

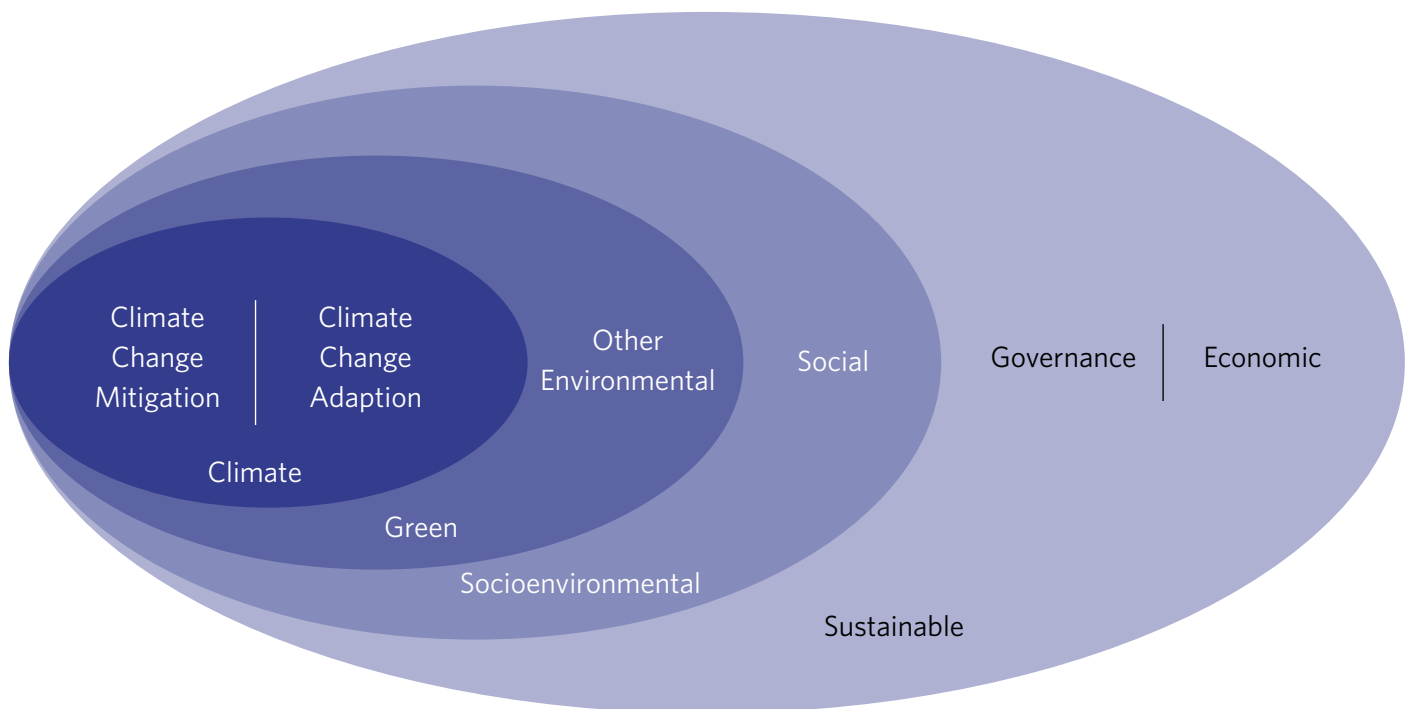
# Climate, Green and Sustainable Finance

Over the past few years, there is a growing consensus that capital needs to shift from the 'do no harm' premise to the 'create positive impact' premise. This has helped build momentum for financing more green and sustainable activities.

The world of sustainable finance is rapidly expanding. Despite the traction and momentum in the sector, 'climate

finance', 'green finance' and sustainable finance are often conflated. This brief aims to explain the relationship between these concepts.

UNEP<sup>1</sup> provides a basic framework explaining the relationship between the different concepts- where climate finance is a subset of green finance, which is a subset of sustainable finance.



Adapted from UNEP Enquiry, 2016

<sup>1</sup> It is important to note that there is no consensus on a definition for green or sustainable finance.



## 1 Climate finance

refers to 'local, national or transnational financing, drawn from public, private and alternative sources of financing, that seeks to support mitigation and adaptation actions that will address climate change.'



## 2 Green finance

includes climate finance as well as other environmental objectives that are necessary to support sustainability, and in particular, aspects such as biodiversity and resource conservation.



## 3 Sustainable finance

covers a broader set of the investment universe, aiming to build an inclusive, economically, socially, and environmentally sustainable world. It is important to note that sustainable finance is not synonymous with ESG.

## References

1. Definitions and Concepts: Background Note (2016), UNEP  
[https://wedocs.unep.org/bitstream/handle/20.500.11822/10603/definitions\\_concept.pdf?sequence=1&isAllowed=y](https://wedocs.unep.org/bitstream/handle/20.500.11822/10603/definitions_concept.pdf?sequence=1&isAllowed=y)
2. Building Consensus on definition of Green Finance (2019), Ckinetics with Climate Policy Initiative  
[https://shaktifoundation.in/wp-content/uploads/2019/08/Building-a-Consensus-on-the-Definition-of-Green-Finance\\_Updated.pdf](https://shaktifoundation.in/wp-content/uploads/2019/08/Building-a-Consensus-on-the-Definition-of-Green-Finance_Updated.pdf)