

**WEBINAR** | Voluntary Principles for the Deployment  
of Credit Enhancements to Support Sustainability-  
Linked Financing for Nature and Climate

Jan 30, 2025

# Agenda

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**Opening Remarks:** Justin Mundy, Senior Advisor and Chairman of the Sustainability-linked Sovereign Debt Hub

## **Overview of Voluntary Principles on Credit Enhancement**

### **Panel Discussion:**

- **Moderator:** Julie McCarthy - Chief Executive Officer, NatureFinance
- **Panelists:**
  - Joan Oriol Prats - Principal Financial Specialist at Inter-American Development Bank
  - Avril Benchimol - Senior Finance Specialist, Global Environmental Facility
  - Kevin Bender - Director, Greening Sovereign Debt, TNC
  - Sarah Conway - Director, WTW

**Q/A**

# About the Taskforce

**At COP28, the Task Force on Credit Enhancement of Sustainability-Linked Sovereign Financing for Nature and Climate was launched to tackle climate, nature and debt challenges**

World's largest multilateral development banks and other international financial institutions agreed to mobilize credit enhancement for sustainable climate & nature-linked sovereign financing

**Co-chairs:** IDB and DFC

**Observers:** UN High Level Climate Champions, TNC, SSDH

**Secretariat:** Sustainability-linked Sovereign Debt Hub (SSDH)

[JOINT DECLARATION](#)

[STATEMENT OF SUPPORT:  
INSURANCE INDUSTRY](#)

[STATEMENT OF SUPPORT: V20  
CHAIR](#)



COP28

**Top development banks, funds set up 'debt-for-nature' task force**

By Marc Jones

December 5, 2023 2:05 AM GMT · Updated a month ago



# About the Taskforce

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## Objectives:

- **Collaborate to scale climate and nature-linked financing** by sovereigns and other public sector entities by improving access and affordability of credit enhancement instruments
- **Share the aspirational objective of increasing the volume and streamlining sustainability-linked financing** as a relevant and accessible source of financing for developing country sovereigns and public sector entities and, where relevant, strive to work to leverage participation of private sector reinsurance and insurers

# **Voluntary Principles for the Deployment of Credit Enhancements to Support Sustainability-Linked Financing for Nature and Climate**

# Overview | Voluntary Principles

**Launched at COP29 at “High Level Nature Finance” Event** by Dr. Mahmoud Mohieldin, United Nations Special Envoy on Financing the 2030 Agenda and HE Razan Al Mubarak, UN High Level Climate Champions for COP28

Principles present a concrete step towards creating a shared understanding and developing shared practices in the use of credit enhancements for sustainability-linked financing

Task Force has proven a valuable venue for the exchange of knowledge and expertise between participating members and will continue to work on a consistent and harmonised approach to developing impactful credit enhancement solutions

<https://creditenhancement.org/principles/>



# Overview | Voluntary Principles

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**Broad audience:** Such as MDBs and other DFIs or institutions that can provide credit enhancements for sustainability-linked financing such as MCFs, as well as other parties involved, such as governments, investment banks, insurance companies (co-insurance and reinsurance), rating agencies, institutional investors, non-governmental organizations, and others

**Application:** Can be deployed in the context of its own mandate, objectives, and policies

**Purpose:** Present a harmonized understanding of the criteria to consider, on a case-by-case basis, when assessing and implementing credit enhancement intervention in support of sustainability-linked financing; to facilitate collaboration among MDBs and other DFIs and other parties; and, thus, to increase the scale and effectiveness of such credit-enhanced transactions

# Overview | Voluntary Principles

**Principles** identify **4 elements** that are key to improving the access and affordability of credit enhancement instruments, making transactions more effective and efficient:

SUITABILITY	ACCOUNTABILITY AND EFFECTIVENESS	NATURE AND/OR CLIMATE IMPACT	GOVERNANCE STRUCTURE
<b>Should be suited to the country's macroeconomic and financial circumstances</b>	<b>Promote accountability, transparency and replicability of the transaction</b>	<b>Should involve ambitious commitments</b> from the country's national climate and nature plans aligned with <i>Paris Agreement</i> and/or the <i>Kunming-Montreal Global Biodiversity Framework</i>  Have <b>relevant material key performance indicators</b>	Should <b>adhere to best practices and standards</b> on use of resources and provide robust reporting and verification



# Voluntary Principles | Suitability

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## Credit enhancements to support sustainability-linked financing for nature and climate should be suited to the country's macroeconomic and financial circumstances

- **Support nature and/or climate commitments**
  - Seek to improve the borrower country's fiscal space over time to support nature and/or climate commitments
  - Not substitute for necessary macroeconomic adjustments but should support such adjustment efforts for long-term debt sustainability
- **Adaptation to country risk profile**
- **Mobilization objective and transaction size**
  - Help increase a country's market access and mobilize competitive private financing to allow for meaningful debt service cost reduction
- **Sufficient debt management capacity**
  - Credit-enhancement providers should ensure that governments receiving credit enhancement have sufficient debt management capacity to structure complex financial transactions with nature and/or climate objectives

# Voluntary Principles | Accountability & Effectiveness

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**Credit enhancements are valuable, scarce resources and the credit-enhanced transaction should ensure their efficient and transparent use, promoting accountability, transparency and replicability of the transaction**

- **Ensure debt transparency**
  - Countries should provide the highest level of transparency in terms of the structure of credit-enhanced transaction
- **Credit-enhanced financial instrument**
  - Financial instrument supported by credit enhancement should adhere to established principles, best practices and standards, as issued or published by relevant, dedicated and reputable institutions
- **Ensure competition and efficient use of the credit enhancement**
- **Dedicated governance by providers of credit enhancements**
  - Institutions providing credit enhancements should have professional units and teams to ensure adequate design, execution and monitoring

# Voluntary Principles | Nature and/or Climate

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**Credit-enhanced transaction should involve ambitious commitments from the country's national climate and nature plans that are aligned with the goals of the Paris Agreement and/or the Kunming-Montreal Global Biodiversity Framework, with relevant and material key performance indicators and coherence between capital mobilization and policy efforts**

- **Definition of ambitious climate and nature commitments with high-level leadership & strong stakeholder engagement**
  - Policy commitments should be developed by the government, through an **inter-ministerial coordination mechanism**, including **Ministry of Finance or Planning**, in consultation with relevant stakeholders including local civil society and, where relevant, indigenous communities, and in line with the government's international commitments to NDCs, NAPs, NBSAPs, LT-LEDS amongst others;
- **Strong performance indicators and ambitious targets**
  - Achievement of the country's nature and/or climate commitments should be tested against performance indicators that are material to the country's core climate and/or nature policies;

# Voluntary Principles | Nature and/or Climate

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- **Financial incentives for achievement of the climate/nature policy commitments, indicators and targets**
  - Incentives can be structured as step-ups (penalties) in financing pricing, as step downs (rewards), or in some other way or a combination of both
- **Coherence between credit enhancement mobilization and commitments**
  - Funding allocated to the necessary activities to meet the nature and/or climate targets or commitments should be commensurate with the size of the credit-enhanced transaction
  - Scale of the overall transaction and the savings should be taken into account when assessing the adequate allocation

# Voluntary Principles | Governance Structure

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**Credit-enhanced transaction structures should adhere to best practices and standards on use of resources and provide robust reporting and verification**

- **Ensure adequate capacity and mechanism for the use of the funding**
- **Inclusive governance structure**
  - Should follow best practices for community engagement, openness, transparency, equity, and inclusiveness
- **Data transparency and integrity, reporting and verification**
  - Relevant country should publish an **Annual Report on progress**, and **Impact Report** consisting of evidence that the policy commitment and/or the climate/nature target has been met.
  - Mandatory audits and evaluations should be led by independent external verification agents.

# Thank you!

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