulation phase of the GMSMEF policy. These committees will play a pivotal role by facilitating collaborative dialogue, ensuring diverse perspectives are integrated, and enhancing the legitimacy and responsiveness of policy outcomes. Stakeholder representation should include representatives from line ministries, financial regulators, MSME associations, civil society organizations, academic institutions, and development partners.

While it is advisable to reconstitute committee membership to reflect the evolving objectives across the **planning, formulation and implementation** phases, it is equally important to build on the tiered governance structure established during the planning phase. This approach helps preserve institutional memory, ensures consistency, and reinforces the credibility of the GMSMEF policy development process.

Coordination Mechanism

The committees should be guided by clearly defined terms of reference or operating guidelines and a coordination plan that outlines the roles and responsibilities to ensure effective and timely policy development. This foundational setup enables structured engagement, facilitates cross-sectoral collaboration, and ensures that the formulation phase of the GMSMEF policy is both inclusive and strategically aligned.

Member Highlight: Bank of Papua New Guinea Leads Inclusive Committee in IGF Policy Formulation

The formulation of Papua New Guinea's 2023 IGF Policy was guided by a dual-committee model that ensured both strategic leadership and broad stakeholder engagement. A Steering Committee, led by the Bank of Papua New Guinea with members from key government bodies and development partners, provided high-level oversight and direction while a Technical Working Group with experts from government agencies, financial institutions, non-governmental organizations, international organizations, industry associations, and academia was created to support the development of the policy and implementation roadmap. This inclusive and coordinated structure enabled a well-informed and participatory policy formulation process.



Facilitate Capacity Building Programs

OBJECTIVE

Build the technical and institutional capacity of stakeholders to ensure alignment, shared understanding, and effective participation in GMSMEF policy formulation.

The Value of Early Capacity-Building

During the early stages of the formulation phase, targeted capacity-building efforts are essential to ensure that all stakeholders, particularly government agencies, financial regulators, MSME representatives, and financial service providers align expectations, clarify roles, and promote ownership of the policy. Central banks and financial regulators typically lead structured training programs and multi-stakeholder workshops during the early stages of policy development, leveraging their convening power and technical expertise. These efforts contribute to a deeper understanding among stakeholders on green finance concepts, financial risks and opportunities linked to climate change, and anticipated policy and regulatory reforms supporting the development of an inclusive and coherent GMSMEF policy.

FIGURE 4.
TIPS FOR EFFECTIVE CAPACITY BUILDING



BE INCLUSIVE

Engage a broad range of stakeholders - government agencies, regulators, financial institutions, MSMEs, and civil society - to ensure diverse perspectives and shared ownership.



BE CONTEXTUALIZED

Tailor training content and delivery to reflect climate risks, financial system maturity, and the specific green finance needs of MSMEs.



BE PRACTICAL

Incorporate real-world case studies, peer learning, and simulations to help participants translate policy concepts into actionable strategies.

Source: PHB Development



CHECKLIST FOR CAPACITY BUILDING

- ✓ **Stakeholder Mapping:** Map stakeholders across key sectors to identify knowledge gaps and training priorities.
- ✓ **Training Program Design:** Develop training modules on green finance concepts, climate risks, MSME policies and regulations, and international commitments to ensure that content is inclusive.
- ✓ **Sensitization Activities:** Organize workshops and peer-learning sessions to align roles and responsibilities, introduce policy concepts, and facilitate cross-sectoral dialogue.
- ✓ **Monitoring and Feedback:** Establish mechanisms to track training outcomes and gather feedback for continuous improvement while strengthening the capacity of stakeholders.



Tip: Document all feedback to inform and guide the final revisions of the diagnostic report and promote transparency.



Define Objectives and Policy Measures

OBJECTIVE

Define the strategic objectives of the GMSMEF policy aligned with national sustainability goals and translate them into actionable policy measures that deliver tangible outcomes for MSMEs.

Defining Context-Specific Objectives

Well-defined strategic objectives are essential for mobilizing green finance and positioning MSMEs as key drivers of the green economy. Grounded in the findings of the diagnostic study conducted during the planning phase, these objectives should be tailored to each country's unique context and reflect the diversity of the MSME ecosystem. They must also be translated into practical measures that are both targeted and inclusive.

Prioritizing High-Impact Measures

In light of the capacity constraints that often hinder the green transition of MSMEs, it is essential to prioritize policy measures that offer the greatest potential to overcome systemic barriers – measures that are informed by diagnostic findings from the planning phase and tailored to the specific needs and capacities of MSMEs within a country's context. A well-developed GMSMEF policy must not only address the unique challenges faced by MSMEs but also ensure their access to the financial, technical, and institutional support necessary to facilitate their transition toward greener and more resilient business models. By focusing on feasible, cost-effective, and high-impact measures, the GMSMEF policy can empower MSMEs to actively contribute to climate adaptation, mitigation, and sustainable economic growth.

By embedding such inclusive policy measures, policymakers can ensure that MSMEs, especially those owned and led by women, are empowered to actively participate in and benefit from GMSMEF policies.



CHECKLIST FOR OBJECTIVES AND POLICY MEASURES

- ✓ **Alignment with National Priorities:** Strategic objectives clearly reflect the national climate, sustainability, and MSME development goals.
- ✓ **Evidence-Based Design:** Objectives and measures are grounded in the diagnostic study findings and tailored to the country's MSME ecosystem.
- ✓ **Clarity and Feasibility:** Objectives are well-defined, measurable, and supported by realistic short- and long-term interventions.
- ✓ **High-Impact Focus:** Policy measures prioritize cost-effective actions with the greatest potential to address systemic MSME barriers to green finance.
- ✓ **Institutional Coherence:** Measures are embedded in existing policy and regulatory frameworks, with mechanisms to ensure cross-ministerial coordination.
- ✓ **Stakeholder Inclusivity:** Objectives and measures are developed through consultations with multiple stakeholders to reflect diverse needs.
- ✓ **Capacity and Knowledge Integration:** Policy measures include provisions for MSME capacity-building, financial literacy, and climate risk management skills.
- ✓ **Market and Technology Access:** Objectives consider demand-side barriers, infrastructure gaps, and access to affordable green technologies.
- ✓ **Inclusivity and Equity:** Measures actively target women, youth, and marginalized groups to ensure fair participation in the green transition.
- ✓ **Monitoring and Adaptability:** Strategic objectives include measurable indicators and mechanisms for ongoing monitoring, evaluation, and adjustment.



Tip: Apply a theory of change framework to ensure that objectives are linked to outcomes and policy measures are actionable and adaptive.



Develop an Action Plan

OBJECTIVE

Develop a clear action plan defining stakeholder roles, timelines, and coordination mechanisms for effective policy implementation.

Why Action Plans Matter

A well-structured action plan is essential for translating policy into practice. Without one, even well-designed policies risk poor execution and fragmentation. A strategic action plan promotes accountability, facilitates collaboration across stakeholders, and ensures that actions are delivered in a timely, coherent, and measurable manner to support the green transition of MSMEs.

To successfully operationalize the GMSMEF policy, the action plan should align with the strategic objectives and policy measures. The plan should clearly define stakeholder roles, establish realistic timelines, and outline coordination mechanisms, typically managed by a dedicated unit within the lead institution. To remain effective, the plan must be adaptable, and capable of responding to emerging needs and challenges during the policy implementation phase.

However, an action plan for a GMSMEF policy can vary between countries depending on the policy objectives, institutional capacities, MSME landscape, policy and regulatory maturity, and funding, among others. The approaches taken by Zambia and Eswatini illustrate two distinct models for developing action plans.

TABLE 5.
EXAMPLES OF ACTION PLANS



Zambia

NATIONAL IMPLEMENTATION PLAN

Zambia adopted a **nationally integrated action plan** aligned with its Green Growth Strategy and 8th National Development Plan. The plan includes clearly defined short, medium, and long-term phases, with mapped roles for key stakeholders. Implementation will be coordinated through a dedicated **Green Finance Unit**.



Eswatini

SECTORAL ACTION PLAN

Eswatini's action plan approach is **MSME sector-specific** with a five-step **action framework** emphasizing green audits, employee training, and stakeholder engagement. Coordination is envisioned through a **Green Finance Secretariat**, yet to be formally established. Stakeholder roles are broadly outlined but not formally mapped, and the timeline is flexible.

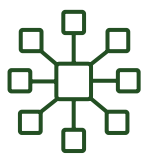


CHECKLIST FOR ACTION PLAN DEVELOPMENT

- ✓ **Phased Timelines:** Define milestones and deadlines for each policy development activity. These can be short, medium, and long-term actions with realistic milestones.
- ✓ **Clear Roles and Responsibilities:** Define stakeholder roles per initiative and action item to ensure accountability.
- ✓ **Alignment with Policy Objectives:** Ensure the action plan directly translates IGF policy goals and measures into practice.
- ✓ **Coordination Mechanisms:** Formalize platforms (e.g. taskforces, units, or secretariats) to avoid duplication and fragmentation.
- ✓ **Adaptability:** Build flexibility to revise actions in response to emerging needs, challenges, and opportunities.
- ✓ **Monitoring and Accountability:** Integrate measurable indicators to track progress, ensure the timely development of policy, and maintain institutional memory.



Tip: Use a simple action matrix (who, what, when, how) to map activities and build shared ownership among stakeholders.



Develop a Resource Mobilization Strategy (RMS)

OBJECTIVE

Develop a RMS that identifies funding gaps and aligns financial resources with the policy measures of the GMSMEF policy.

Importance of a Resource Mobilization Strategy

Developing an RMS is essential to ensure that sufficient financial, technical, and institutional resources are available to effectively implement the GMSMEF policy. A well-crafted RMS helps identify resource gaps with strategic priorities, and attracts support from development partners, private sector actors, and international climate finance mechanisms. By proactively assessing the financial and technical needs, policymakers can secure the necessary investments, expertise, and institutional support required for policy implementation. A well-defined resource mobilization strategy transforms policy ambition into real world impacts.

FIGURE 5.
KEY REASONS TO PRIORITIZE RESOURCE MOBILIZATION



Source: PHB Development

Country Highlight: Australia's Funding Measures for its 2024 Sustainable Finance Roadmap



In a significant step toward building a greener financial system, Australia has targeted funding measures as part of its [2024 Sustainable Finance Roadmap](#). These measures support regulatory reform, climate risk transparency, and nature-positive investment.

The Government of Australia has committed AUD 83.7 million (USD 54,748,571 as of 28 September 2025) over six years to support the rollout of mandatory climate-related financial disclosures. This funding will strengthen the capacity of regulators, reporting bodies, and Treasury to implement and oversee climate risk reporting. Recognizing the growing importance of nature-related financial risks, the government has also earmarked AUD 4.1 million (USD 2,681,829 as of 28 September 2025) for the Department of Climate Change, Energy, the Environment, and Water. These funds will be used to create tools and guidance that enable voluntary nature-related financial disclosures, encouraging companies to integrate biodiversity and ecosystem considerations into their decision-making. Perhaps the most ambitious move is the launch of a landmark AUD 7 billion (approximately USD 4.6 billion) Sovereign Green Bond, issued on 4 June 2024, which is designed to finance transformative projects in green hydrogen, community batteries, clean transport, and nature-positive initiatives.

Mobilizing Resources in Developing Countries

While developed countries often have the capacity to self-finance their GMSMEF policies, many developing countries face challenges due to limited technical, institutional, and financial capacities. To overcome these barriers, key institutions such as the Ministry of Finance and central banks play a vital role in mobilizing support from a wide range of funders.

These institutions coordinate multi-stakeholder partnerships, tap into climate finance mechanisms, allocate targeted sectoral budgets, and align GMSMEF policies with national sustainable development agendas. Their efforts have attracted technical and financial assistance from multilateral development banks, bilateral donors, UN agencies, and climate funds, helping to bridge resource gaps and strengthen policy implementation.

The following are examples of development partners that have provided technical and financial support to countries in advancing their green finance initiatives and IGF policies.

TABLE 6.
DEVELOPMENT PARTNERS SUPPORTING POLICIES
AND PROGRAMS

| ORGANIZATION | PROGRAMS AND INITIATIVES |
|--|---|
|  Asian Development Bank (ADB) | The ADB has supported technical assistance projects in the Pacific region aimed at enhancing MSME resilience through sustainable and adaptive financing, particularly in response to climate and economic shocks. |
|  Alliance for Financial Inclusion (AFI) | AFI's Inclusive Green Finance workstream, supported by Germany's International Climate Initiative, assists central banks and regulators in designing IGF policies. |



European Investment Bank (EIB)

Through its Greening Financial Systems (GFS) Technical Assistance program, the EIB offers technical assistance to central banks, supervisors, and financial institutions in developing countries to build climate-resilient financial systems and supports climate risk assessment and green investment strategies.



International Finance Corporation (IFC)

The Green Bond Technical Assistance Program (GB-TAP) by the IFC supports financial institutions in emerging markets with green bond issuances. It includes training, policy development, ESG data collection, and knowledge sharing to stimulate green finance markets. The IFC also collaborates with donors such as SECO (Switzerland), SIDA (Sweden), and the Ministry of Finance of Luxembourg to promote sustainable MSME finance in emerging markets.



Sustainable Banking and Finance Network (SBFN)

SBFN collaborates with financial regulators and industry associations in emerging markets to advance sustainable finance frameworks, and has played an active role in the Inclusive Green Finance Working Group, led by the UNSGSA, alongside partners such as AFI and the Centre for Financial Inclusion.



World Bank Treasury (WBT)

The WBT, through its Sustainable Finance Advisory Program, supports countries and institutions in developing frameworks for green, social, and sustainable bonds, as well as assisting governments in creating sustainable finance strategies, reporting frameworks, and investor engagement plans.



CHECKLIST FOR RESOURCE MOBILIZATION STRATEGY

- ✓ **Needs Assessment:** Identify funding gaps by mapping financial, technical, and institutional requirements against GMSMEF policy priorities.
- ✓ **Alignment with Strategic Measures:** Ensure that resources are directly linked to short, medium, and long-term policy actions.
- ✓ **Diverse Funding Sources:** Mobilize public budgets, private sector investments, development partner support, and international climate finance.
- ✓ **Institutional Leadership:** Assign clear roles to Ministries of Finance, central banks, and regulators to coordinate fundraising efforts.
- ✓ **Partnerships and Leverage:** Build multi-stakeholder partnerships (e.g. MDBs, UN agencies, donors) to attract co-financing and technical expertise.
- ✓ **Monitoring and Accountability:** Establish mechanisms to track resource flows, ensure transparency, and measure impacts against policy goals.



Tip: Use a resource mapping tool to align potential funding sources with specific IGF policy measures and MSME needs.



Promote Peer Learning

Peer learning exchanges

To complement policy formulation, the formulation phase incorporates structured peer learning exchanges with countries that have made advanced progress in green finance for MSMEs. These exchanges, whether through dialogues, study visits, or knowledge-sharing workshops, provide policymakers and stakeholders with practical exposure to sustainable finance practices and effective models for greening MSMEs. They enable the exchange of insights and best practices, while also helping participants identify concrete tools to address common barriers to MSMEs' access to green finance. Importantly, peer learning creates opportunities to explore policy models and implementation strategies that can be adapted to the national context, ensuring that lessons from abroad are translated into actionable measures at home.

Beyond knowledge transfer, peer learning builds a shared understanding of inclusive, climate-resilient financial systems, laying the groundwork for coherent and coordinated policy design, and also promotes networks and partnerships that strengthen institutional capacity for long-term implementation. Engaging in such exchanges during the formulation phase is particularly valuable once initial policy development has advanced, as stakeholders can then benchmark their emerging frameworks against international experiences. This timing allows policymakers to contextualize lessons, refine policy design, and strengthen institutional coordination, while anticipating potential challenges. In this way, peer learning ensures that the IGF roadmap or policy remains both evidence-based and closely aligned with national realities.

AFI has consistently emphasized the value of peer learning exchanges as a mechanism for advancing IGF policy development, actively facilitating such initiatives across its network. In October 2024, the Central Bank of Egypt hosted a joint Peer Learning Exercise (PLE) under the AFI Joint Learning Program for 22 representatives from Zambia and Eswatini to exchange insights and best practices on sustainable finance and the greening of MSMEs.⁷ Through such initiatives, policymakers can create an enabling environment that equips MSMEs with the knowledge, skills, and tools needed to develop bankable green projects, access green finance, and accelerate their green transition.

⁷ Alliance for Financial Inclusion. 2025. MSMEs as agents of green change: National Roadmaps from Eswatini and Zambia. Available at: <https://www.afi-global.org/publication/msmes-as-agents-of-green-change-national-roadmaps-from-eswatini-and-zambia/>



Establish a Monitoring and Evaluation Framework

OBJECTIVE

Institutionalize a robust Monitoring and Evaluation (M&E) framework that ensures GMSMEF policies are implemented effectively, deliver measurable outcomes, and remain responsive to evolving needs.

The Role of M&E in IGF Policy Success

A well-structured M&E framework is essential to ensure that policies are implemented with accountability and deliver measurable, inclusive outcomes. This activity focuses on establishing the institutional mechanisms, indicators, and processes required to systematically track policy implementation and assess its effectiveness.

The framework should be designed to generate timely, reliable, and disaggregated data to monitor progress against policy objectives, identify implementation gaps, and make informed, timely adjustments to enhance policy responsiveness and impact. A comprehensive M&E framework should include clearly defined performance indicators, standardized reporting formats, and a structured evaluation schedule. To promote inclusivity and sustainability, it must incorporate gender-sensitive and MSME-relevant indicators and allow for regular reviews to ensure continued relevance and adaptability. The development of the M&E framework is typically led by the Technical Committee, with strategic oversight from the Steering Committee and coordination support from the Green Finance Secretariat. Lead institutions, such as the MoF and central bank, should ensure the active engagement of MSME data providers including financial institutions and independent evaluators to ensure transparency, credibility, and shared accountability throughout the policy implementation.

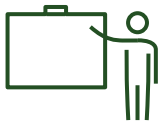


CHECKLIST FOR ESTABLISHING AN M&E FRAMEWORK

- ✓ **Indicator Alignment:** Define monitoring and evaluation indicators that reflect policy objectives and MSME development priorities.
- ✓ **Inclusive KPIs:** Develop gender-sensitive, MSME-relevant key performance indicators (KPIs) that are measurable, time-bound, and outcome-oriented.
- ✓ **Institutional Roles:** Assign clear responsibilities to the Steering Committee, Technical Committee, and Green Finance Secretariat.
- ✓ **Reporting Formats:** Design user-friendly and adaptable templates for data collection.
- ✓ **Data Engagement:** Collaborate with MSME data providers to collect both supply and demand-side information.
- ✓ **Review Mechanisms:** Integrate feedback loops to assess effectiveness, guide policy adjustments, and promote learning.



Tip: Use a results-based management approach to link indicators with outcomes and ensure continuous improvement.



Conduct a Validation Workshop

OBJECTIVE

Convene a validation workshop to finalize the GMSMEF policy for implementation.

The Role of M&E in IGF Policy Success

To ensure inclusive ownership and consensus around the GMSMEF policy, a multi-stakeholder validation workshop should be facilitated by the institutional lead. This workshop serves as a critical platform for reviewing and refining the draft policy, incorporating perspectives from different stakeholders including government agencies, MSME representatives, civil society organizations, and development partners. The workshop should be designed to promote open dialogue, encourage constructive feedback, and build a collective commitment to facilitate the policy finalization and guide the implementation steps.

Member Highlight: Validating the Roadmap for Greening MSMEs in Zambia

The Ministry of Finance and National Planning (MoFNP) convened a stakeholder validation workshop to review and finalize the draft Roadmap for Greening MSMEs in Zambia, bringing together key institutions, including the Bank of Zambia, Securities and Exchange Commission, Ministry of Green Economy and Environment, Ministry of Agriculture, Ministry of Small and Medium Enterprise Development, Zambia Association of Manufacturers, AFI, ZIPAR, and PHB Development.

The discussions were constructive and led to the identification of gaps and practical solutions in the roadmap. For example, participants emphasized the need to integrate gender-responsive and MSME-focused approaches, particularly women-owned and informal businesses in the roadmap. As a result, the revised roadmap more accurately reflects the economic and social realities of MSMEs in Zambia, aligns with stakeholder expectations, and enhances its potential for adoption and implementation. The workshop produced two outputs: a consolidated summary of stakeholder feedback and an updated roadmap, demonstrating the critical role of validation workshops in participatory policy development.

3 **PLANNING PHASE**

The implementation phase marks the transition from strategic planning and formulation to action, translating the policy objectives into measurable outcomes. Drawing on global best practices and country case studies, the implementation phase comprises the following key activities.

FIGURE 3.
KEY ACTIVITIES UNDER THE FORMULATION PHASE



Source: PHB Development



The implementation phase translates the action plan into practice, ensuring that the roles, responsibilities, and timelines established during the earlier stages are effectively executed. Inclusive committees established in the formulation phase play a central role in guiding policy implementation, while activating the resource management strategy supports the delivery of planned activities under the action plan. Clear and transparent communication strategies are equally important, as they sustain stakeholder awareness, engagement, and buy-in throughout the process.

Capacity-building programs are implemented to equip stakeholders with the knowledge and skills needed to implement the policy measures. Stakeholder

engagement mechanisms are activated to enable inclusive participation and continuous feedback. At the same time, green taxonomies must be developed to direct financial flows toward MSMEs while safeguarding against greenwashing and ensuring consistency with national and international standards.

Simultaneously, the M&E framework is operationalized to monitor and assess progress in policy implementation. These combined measures ensure that MSMEs can actively drive inclusive green transitions aligned with broader national objectives.

Diverse Policy Implementation Pathways: Learnings from Countries

Countries have adopted diverse strategies for policy implementation, reflecting different national contexts and institutional capacities:



Papua New Guinea (PNG) introduced its Inclusive Green Finance Policy (IGFP) in 2023 alongside a detailed Implementation Roadmap (IR). The roadmap assigns specific activities to key stakeholders such as the Bank of PNG, Green Finance Centre, commercial banks, and microfinance institutions to create an enabling environment for the application of an inclusive and green taxonomy.



Eswatini has taken a high-level, strategic approach supported by UNDP. This partnership demonstrates the country's commitment to aligning green finance initiatives with broader development objectives, while emphasizing the importance of realistic timelines, institutional capacity, and consistent stakeholder support.

These examples show that the successful implementation of an IGF policy relies on strong coordination, clear institutional roles, and adaptable strategies tailored to national contexts.



CHECKLIST FOR OPERATIONALIZING THE IMPLEMENTATION PHASE

- ✓ **Operationalize Multi-Level Governance Structures:** Activate national and institutional mechanisms, including steering committees, technical working groups, and the green finance secretariat.
- ✓ **Roll Out a Communication Strategy:**
 - Disseminate inclusive and transparent messaging on GMSMEF policy objectives, measures, and action plans across multiple channels.
 - Sustain stakeholder awareness, engagement, and buy-in throughout the implementation process.
- ✓ **Execute the Action Plan and the Resource Mobilization Strategy:**
 - Implement the action plan with clearly defined roles, timelines, and financing provisions.
 - Ensure alignment between available resources and policy measures to enhance accountability.
- ✓ **Strengthen Institutional and Stakeholder Capacity:**
 - Equip policymakers, regulators, financial service providers, MSMEs, and Secretariat staff with skills, tools, and knowledge for effective policy implementation.
 - Offer targeted training programs, workshops, and online learning platforms (e.g. Mongolia Sustainable Finance Online Learning Platform).
- ✓ **Apply and Enforce Green Taxonomies:**
 - Establish classification systems to guide green finance flows toward MSMEs and prevent greenwashing.
 - Ensure alignment with policy objectives, national priorities, and international standards.

✓ Deploy Green Finance Instruments and Incentives:

- Launch credit lines, concessional loans, interest subsidies, credit guarantees, and other tailored instruments to expand MSME access to green finance.
- Encourage private sector participation and innovation in green financial solutions.



Tip: Use an implementation dashboard to track progress, coordinate actions, and ensure timely delivery of policy measures.



Conduct Monitoring and Evaluation (M&E)

Effective monitoring and evaluation of GMSMEF policy implementation is critical to ensure that policy measures translate into tangible outcomes, build trust among stakeholders, and inform adaptive policy frameworks that support inclusive and sustainable MSME green growth.

Most GMSMEF policies incorporate a M&E framework with KPIs and structured reporting mechanisms established during the formulation phase to track progress, assess adaptability, and measure impact. A coordinating body, typically housed within the lead implementing agency, is responsible for overseeing execution and ensuring alignment across key implementing partners. Evaluation is generally conducted by independent parties to assess the effectiveness, impact, and accountability of the policy measures.

TABLE 7.
EXAMPLES OF M&E FRAMEWORKS

| | |
|--|--|
|  <p>Egypt</p> | <p>Egypt has established a Sustainable Finance Working Group, chaired by the Ministry of Finance, to ensure that all proposed and selected projects align with the Sovereign Sustainable Financing Framework and its Use of Proceeds criteria.</p> |
|  <p>South Africa</p> | <p>South Africa has a strong results-based management culture, with the presidency having performance agreements with ministries tied to national development outcomes. This includes tracking green finance initiatives through predefined indicators and regular reporting cycles.</p> |

Based on desk research, a straightforward yet practical approach to conduct monitoring and evaluation is provided below:



OPERATIONAL CHECKLIST FOR MONITORING AND EVALUATION ACTIVITIES

✓ Institutional Setup:

- Designate a lead agency to coordinate and manage the M&E implementation (e.g. Kenya's Measurement, Reporting, and Verification Plus (MRV+) system is led by the Ministry of Environment and Forestry).
- Establish coordination mechanisms with defined roles and responsibilities across stakeholders responsible for policy implementation.

✓ Resource Planning and Capacity Building:

- Allocate budget and staff for M&E activities (e.g. Pakistan's Ministry of Finance's climate budget tagging tool).
- Conduct targeted training programs for stakeholders and promote online learning (e.g. Mongolia's Sustainable Finance Online Learning Platform).

✓ Development of Metrics:

- Define KPIs for inputs, outputs, outcomes, and impacts aligned with policy objectives, national goals and global commitments (e.g. SDGs and NDCs).
- Integrate gender-sensitive indicators (e.g. Bangladesh Bank's Gender Equality Report of Banks & FIs).

✓ Reporting and Communication:

- Set reporting formats and frequency (e.g. dashboards and annual reports).
- Tailor outputs for different audiences (policymakers, MSMEs, and the public).

✓ Evaluation and Feedback:

- Schedule and conduct mid-term and final evaluations.
- Engage independent evaluators and revise or adapt policies based on their findings.



Tip: Use a centralized M&E platform to streamline data collection, reporting, and evaluation across institutions.

CONCLUSIONS AND RECOMMENDATIONS

Developing a GMSMEF policy offers a powerful mechanism to align financial inclusion with climate objectives, particularly through targeted financing support for MSMEs.

As demonstrated by a growing number of countries, a well-structured, participatory, and context-sensitive approach to GMSMEF policy development can unlock the potential of MSMEs to drive climate adaptation, resilience, and green transformation. When grounded in local realities and built through inclusive dialogue, GMSMEF policies offer a strategic pathway for creating sustainable and inclusive financial systems.

KEY INSIGHTS

- 1 **MSMEs are key drivers of climate resilience and green growth.** Their vulnerability to climate risks underscores the need for targeted green finance policies that enhance their adaptive capacity and sustainability. With the right policies and financial support, MSMEs can lead the transition to a green economy.
- 2 **Inclusive finance drives equitable outcomes.** Women-led and rural MSMEs benefit significantly from policies that address informality, limitations on collateral, and access to tailored green financing.
- 3 **Awareness and engagement are catalysts for green transformation.** MSMEs respond positively when they understand the benefits of green finance and have access to clear and actionable information.
- 4 **Incentives accelerate adoption.** Regulatory and financial incentives, such as subsidies and credit guarantees, effectively motivate MSMEs to embrace sustainable practices.
- 5 **Capacity-building strengthens delivery.** Empowering financial institutions to design and deliver green products ensures that MSMEs receive relevant and accessible green finance products and services.

- 6 **Coordinated ecosystems amplify impact.** Integrated governance, robust data systems, and cross-sectoral collaboration enhance the effectiveness and scalability of green finance initiatives.

LESSONS LEARNED FROM GLOBAL AND REGIONAL EXPERIENCES

- ✓ **Peer learning accelerates policy development.** Cross-country exchanges, such as Eswatini and Zambia's peer learning visit to Egypt, strengthen institutional capacity and provide practical insights for policy adaptation.
- ✓ **Comprehensive diagnostics inform tailored policies.** Data-driven analyses ensure that policy measures address the specific needs of MSMEs and local market realities.
- ✓ **Strong leadership and inclusive stakeholder engagement promotes ownership.** Strong leadership and early and continuous involvement of public, private, and civil society actors enhances alignment and policy effectiveness.
- ✓ **Gender-responsive and inclusive policy design ensures equitable benefits.** Policies that target women, youth, rural, and marginalized MSMEs promote broader social and economic impacts.

OPPORTUNITIES FOR SCALING IGF POLICIES

The roadmap experiences of Eswatini and Zambia, together with global practices from countries such as PNG, Bangladesh, Egypt, and Morocco, highlight scalable opportunities for leveraging IGF in the green transition of MSMEs. **When built on robust diagnostics, inclusive governance, strategic partnerships, and targeted interventions, GMSMEF policies can enable MSMEs to become resilient, competitive, and environmentally responsible.**

These experiences offer replicable models and innovation pathways for other countries seeking to integrate climate and financial inclusion agendas.

HIGH-LEVEL RECOMMENDATIONS

To design and implement impactful GMSMEF policies for MSMEs, countries should:

- ✓ **Institutionalize stakeholder engagement and cross-sectoral coordination:** Establish structured, inclusive processes to align public and private actors, building on governance mechanisms established in the planning phases to ensure effective policy delivery.
- ✓ **Prioritize high-risk and high-potential MSMEs:** Target support for underserved women-led, youth-led, and rural enterprises to ensure equitable access to green finance and climate resilience measures.
- ✓ **Clarify the policy scope** by distinguishing between green, sustainable, and climate finance, ensuring alignment with national development and climate goals
- ✓ **Match ambition with institutional capacity** by aligning policy objectives with available resources, timelines, and implementation capabilities, and adopt a phased approach to allow for piloting and refinement.
- ✓ **Communicate the benefits of IGF effectively** to build MSME trust and engagement. Use targeted, multi-channel strategies to build MSME awareness, trust, and engagement in adopting green practices.
- ✓ **Ensure a just and inclusive distribution of costs and benefits:** Develop mechanisms to prevent the marginalization of informal, resource-constrained, or vulnerable MSMEs while promoting equitable opportunities.
- ✓ **Operationalize monitoring, reporting, and evaluation:** Implement M&E frameworks to track progress, measure impact, and enable adaptive learning for continuous improvement.

GMSMEF policies are more than policy documents, they are **catalysts for systemic change**. When designed with inclusivity, pragmatism, and adaptability, they position MSMEs as central drivers of inclusive, green economies. By following the activities outlined in each phase and applying the insights, lessons, opportunities, and recommendations in this toolkit, policymakers can create enabling environments where MSMEs thrive while advancing climate-resilient and sustainable development.

ANNEX 1.

PEER LEARNING PROGRAM ON GREENING MSMEs

Overview

From 19-23 October 2024, the Central Bank of Egypt hosted a joint Peer Learning Exercise (PLE) under the AFI Joint Learning Program for 22 representatives from Zambia and Eswatini to exchange insights and best practices on sustainable finance and the greening of MSMEs.

Participants included government institutions, regulatory agencies, and private sector stakeholders, totaling eleven delegates from each country with engagements that included site visits and sessions with key institutions that contributed to Egypt's coordinated and policy-driven approach to MSME growth.

OBJECTIVES OF THE PLE

- Equip participants with knowledge of green finance concepts, such as environmental risk assessments for MSMEs and identifying green products and services.
- Develop capacity for integrating environmental factors into financial decision-making.
- Promote the creation of sustainable and inclusive green finance ecosystems tailored to the needs of MSMEs.

PROGRAM STRUCTURE

- Exploration of Egypt's sustainable finance ecosystem, including regulatory frameworks, green bonds, and MSME opportunities.
- Focus on Egypt's MSME greening journey, targeting vulnerable groups while highlighting capacity-building initiatives.
- Site visits to key institutions such as the Credit Guarantee Company, Egyptian Credit Bureau, and NilePreneurs to observe successful green finance mechanisms in action.

OUTCOME

The PLE provided participants with practical tools and strategies to address the barriers to green financing for MSMEs, leveraging Egypt's experience as a model for policy development. This initiative aimed to create inclusive, climate-resilient financial ecosystems in Zambia and Eswatini while advancing the global green finance agenda.

ACRONYMS

| | |
|----------------|---|
| AFI | Alliance for Financial Inclusion |
| BoZ | Bank of Zambia |
| CBE | Central Bank of Egypt |
| ESG | Environmental, Social, and Governance |
| GMSMEF | Green MSME Finance |
| IGF | Inclusive Green Finance |
| M&E | Monitoring and Evaluation |
| MoF | Ministry of Finance |
| MoFNP | Ministry of Finance and National Planning |
| MSMEs | Micro, Small, and Medium Enterprises |
| MSMEDA | Micro, Small, and Medium Enterprise Development Agency (Egypt) |
| NDCs | Nationally Determined Contributions |
| PNG | Papua New Guinea |
| PLE | Peer Learning Exercise |
| RMS | Resource Mobilization Strategy |
| SBFN | Sustainable Banking and Finance Network |
| SDGs | Sustainable Development Goals |
| TOR | Terms of Reference |
| UNSGSA | United Nations Secretary-General's Special Advocate for Inclusive Finance for Development |
| ZIPAR | Zambia Institute for Policy Analysis and Research |

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