The Green Banks Design Guide

April 2025

CLIMATE
POLICY
INITIATIVE

BEZOS
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FUND

Table 1: Determinants of appropriate green bank formats in EMDEs.

Colors indicate the relative suitability of each green bank type for EMDEs and LICs according to the given category.

Low suitability		High suitability

	Standalone green bank	Green-focused PDB	Green facility	Country platform
Description	*De novo* institution with a green mandate.	PDB that has extended its mandate and operations to climate/green finance.	Dedicated facility within a PDB with ring-fenced capital for a green mandate.	Government-led multi-stakeholder partnership supported by IFIs.
Typical constitution	Incorporated entity		Multi-contributor trust fund	
Examples	Barbados Blue Green Bank (BGB); MGTC; Mongolia Green Finance Corporation (MGFC)	FIRA (Mex), Türkiye Sınai Kalkınma Bankası (Tur), DBSA (SA), SIDBI India)	DBSA CFF (SA), SIDBI FMAP (India), SIO-GFF (Indo)	JET-P (SA), Least Developed Countries Initiative for Effective Adaptation and Resilience (LIFE-AR), BRB Finance Coalition (Brazil)
THE COUNTRY'S ECONOMIC AND FINANCIAL POSITION				
Suitability across economies	Unlikely in LICs or debt-distressed countries.	PDBs in LICs or debt-distressed countries may lack financial strength to expand to green financing.	Size and coverage can be scaled by country.	IFI support makes this approach effective for LICs and LMICs with limited fiscal capacity.
Suitability across financial markets	Requires tier-1 lenders that can leverage co-financing and innovative financial instruments.	Applicable for countries upwards of LMIC, where PDBs have networks of tier-1 private lenders for co-/re-financing.	Applicable for PDBs in LMICs upwards with greening aspirations but insufficient mandate or capacity for an extensive green transformation.	Does not presuppose developed local financial markets; partners drive it at the supranational level.

	Standalone green bank	Green-focused PDB	Green facility	Country platform
POLICY AND GOVERNANCE				
Structural robustness	Mainly legalized entities. In EMDEs, likely to be public, though strong private entities are possible for some sectors (e.g., energy).	Strong institutions, often with legal mandates as implementers of public development agendas; large, hierarchical process-driven structures with defined roles across verticals.	SPVs with well-defined mandate, project and instrument designs, target leverage, and outcomes. Initial capitalization from anchor funders.	IFI-supervised/capitalized SPVs with well-defined mandates, project and instrument designs, and targets.
Countries' green agendas	Suitable in countries focused on decentralized green solutions; necessary in fossil fuel-driven economies seeking to transition.	Suitable where there is a sizable green mandate, especially for top-down large programs over decentralized solutions.	Suitable where the green agenda is central, but select themes are prioritized; applicable for PDBs with more general mandates.	Suitable in countries with green agendas but significant gaps between financing needs and financial strength (e.g., for A&R in LDCs).
Robustness of PDBs	Appropriate in countries with no PDBs or clear green champions. Can also complement established PDBs as market-makers for climate solutions.	Appropriate for government-capitalized PDBs with broad developmental (and legal) mandates.	Skills for managing green programs may be developed within the facility via international assistance.	Used where PDBs have inadequate capacities for required interventions.
Risk of political interference	Sequestered from political interference with autonomy to take capital from non-government stakeholders and prioritize market-based solutions.	PDBs support governments in implementing green finance but may face routine political interference.	Partly sequestered from political interference, especially with strong IFI partners.	Completely sequestered; programs are often entirely funded by donor countries or IFIs.
Integration with IFIs	Vital for standalone green banks in EMDEs.	PDBs' need for IFI support is higher in the green sector.	Provide catalytic assistance in EMDEs.	Primarily managed by IFIs.

	Standalone green bank	Green-focused PDB	Green facility	Country platform
PRODUCT DESIGN				
Scale	Can implement multiple small-scale programs for context-specific projects (e.g., in A&R and AFOLU).	Can implement relatively large programs, each with undifferentiated, homogeneous products.	Scalable according to facility mandate and IFI support.	Large-scale solutions relative to the country's financial strength via support from IFIs.
Types of instruments	Grants, equity, concessional debt, ecosystem enablement, blended finance, guarantees.	Tier-1 finance for large green programs in energy and transport Tier-2 via banks MFIs, etc. (co-financing, risk sharing, takeout financing, guarantees, etc.) Mostly concessional/long-term loans.	Pre-identified instruments aligned with the target themes and solutions.	Financial (guarantees, credit enhancement) and non-financial instruments (ecosystem enabling, capacity building) via a programmatic outcome-driven approach.
Project preparation capacity	Typically in-house	May or may not be available in-house	Created in-house	From various partners
CAPITALIZATION				
Sources of capitalization	Governments, green bonds, IFIs (concessional loans)	Debt securities, governments, MDBs	Anchor institutions (e.g., host PDB and an IFI)	Donor countries/ IFIs
Ability to leverage private capital	Can unlock capital for challenging climate sectors through innovative instruments, TA, and access to various stakeholder.	Can crowd in private capital (mainly debt) into easier-to-abate technologies administered through national/regional programs.	Well-designed programs, with specific outcomes and range-bound returns, can draw private capital.	IFIs may draw private capital from donor countries if beneficiaries can absorb it.
IMPACT OF INTERVENTION				
Effectiveness	Solution-centric, collaborative approach likely to spark greater impact per dollar invested with a focus on impact measurement.	Impact assessment may not be deep, given that green investments are a small share of assets; Inadequate control of impact in tier-2 lending.	Mission-driven approach builds in realizable impact targets and accurate measurement.	IFIs bring internationally recognized MRV methodology.

A&R: adaptation and resilience
IFI: international financial institution
MRV: monitoring, reporting, and verification
AFOLU: agriculture, forestry, other land use

Table 2: Three possible options for international support of green bank development

Options	Details	Success Factors	Key actors	Category of Green Bank
Establishing a new green bank design initiative Establishing a green bank accelerator, informed by the experiences of experts in the market.	This option builds on the success factors in inception and development by proposing capital infusion, building institutional capacity, working with local FIs, and having a clear mandate. To deliver on this, the structure lays out three pillars: Technical assistance, funding assistance, and acting as a learning hub. The unique aspect of this offering is that it will support institutions with initial building blocks, such as a pipeline, partnerships, and an optimum capital structure, as defined. The accelerator is proposed to be able to provide funding of, say, USD 550k per feasibility and seed capital of USD 5 million. The supporting aspect would be the community of practice, which will be helpful in product structuring and building on partnerships.	▪ Mandate ▪ Capitalization ▪ Alignment with government policy and strategy ▪ Partnership ▪ Institutional Capacity ▪ Effective Product Structuring ▪ Expansion beyond debt ▪ Risk sharing ▪ Inclusion of co-benefits ▪ Reaching neglected sectors	▪ Policymakers should ensure that the required legislation is in place ▪ Regulators ▪ Financiers (Grant makers, equity and debt providers) ▪ Local FIs, including other PDBs and other commercial institutions, will act as partners ▪ CSOs who are part of the community of practice	▪ *De Novo* Green Banks ▪ Enhancing existing PDBs ▪ Green Facilities within PDBs ▪ Country Platforms
Expanding an existing support platform For example, the FiCS Innovation Lab, which is already engaged with PDBs on climate issues, could adapt its work to include a dedicated Green Bank pillar.	This solution is aimed primarily at PDBs having a green window or creating green PDBs. This will build on the learnings from supporting FiCS Lab proponents and provide technical assistance. In line with the goals of FiCS to further connect with the broader ecosystem of financial institutions, it could be expanded beyond PDBs.	▪ Mandate ▪ Alignment with government policy and strategy ▪ Partnership ▪ Institutional Capacity ▪ Effective Product Structuring ▪ Expansion beyond debt ▪ Risk sharing ▪ Inclusion of co-benefits ▪ Reaching neglected sectors	▪ Finance in Common and FiCS Lab partners ▪ National FIs, including PDBs ▪ Local communities of practice	▪ *De Novo* Green Banks ▪ Enhancing existing PDBs ▪ Green Facilities within PDBs
Forming a coalition of existing relevant initiatives Building upon previous efforts to bring green banks together with investors to support their development, such as the Green Bank Design Summit.	This is a light-touch option and builds on the community of practice. The aim is to build on the existing platform and bring relevant stakeholders together in one room. While it does not provide explicit TA, it allows for ideation, knowledge exchange, and partnerships. This has different offerings for different categories - those who want to set up can get access to industry practitioners and funders, where a bank or institution is already set up, this allows for knowledge exchange and support in designing new product offerings.	▪ Capitalization ▪ Partnership ▪ Institutional Capacity ▪ Effective Product Structuring ▪ Expansion beyond debt	▪ Financiers ▪ Local FIs ▪ National PDBs, including other green banks	▪ *De Novo* Green Banks ▪ Enhancing existing PDBs ▪ Green Facilities within PDBs ▪ Country Platforms