Strengthening the Role of Ministries of Finance in Driving Climate Action

Key messages for Finance Ministers and Policymakers

- **Ministries of Finance have significant levers** they can pull to accelerate the climate action needed to deliver on the goals of the Paris Agreement and drive sustainable, inclusive and resilient development and growth—but these levers are not yet being fully utilized.
- **Bold climate action can be instrumental in helping Ministries of Finance achieve their core priorities** of macroeconomic stability, growth and responsible management of public finances, with major benefits including: tackling escalating risks that have macro-critical consequences, including economic and budgetary shocks, and rising cost of capital; enhancing economic and financial resilience; generating significant growth and development opportunities including jobs and investment; and delivering clean, secure and affordable energy and food.
- **Ministries of Finance have a window of opportunity** to mainstream climate action within their core functions of economic strategy, fiscal and financial policy. This will involve broad-ranging changes to strengthen governance and leadership, coordination and human and analytical capabilities.
- **A big part of the role of Finance Ministers is contributing to and supporting climate action** by other government departments and stakeholders. To help Finance Ministers fully utilize the tools at their disposal, their role in driving climate action could be further strengthened and recognized through their mandates and climate governance arrangements.
- **Ministries of Finance have the experience to be the strong leaders the moment demands**, with many demonstrating visionary leadership and progress. Urgent and comprehensive action is needed to take this work further, and this brief sets out a framework to guide this process.
- **Taking forward the priority actions will be critical to implementing the Helsinki Principles**. The Coalition of Finance Ministers for Climate Action has been created to support its members to do this.

This brief summarizes a forthcoming flagship report and guide that make the case for ambitious climate action by Ministries of Finance, set out a framework for mainstreaming climate into their core functions and capabilities, and highlight priorities for action. The guide has been shaped by over 30 Ministries of Finance, more than 30 experts and partners of the Coalition of Finance Ministers for Climate Action, and 40 consultation submissions from the private and non-governmental sectors. The guide is not prescriptive: it provides a menu of options to help countries enhance their core functions and capabilities to act according to their national circumstances. It will be periodically updated to stay relevant.

The full guide and a synthesis report will be available from June 2023 at ***https://www.financeministersforclimate.org/***

The Coalition of Finance Ministers for Climate Action

1. Why the role of Ministries of Finance matters for climate action and economic transformation

Governments worldwide are facing an unprecedented series of crises: an economic crisis with slow growth, rising debt and challenges in recovering from COVID-19; a cost-of-living and energy crisis; and a climate crisis with ever growing climate and environmental hazards from floods and forest fires to extreme heat, droughts and collapsing biodiversity and nature loss, which are increasing in frequency, intensity and cost. These crises are interlinked and need to be addressed concurrently.

Far-sighted leadership is now needed by the public and private sector to deal with these challenges and build a zero-carbon, climate-resilient economy. This means decarbonizing every economic sector by 2050 in a just and lasting way, enhancing adaptive capacity and protecting natural capital to create a future based on clean, secure and affordable energy, cities and communities in which people can move and breathe easily, resilient and productive agriculture, and dynamic green industries and jobs. This future economy is firmly within the grasp of today's leaders.

Ministries of Finance need to be at the heart of driving this economic transformation: climate action will not be possible without them. From their position at the center of government they coordinate economic strategy and fiscal policy, regulate the financial system, and collectively control, either directly or indirectly, well over US$30 trillion in government expenditure, over one-third of global GDP.[1] They are shareholders in state-owned enterprises, development banks, and the multilateral system. And they will be key to unlocking the global investment to tackle climate change which needs to be increased and sustained above pre-COVID levels by at least 2% of GDP per year globally, and closer to 4–5% in emerging markets and developing countries other than China.[2]

> **Ministries of Finance need to be at the heart of driving this economic transformation: climate action will not be possible without them.**

A big part of the role of Finance Ministers is in supporting and accelerating action by other government departments and private actors. While Ministries of Finance need to be proactive in their areas of direct responsibility such as re-forming the tax system to accelerate the transition through carbon pricing, subsidy policies, and fiscal incentives, they also need to actively engage in supporting Ministries of Environment, Economy, Energy, Agriculture, Transport, Planning, Health and others to drive action and scale up sustainable investments. They will also need to co-lead or share responsibility in areas such as shaping national climate and industrial development strategies, designing support schemes for new sectors, greening the finance and business sectors, shaping the remits of development banks, sovereign wealth funds, and state-owned enterprises, and ensuring that the global financial architecture is fit for purpose.

Climate action is essential for achieving Finance Ministers' core priorities of macro stability, growth and responsible management of the public finances, and will bring at least four major benefits. First, well designed climate action will help avoid escalating risks with macro-critical consequences, including the cascading economic and budgetary shocks and rising cost of capital from the growing incidence of climate hazards. Second, it can drive significant growth and development opportunities, through cost savings, new jobs and attracting new capital and talent. Third, investing in resilience will create economic, social and environmental benefits, especially for the most vulnerable members of society. Fourth, a rapid switch to renewable energy will help Finance Ministers to deliver clean, secure and affordable energy for all and fight inflation. These benefits and opportunities plus the avoided costs and risks mean that climate action can help Ministers of Finance harness the development and growth story of the 21st century. And the benefits will grow rapidly and reinforce one another, as low-carbon solutions become increasingly competitive in sectors accounting for nearly three-quarters of emissions by 2030.[3]

Ministries of Finance have the experience to be the national and global leaders that the moment demands. The role they have played in responding to the COVID-19 pandemic, the 2009 Global Financial Crisis, and in driving industrial transformation demonstrates that they can be flexible, innovative leaders, tackling the challenges of the day and protecting and supporting citizens and businesses. Those that can apply these qualities as crisis managers and economic leaders to the climate crisis will be at the forefront of the transition to a more prosperous, resilient future.

Ministries of Finance are showing growing engagement and leadership at the heart of the transition to a zero-carbon, climate-resilient economy. To highlight just a few examples: Rwanda's Ministry of Finance and Economy has led on the country's Nationally Determined Contribution (NDC) and attracted nearly US$1.5 billion in climate finance. Jamaica's Ministry of Finance has developed a best-in-class disaster risk financing strategy. Uruguay's Ministry of Finance has supported the country's transition to almost 100% renewable electricity generation through fiscal incentives. Ireland's Department of Finance's carbon pricing scheme uses revenue to support a just transition. And Denmark has updated the mission and vision of its Ministry of Finance to drive whole-economy climate action. There are many other inspiring examples in the full report and summarized in the Appendix.

However, there is still a substantial disconnect between the ambition of national climate strategies and the policies and resources provided to meet this ambition. Ministries of Finance hold significant levers for accelerating climate action, but many are not being fully utilized. Only a quarter of the members of the Coalition of Finance Ministers are actively involved in all stages of the NDC development and implementation process.[4] Only 14 of 35 OECD countries are practising green budgeting.[5] Few Ministries of Finance have dedicated climate strategies. And only around US$650 billion of the more than US$4 trillion in annual investment needed for a pathway to net-zero by 2050 was deployed in 2019.[6] Meanwhile, G20 governments continue to provide around US$600 billion annually on average in explicit fossil fuel subsidies, and carbon pricing initiatives cover less than a quarter of global emissions.[7]

A range of barriers are hampering the engagement of Ministries of Finance in the climate agenda. Some Ministries of Finance may fail to view climate action as a unique long-term growth and investment opportunity and risk mitigation strategy, instead considering it a short-term cost to be managed. Similarly, they may not see the current energy crisis as an opportunity to make a rapid switch to low-carbon energy; or explore the options for diversifying the tax base; or confront their risk aversion to new spending commitments; or question the view that a lack of fiscal space is an insurmountable barrier to action.[8] These perceptions are compounded by capacity constraints and the view that climate is a narrow environmental rather than fundamental economic issue.

While Ministries of Finance cannot solve all these challenges alone, more than 80 members of the Coalition of Finance Ministers for Climate Action have already recognized that the risks of climate change to economies are real and that their ministries hold important levers to accelerate climate action. By coming together and signing the Helsinki Principles, they are contributing to the growing awareness and involvement by Ministries of Finance in climate action.

2. A Ministry of Finance framework for climate action

To step up, Ministries of Finance need to look for opportunities to mainstream climate action within their core functions and to enhance their capabilities to act. This way, they can help ensure climate action is synonymous with sound economic policy.

Ministries of Finance can mainstream climate into **their three typical core functions:**

1. **Economic strategy and vision:** using their responsibility for oversight or involvement in national development strategies, sector plans and capital investment planning to participate in the development of national climate strategies, greening national development and sector plans, shaping industrial and innovation strategies, and

assessing investment needs for the transition —in partnership with relevant line ministries.

2. **Fiscal policies and budget management:** using their primary responsibility for fiscal policy, taxation, and budget planning and execution to design carbon taxation and new forms of environmental taxation, reform fossil fuel subsidies, introduce new fiscal incentives for green sectors, reform multi-annual expenditure frameworks and annual budgets, and green public investment and procurement strategies. Introducing a zero-carbon tax system and managing contingent liabilities will be critical. The Ministry of Finance's central role in the budget formulation process is a particularly important entry point for driving climate action and investment.

3. **Financial policy and regulation and oversight of the financial system:** using their core responsibility for the regulation of state-owned banks and enterprises, sovereign wealth funds, financial institutions and debt markets, interfaces with central banks, and shareholdings and relationships with the international finance institutions (IFIs) and multilateral development banks (MDBs) to green the entire financial system, improve financial resilience and stability, and mobilize finance into sustainable investments. This can be achieved through frameworks for green bonds, catalyzing private capital, adaptation and disaster risk finance and insurance, and international climate finance—in partnership with central banks and the private sector.

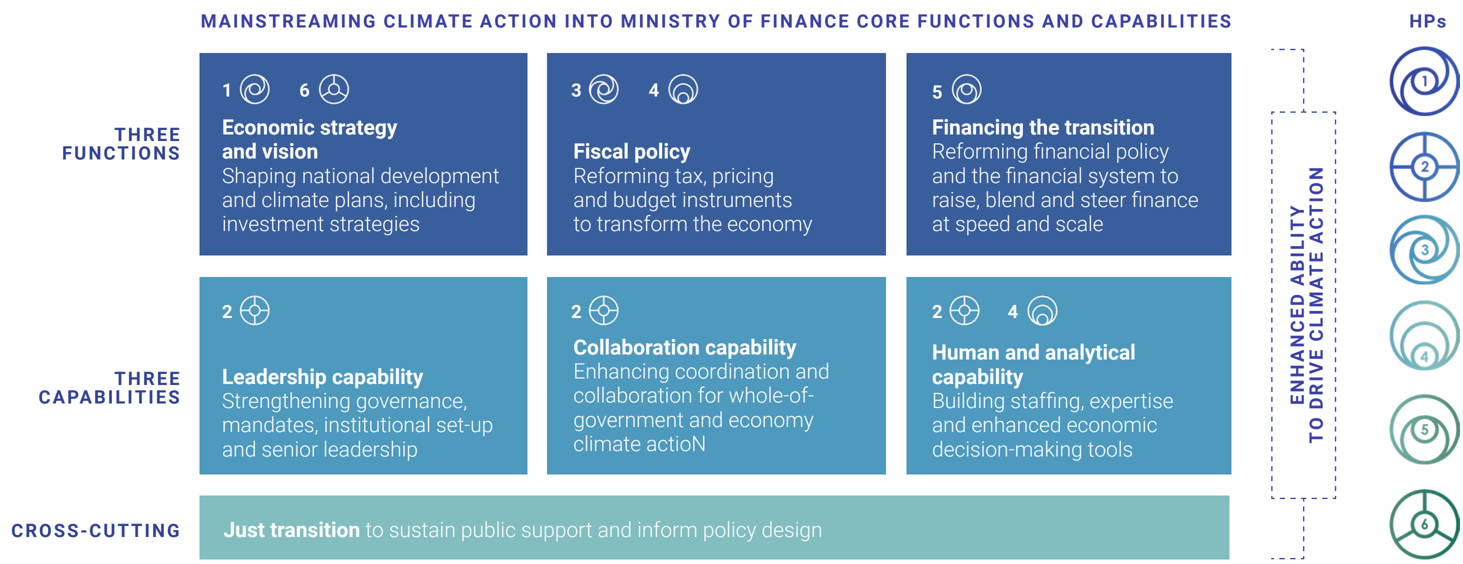
To enhance these core functions, it is equally important that Ministries of Finance build their capability to act.

Three capabilities are critical:

1. **Leadership capability:** strengthening the range of champions for climate action at the political and officials level, strengthening the Ministry's vision, mission and mandate to drive climate action, and creating clear responsibilities and organizational structures for climate leadership.
2. **Coordination capability:** driving effective collaboration across government and with the private sector, civil society and international financial institutions, and multilateral platforms and processes supported by effective strategies for consultation and communication.
3. **Human and analytical capability:** ensuring dedicated staffing resources for climate action, upgrading expertise in climate policy, and revamping tools and analytical approaches for data collection and economic decision-making.

A particularly important cross-cutting issue is the critical need for Ministries of Finance to drive forward a just transition to sustain public support and inform effective policy design. A just transition ensures a fair and wide distribution of the benefits of the transition as well as mitigating its social costs by targeted support for those individuals, businesses, organizations and communities that may be adversely impacted.

Ministries of Finance will need to consider the interactions between climate policy instruments in the three functional areas and develop reinforcing packages of measures. Considering the synergies between core functions and capabilities will be key to generating lasting benefits.



The Helsinki Principles (HPs) are outlined at *www.financeministersforclimate.org*

A more detailed description of the Framework is provided in the full report accompanying this brief, which is designed to guide and support Ministries of Finance to understand how they can enhance their core functions and capabilities. It describes their critical role in each area, barriers and strategies to overcome them, inspiring real-world examples, and opportunities for action.

3. Priorities for action for Ministries of Finance

We have identified the following 15 transformative actions that, if embraced by Ministries of Finance globally, can help to ensure implementation of the Helsinki Principles and will send a strong signal that the world economy is poised to follow a low-carbon, climate-resilient path.

BUILDING CAPABILITIES AND CAPACITY TO ACT

By reforming and enhancing their own capabilities, Ministries of Finance can go faster and further in driving climate action across the core functions identified above. They can do this through:

1. **Dedicated Ministry of Finance strategies and strengthened mandates for climate action.** Organization-wide plans can help Ministries of Finance set concrete objectives and priorities and marshal internal resources to play a more active role in driving climate action internally and across government. Explicit mandates for driving climate action could come from legislation, the Government's overall program, or organizational strategy development processes.
2. **Building dedicated capacity for climate action.** This could include defining clear senior-level responsibilities for driving climate action, investing in new collaboration processes, and appointing designated staff as climate focal points. Where resources permit, dedicated climate change units could be established, combining redeployment of existing staff and recruitment of new experts.
3. **Active engagement in inter-agency and stakeholder coordination efforts.** Ministries of Finance are well positioned to drive a whole-of-government-and-economy approach to climate policy. At a minimum, they should identify the areas requiring collaboration and participation of the Minister and Ministry of Finance in existing inter-ministerial coordination mechanisms and provide dedicated resources accordingly. They should also help to develop strong relationships and multi-stakeholder platforms with the private sector and civil society.
4. **Investing in skills and expertise.** All staff should have awareness and understanding of climate issues, while specialist staff will need skills spanning climate economics, risk management, green fiscal policy and green finance, plus sectoral expertise. This can be achieved through in-house training, recruitment, peer-to-peer networks, engaging with academia and other knowledge providers, and leveraging expertise from other agencies. Ministries of Finance can start by assessing climate-related skill gaps and developing training and hiring plans.
5. **Revamping economic tools, data and decision-making approaches.** New tools and data are needed to better assess the costs, benefits and fiscal impacts of zero-carbon, climate-resilient economic development pathways and investments. Overcoming the shortcomings of traditional general equilibrium and cost–benefit analysis using a diversity of approaches that capture non-linear climate impacts, non-marginal changes in the economy, and use scenario analysis are especially important. Utilizing cutting-edge data science and exploring new indicators of economic prosperity should be considered.

CORE POLICIES

Ministries of Finance should focus on the policy areas in which they can have the most significant immediate impact based on their primary responsibilities. This should include:

6. **Introducing fiscal policies to transform macroeconomic incentives for climate action.** Ambitious carbon pricing schemes and subsidy reforms should be introduced, supplemented by other fiscal incentives and regulatory reforms to

transform the key economic systems required for the zero-carbon, climate-resilient transition. Ministries of Finance should contribute to ensuring coherent policy packages that capitalize on the strong interactions between pricing and non-pricing instruments while avoiding contradictions.

> **The budget is perhaps the most critical entry point for driving climate action across all government departments.**

7. **Using the budget and public financial management to drive transformation in all sectors of the economy.** By making it clear in the budget and medium-term expenditure framework that climate is a national priority, this is perhaps the most critical entry point for driving climate action across all government departments and reducing the risks and cost of capital for the private sector. This should build on existing public financial management processes so that climate action is mainstreamed throughout the entire budget cycle and that detailed line ministry budgets fully reflect government climate priorities and include aligning public investment management and procurement practices with climate objectives.
8. **Redesigning the tax system for net zero and climate resilience.** Ministries of Finance could undertake a detailed review of the entire tax system as the foundation for reform. This might include considering new forms of environmental taxation, motoring taxes, road pricing, property and land taxation and reforming general taxation. Ministries of Finance should also be able to comprehend the impacts that climate-related risks might have on the economy and public finances, including through identifying and planning for known and unknown contingent liabilities.
9. **Raising, steering and blending finance for investment at unprecedented speed and scale.** Ministries of Finance should consider domestic revenue mobilization to underpin national investment in the transition through broadening the tax base, the responsible use of green bonds for investment, and enhancing sub-sovereign finance. This should be complemented by the development of comprehensive sustainable finance roadmaps that include measures for greening the entire financial system to make finance flows align with the Paris Agreement and Kunming-Montreal Global Biodiversity Framework, the use of disclosure mechanisms and transition plans, the provision of disaster risk financing and insurance for all, and use of blended finance and country platforms to help aggregate investment pools.
10. **Leveraging international climate finance.** In relevant countries, Ministries of Finance should work with Foreign Affairs Ministries and development agencies to develop dedicated climate finance strategies to attract international climate finance. All Ministries of Finance should call for enhanced support for climate action by the regional and multilateral development banks through building coalitions for increasing finance and reducing the cost of capital. Shareholders and other countries should encourage an increase in international climate finance, especially concessional finance and finance for adaptation.

WORKING WITH OTHERS

These measures should be complemented by building strong partnerships with other government agencies and stakeholders across a suite of broader policy areas. Priorities for proactive Ministry of Finance leadership and engagement include:

11. **Mainstreaming climate action into national growth and development strategies.** It is critical that climate action and sustainable economic development are considered together. Ministries of Finance should work with relevant line ministries to help integrate climate action into national development plans and sector strategies related to energy, transportation, cities, land use, industry, and water. This should include considering the greater use of 21st century industry and innovation strategies to manage and invest in the transition to net zero.

12. **Active engagement in national climate strategies.** This should include proactive leadership by Ministries of Finance in the development and implementation of Nationally Determined Contributions, Long-Term Strategies and National Adaptation Plans and should support other agencies to develop fully costed strategies as the basis for attracting public and private investment.
13. **Developing sustainable, inclusive and resilient investment strategies.** Ministries of Finance can work with other agencies and private sector stakeholders to assess economy-wide and sector-specific investment needs, identify steps for overcoming impediments to investment, determine potential financing splits, and build mechanisms for translating investment planning decisions into concrete programs and pipelines of projects, including through the budget and public capital investment planning.
14. **Driving the green transformation of state-owned enterprises, national development banks, and sovereign wealth funds in cooperation with central banks.** Ministries of Finance can use their supervisory or shareholder positions to green state-owned enterprises, national development banks, and sovereign wealth funds. They should work with central bank governors to refresh their remits on monetary policy and financial stability to drive climate action and explore opportunities for fiscal and monetary policy coordination, while avoiding encroaching on central bank independence.
15. **Developing just transition plans and policies.** Ministries of Finance can work with other agencies to develop just transition plans for all key sectors of the economy, ensuring climate policies consider potential positive and negative social impacts and that all citizens are included in decision-making and benefit from the transition. They should give particular attention to the creation of green jobs, reskilling of workers, and regeneration of areas phasing out fossil fuel production.

Embracing the identified 15 actions can help to ensure implementation of the Helsinki Principles.

4. How to make tangible progress

All Ministries of Finance will have to prioritize and sequence the steps they take. Given the diversity of starting points and key differences between Ministries of Finance in terms of powers, capabilities, culture, flexibility and the structure of the economies in which they operate, pathways and priorities for reform are ultimately country-specific. Accurately identifying these differences is fundamental to determining appropriate organizational reform strategies. To help countries overcome obstacles and achieve further progress, the flagship report includes example questions that Ministries of Finance can ask themselves to help determine priorities. Some Ministries for Finance could also benefit from organization-wide capability reviews for net zero and climate resilience.

Pathways and priorities for reform are ultimately country-specific.

As part of determining priorities, Ministries of Finance will need to navigate a range of trade-offs at the macroeconomic and policy levels. Ministers and senior officials usually give equal attention to political, administrative and legal feasibility. Officials can support Ministers and decision-makers in navigating the trade-offs they face by following these principles: adopting a win–win or synergistic mindset; not letting uncertainty quench ambition; considering the risks of-business-as-usual; revising outdated assumptions; and focusing on outcomes, not alternatives. Of course, not all climate actions can generate 'win–wins' – there are genuine trade-offs to confront across sectors where there are strong competing uses and across time when upfront costs for low-carbon solutions may currently be higher than alternatives and day-to-day spending priorities might trump investments with longer pay-back periods. But what is certain is that the solution space for generating win–wins is often far wider than is commonly accepted, and there are effective ways to navigate trade-offs.

5. Implementation support from the Coalition of Finance Ministers

The Coalition of Finance Ministers is committed to supporting its members to implement the actions from the guide. Ways it might do so include:

1. A programme of strategic engagement among its members and beyond to enhance *awareness and recognition* by Ministers of Finance, other relevant Ministries, and more broadly about the important role they have to play in driving climate action and the concrete actions needed to mainstream climate within their core functions and capabilities, efficiently and effectively.
2. Enhanced *training and technical assistance programs* for Ministries of Finance, starting with the programs offered or being designed by the Coalition's Institutional Partners, including the World Bank, IMF, World Resources Institute, NDC Partnership, UN Family, development partners and academia.
3. Developing *knowledge and research partnerships* of relevant actors to ensure the accessibility of high-quality analysis and research to Ministries of Finance, taking inspiration from existing networks and practices.
4. Deepening *awareness and dialogue on implementation of the guide* using regional workshops or country 'roadshows' targeted at political leaders, Finance Ministers, senior management teams and staff, and relevant partners.
5. Organizing *global or regional debates* with stakeholders in areas of contestation to enhance global consensus around the important role of Ministries of Finance in driving climate action.
6. Receiving *ministerial feedback and sharing of experiences* on how to make progress in strengthening the role of Ministries of Finance and their engagement in global climate processes using the late 2023/early 2024 Ministerial Meetings.
7. *Supporting engagement of Ministries of Finance in national and global climate processes* in the run-up to COP28 on climate and COP16 on biodiversity.

The important point is for Ministries of Finance to develop strategies for mainstreaming climate action within their core operations, recognizing that short-term and long-term efforts are needed. Developing such plans will benefit from close collaboration with other Ministries, relevant agencies and partners. Efforts should be stepped up now on priority actions. There is no time to lose; the impacts of climate change are escalating and acting sooner will drive significant benefits.

There is no time to lose; acting sooner will drive significant benefits.

This brief is a Helsinki Principle 2 product, led by Finland and Rwanda. It was published in April 2023. The brief and the guide it is based on were prepared in a collaborative effort by the Coalition of Finance Ministers for Climate Action, coordinated by a team at the Grantham Research Institute on Climate Change and Environment at the London School of Economics and Political Science. All members of the Coalition had the opportunity to review this work.

Notes and references

[1] Government expenditure typically under the purview of Finance Ministries is ~30% of global GDP on average, totalling over $100 trillion (see Zouhar Y, Jellema J, Lustig N, et al. (2021) *Public Expenditure and Inclusive Growth - A Survey*. IMF Working Paper No. 2021/083.; and IMF World Economic Outlook database for further details).

[2] Songwe V, Stern N and Bhattacharya A (2022) *Finance for climate action: Scaling up investment for climate and development.* London School of Economics and Political Science.

[3] Systemiq (2020) *The Paris Effect. How the climate agreement is reshaping the global economy*.

[4] Coalition of Finance Ministers for Climate Action (2020) *Ministries of Finance and Nationally Determined Contributions*. *Stepping Up for Climate Action*.

[5] OECD (2021) *Government at a Glance*.

[6] CPI (2022) *Global Landscape of Climate Finance*: *A Decade of Data*.

[7] World Bank (2022) *State and Trends of Carbon Pricing 2022*.

[8] Songwe et al. (2022), supra note 2.

Appendix

Examples of good practice by Ministries of Finance (or national equivalents) in the core functions

Action area	Country examples
Function 1: Reforming economic strategy through shaping national plans and transition strategies (Helsinki Principles 1 and 6)	
Long-Term Strategies (LTSs)	• UK Treasury launched Net Zero Review • Burkina Faso Ministry of Finance (MoF) involved across all stages of LTS process • Fiji's Ministry of Finance, Strategic Planning, National Planning & Development (Ministry of Economy) leading LTS development • MoFs in Chile, Costa Rica and Ethiopia supporting LTS development • North Macedonia and Cambodia LTS assessing implications on domestic economy
Nationally Determined Contributions (NDCs)	• Rwanda Ministry of Finance and Economic Planning (MINECOFIN) leading on NDC revision • Sudan Ministry of Finance and Economic Planning (MOFEP) a focal point in NDC implementation • Norway MoF responsible for NDC economic measures • MoFs in Chile, Norway and Uruguay supporting NDC development
National Adaptation Plans (NAPs)	• Fiji Ministry of Economy costing the NAP • Togo Ministry of Economy, Finance and Development Planning (MOEFDP) aligning the NAP process with national budget planning
National development strategies	• Uganda Ministry of Finance, Planning and Economic Development (MOFPED)'s National Devel-opment Plan and Green Growth Strategy • Nigeria MoF leading the National Development Plan • Ireland revising its National Development Plan • Mexico MoF aligning national planning with 2030 Agenda and Sustainable Development Goals (SDGs) • France MoF coordinating sectoral decarbonization strategies • Bangladesh and Morocco developing plans for sector decarbonization
Industrial and innovation strategies	• Morocco's green industrialization strategy • India launching photovoltaics program • US Inflation Reduction Act • Japan and Ethiopia launching Green Growth Strategies with industrial policy elements
Investment strategies and needs assessment	• **Rwanda MINECOFIN driving climate action and investment** • Saint Kitts and Nevis assessing investment barriers as part of NDC • Spain's National Energy and Climate Plan, co-developed by the Ministry of Finance • Cambodia and Costa Rica assessing long-term investment needs • Finland MoF part of cross-ministerial green transition finance working group
Project pipelines and prioritization	• Kiribati's NDC Investment Plan including a project pipeline • São Tomé and Príncipe developing a project roadmap • Indonesia, Colombia, UK and Mexico establishing entities to speed up investment
Function 2: Reforming fiscal policies (Helsinki Principles 3 and 4)	
Economic incentives and fiscal policy	• MoFs in Canada, EU, Chile, Ireland and Denmark introducing carbon pricing • MoFs in Indonesia and India reforming fossil fuel subsidies • Uruguay MoF role in driving energy sector transformation in Uruguay • Germany, Ethiopia, Iceland and Belgium MoFs introducing tax incentives for EVs and retrofitting
Smart policy packages	• Chile MoF introducing an integrated Green Finance Strategy • Sweden MoF introducing revenue-generating policy instruments • Costa Rica linking different environmental taxes • EU's Fit for 55 Package • Germany, India and UK using smart policy packages
Futureproofing public finances	• Costa Rica MoF leading introduction of green tax reform • Switzerland introduction of road user charging • US states and cities piloting road use charges as substitutes for fuel tax
Managing fiscal risks	• Bahamas MoF identifying climate infrastructure investment opportunities • Barbados introducing a disaster risk clause into loan agreements

Action area	Country examples
Expenditure and budget frameworks	• France MoF preparing a Green Budget • Nepal MoF including a Climate Budget • Canada's Strategic Environment Assessment for policy and program proposals
Greening public investment management	• Mexico MoF developing sustainability indicators for public investments • Ethiopia's public investment management guidelines, co-developed by the MoF • Chile's methodology for assessing disaster risk in public infrastructure projects • Costa Rica's disaster risk analysis in National Public Investment System
Green procurement	• Costa Rica introducing green public procurement law
Function 3: Reforming financial policy and the financial system to raise, steer and blend finance (Helsinki Principle 5)	
Broadening the tax base	• Rwanda Revenue Authority under MoF implementing reforms to tax collection
Debt financing, including through green and other thematic bonds	• MoFs in Poland, Fiji, Italy, France and Singapore issuing green bonds • Chile and Uruguay MoFs issuing a sovereign sustainability-linked bond • Mexico MoF issuing SDG-linked bonds and Seychelles launching a blue bond • European Bank for Reconstruction and Development launching a climate resilience bond • EU suspending fiscal rules to provide a fiscal response to COVID-19 • Belize signing a debt-for-climate swap
Sub-sovereign finance	• UK Treasury and City of London's use of land-based financing • Uganda MOFPED improving tax administration and collection • Johannesburg and Mexico City issuing green bonds
Greening national development banks (NDBs) and green investment banks (GIBs)	• Germany's KfW, France's AFD and Colombia's Bancoldex providing financing for low-carbon, climate-resilient projects • European Investment Bank publishing a Climate Roadmap • Netherlands MoF greening export credit insurances
Leveraging sovereign wealth funds and state-owned enterprises	• Norway greening the Government Pension Fund Global with support of MoF • Italy MoF mandating CDP Green, Social and Sustainability Bond Framework • New Zealand MoF issuing investment framework for Superannuation Fund
Reforming central bank activities	• UK Treasury changing the remit of Bank of England's Monetary and Financial Policy Committees • EU debating the European Central Bank mandate
Greening the financial sector	• Netherlands national climate and energy plan (NCEP) financial sector commitments • French financial institutions committing to coal exit strategies to Minister of the Economy and Finance • Indonesia launching a green taxonomy • Luxembourg launching Sustainable Finance Initiative • MoF Mexico launching Sustainable Taxonomy • Poland combining capital market development with sustainable finance
Innovations in financial models	• MoF Indonesia embracing blended finance • EU launching External Investment Plan • Finland launching Blended Finance for Climate Program • Germany and Luxembourg launching initiatives to raise climate finance
Green finance roadmaps	• MoF Germany co-developing a sustainable finance roadmap
Disaster risk finance and insurance for all	• **Jamaican MoF participating in developing a disaster risk financing strategy** • Four Pacific Alliance countries launching a catastrophe bond • Caribbean Catastrophe Risk Insurance Facility • Mexico MoF disaster risk management processes
Leveraging multilateral development bank (MDB) and development finance institution (DFI) capital	• Brazilian Development Bank (BNDES) financing green development projects • Mexico's Nacional Financiera (NAFIN) supporting international climate finance projects • Rwanda Green Fund (FONERWA) as a vehicle for climate finance

Action area	Country examples
Accessing international capital markets	• African Carbon Markets Initiative launched at COP27 • Guyana, Peru, Nepal and Cambodia issuing, or preparing to issue, carbon credits
Country platforms	• South Africa launching International Just Energy Transition Partnership
Cross-cutting: Just transition	
Ensuring a just transition	• **Ireland MoF using carbon taxation revenues to support a just transition** • Canada's Just Transition Task Force mitigating social impacts of transition • Spain's just transition agreements for climate-affected regions • EU launching a just transition mechanism

Notes: Not all the initiatives named necessarily have MoF involvement but they can serve as examples for MoFs for types of strategies they can develop or support. Bold indicates a detailed case study provided in the full report.

Examples of climate leadership by Ministries of Finance (or national equivalents) to enhance core capabilities

Action area	Country examples
Capability 1: Leadership and governance (Helsinki Principle 2)	
Revamping MoF mandate on climate change	• **Denmark MoF's update of its mission statement** • Ireland, Bahamas, Malaysia, Peru and Uruguay clarifying their MoFs' mandates
Developing internal MoF strategies on climate change	• US Treasury Strategic Plan includes 'Sustainable Treasury Operations' • Ireland, New Zealand and Finland MoFs integrating climate into their ministerial strategy • Chile and the US Treasury publishing climate strategies • Finland MoF's new climate and nature strategy
Enhancing governance and organizational set-up	• **Fiji Ministry of Economy setting up a Climate Change and International Cooperation Division** • India creating the Climate Change Finance Unit within the MoF • **Denmark's MoF setting up a Centre for Climate, Green Economy and the EU** • Ireland, India, Chile Uganda, Peru and UK MoFs setting up dedicated units • **US Treasury creating a Climate Hub**
Capability 2: Coordination and collaboration (Helsinki Principles 2 and 4)	
Improving collaboration and coordination	• US, Uganda, Uruguay and Singapore MoFs involved in inter-agency coordination mechanisms • **Uganda MoF's role in coordination of climate response** • France creating the General Secretariat for Ecological Planning • Greece, Uruguay and Egypt MoFs collaborating on strategic initiatives • **Denmark MoF's role in coordinating climate policy** • Ireland, France and Uruguay MoFs coordinating with external stakeholders • **Chile MoF creating the public–private green finance roundtable**
Capability 3: Human capacity, expertise and economic decision-making (Helsinki Principles 2 and 4)	
Upgrading skills and expertise	• **European Commission supporting implementation of green budgeting among EU members** • **Inter-American Development Bank providing support on green fiscal policies** • Denmark MoF and US Treasury providing training on climate • Nordic Council of Ministers develop and research modeling • Ireland, Korea and UK MoFs collaborating with external experts
Enhancing analytical capability	• MoFs in Chile, UK and Finland assessing climate impacts • Denmark's GreenREFORM Model developed with MoF support

Note: Bold indicates a detailed case study in the main report.