

Sustainable Finance Taxonomies Roundtable Implementation challenges and opportunities

*Organized by IFC- facilitated Sustainable Banking and Finance Network (SBFN)
and Capacity -Building Alliance of Sustainable Investment (CASI)*

**Johannesburg, South Africa
27 March 2025, 12:00-13:30**

On March 27, SBFN hosted the Sustainable Finance Taxonomies Roundtable. Organized on the sidelines of the CASI Africa Sustainability Forum, the Roundtable benefited from the participation of regional and local policymakers, practitioners, and experts in sustainable finance taxonomies. The discussion focused on identifying key opportunities for greater harmonization and effective implementation of taxonomies. Specifically, the discussion aimed to address three questions:

1. What are a few practical ways to improve harmonization?
2. How can we strengthen regional collaboration in Southern Africa and Africa more broadly?
3. What support is needed from international partners?

Participants

Participating organizations in the Roundtable included the African Development Bank, Banking Association of South Africa, Capacity-building Alliance of Sustainable Investment (CASI), Carbon Trust, the Central Bank of Azerbaijan, Climate Bond Initiative (CBI), Financial Sector Conduct Authority of South Africa, GreenCape, International Finance Corporation, National Treasury of South Africa, Network for Greening the Financial System (NGFS), Securities and Exchange Commission of Zambia, and Sustainable Banking and Finance Network (SBFN).

Key Takeaways

The fruitful discussion among the participants emphasized the following important themes to facilitate harmonization:

1. Early collaboration and co-creation to prevent fragmentation and unintended consequences

Collaboration, co-creation and dialogue with governments in the region, private sector, and other government agencies can prevent fragmentation of efforts and ensure the alignment between taxonomies in their development rather than in the implementation phase, when it is much more costly and complex to engineer interoperability. This can be achieved by leveraging existing regional structures, such as the Southern African Development Community (SADC), and regional initiatives by multilaterals, such as IFC and World Bank through their country-level taxonomy support, and the African Development Bank (AfDB) through its Africa Sustainable Finance Taxonomy initiative.

2. Need for localization while seeking global alignment

While seeking global and regional alignment is important, taxonomies need to account for local context, including MSMEs and transition sectors, such as coal, reflecting market realities of African countries. There

is an opportunity to learn from experience of other emerging markets and developing economies (EMDEs) facing similar market composition and transition needs.

Participants also raised questions on how to incentivize greater investment in climate change adaptation activities through taxonomies.

3. Interoperability at the implementation stage

Participants highlighted several avenues for greater harmonization of existing taxonomies, including:

- Mutual recognition between countries; based, for instance, on inclusion of core good practice principles and evidence of credible processes and expertise that have gone into taxonomy development.
- Establishing core universally accepted principles or criteria that can make it easier for countries when developing their taxonomies while also supporting interoperability.

4. Integration with stock market

Related is the need for sustainable finance taxonomies to be integrated with stock markets, especially green equity designation, in addition to the integration with bond and loan markets. Such integration can broaden the scope and application of taxonomies.

5. Need for ongoing capacity building

The participants stressed the importance of ongoing engagement with the knowledge partners, expert organizations, and networks to build capacity in international good practice in development and implementation of sustainable finance taxonomies both in public and private sectors.

Peer-to-peer exchanges, webinars, tools, and case studies were all mentioned as examples of activities that can enhance capacity and knowledge.

In addition, participants also raised challenges for effective implementation, especially:

- **Clarity on the primary purpose of a taxonomy**

Taxonomy guidance generally highlights the multiple potential uses of taxonomies, but this can also confuse the implementation process. It is important to identify a few primary objectives for a national taxonomy to ensure that it is designed and rolled out effectively. Clarifying the intended primary users of taxonomies from the early stages of the development will also help to improve their usability and facilitate implementation with these groups.

- **Governance of taxonomies**

The discussion emphasized the ongoing importance of governance and oversight for ensuring effective implementation, updating, and maintenance of taxonomies, which need to be living documents that adjust to market changes and evolving environmental and social priorities so that taxonomies stay relevant to meeting their defined purpose.

- **Complexity vs usability**

The complexity of do no significant harm (DSSH) criteria, technical screening criteria, taxonomy objectives, and data verification were raised. When setting up these criteria, policymakers should consider them in line with the purpose and usability of the taxonomies. The European Union's

simplification initiative was noted in this regard and confirms what many markets are finding as challenges when they roll out taxonomies. Possible strategies include i) simplifying the environmental and social safeguard requirements of taxonomies, and particularly the requirements related to verification, and ii) offering phased approaches for adoption that allow reporting entities to adapt their systems over time.

In addition, designing taxonomies as part of a regulatory ecosystem, including bond issuance frameworks, ESG risk management, can help streamline the requirements faced by investors with regards to DNSH as well as disclosure.

Key initiatives

The Roundtable featured updates on several key global and regional initiatives to promote interoperability:

- [Multi-Jurisdiction Common Ground Taxonomy](#) (M-CGT) launched in November 2024 presents a comparison of the sustainable finance taxonomies of China, the EU, and Singapore. Expanding on the EU-China Common Ground Taxonomy, M-CGT enhances the interoperability of the three taxonomies. As a reference document, it can be used by market participants, including financial institutions, corporates, and investors, to assess green activities across the three jurisdictions.
 - Following the launch of Roadmap for Advancing Interoperability and Comparability of Sustainable Finance Taxonomies (Taxonomy Roadmap) during COP29 by founding partners - the Central Bank of Azerbaijan (CBAR), IFC, SBFN, UNDP and IPSF, the initiative moved to the implementation stage with UNEP FI, Climate Bonds Initiative (CBI), the EU Sustainable Finance Advisory Hub (for low and middle income countries), UN PRI, and the World Bank (WB) joining as new partners. The partners agreed that the Taxonomy Roadmap will serve as a key global platform for coordination, collaboration and alignment of taxonomy initiatives, helping organizations better align their efforts, reduce redundancies, and establish stronger linkages between their activities/efforts and the Roadmap's key pillars.
 - [A recent study by the Climate Policy Initiative and GreenCape](#) on behalf of South Africa's National Treasury, which evaluates the SA Green Finance Taxonomy's international alignment and interoperability with other green and sustainable finance taxonomies:
 - A consultation by the Banking Association South Africa of its members experiences and challenges in implementing the SA Green Finance Taxonomy.
- The [African Development Bank's initiative](#) to develop an African Sustainable Finance Taxonomy.

Next steps

Roundtable participants proposed the following next steps:

- Ensure that African countries are at the table and contribute to the global dialogue on harmonization of sustainable finance taxonomies.
- Establish platforms for more effective regional knowledge sharing between countries and practitioners on taxonomy design and implementation to support a shift to co-creation rather than retroactive interoperability.
- Tackle "Do No Significant Harm" in a way that reduces complexity and the reporting burden rather than enhancing it.
- Explore how taxonomies can better support the Just Energy Transition.

- Identify and promote proven strategies for effective taxonomy implementation, including i) a practical roadmap for regulators (e.g. roles, regulatory templates, use cases, and targets), ii) phased approaches to adoption, and iii) investment in socialization and stakeholder engagement.
- Ensure that taxonomies are made accessible to all parts of the economy, including MSMEs.
- Consider issues of interconnected justice and unintended consequences, including who needs to be at the table and what channels can be used to connect to the ultimate users of taxonomies.
- Develop taxonomies with integration in mind, recognizing that they are part of an ecosystem of regulations, guidance, and incentives to support sustainable finance.

About the Roundtable

The ability of the financial sector to respond to the climate crisis and contribute to sustainable development depends on the effective management of environmental, social, governance (ESG) risks and clear allocation of financial capital to activities with positive social and environmental benefits. In the past decade, sustainable finance taxonomies have emerged as an important tool to define and prioritize sectors and economic activities that are key to transitioning to low carbon economy. More than 75 taxonomy-related frameworks at global, regional, or country levels have been either developed or are currently being developed¹. However, enabling effective global flow of capital requires taxonomies to be interoperable across borders so that finance providers are not faced with increased information costs and complexity. Interoperability increases consistency across the various tools and frameworks used globally and can contribute to greater success in achieving sustainability goals.

SBFN and CASI joined forces to bring together policymakers to discuss challenges and opportunities for further harmonization and alignment of sustainable finance taxonomies regionally, globally and across different countries.

The Roundtable builds on the momentum of the international partnership bringing together SBFN, Central Bank of Azerbaijan, International Platform for Sustainable Finance (IPSF), and United Nations Development Programme (UNDP) under [the “Roadmap for Advancing Interoperability and Comparability of Sustainable Finance Taxonomies.”](#) Launched at COP29 the Roadmap aims to improve coordination of various ongoing efforts related to sustainable finance frameworks, particularly taxonomies, and operationalize them through clear, practical, and collective actions.

The Roundtable took place in Johannesburg, South Africa, on 27 March 2025, alongside CASI’s Africa Sustainability Forum. It focused on

- **Identifying opportunities for greater harmonization** and effective implementation of taxonomies
- **Discussing existing challenges** in achieving harmonization and effective implementation
- **Taking stock of countries’ progress** in developing and implementing sustainable finance taxonomies
- **Learning from the experiences** of the countries with existing taxonomies.

About the Sustainable Banking and Finance Network (SBFN)

Established in 2012, SBFN is a voluntary community of financial sector regulators, central banks, ministries of finance, ministries of environment, and industry associations from emerging markets committed to

¹ SBFN Internal Exercise on Taxonomy Stocktaking and Mapping (2025)

advancing sustainable finance. IFC, part of the World Bank Group, is SBFN's Secretariat and knowledge partner, assisting members to share knowledge and access capacity building to support the design and implementation of national sustainable finance initiatives. As of May 2025, SBFN comprises 98 member institutions representing 72 countries and at least US\$68 trillion (92 percent) of the total banking assets in emerging markets. For more information, visit <https://www.sbfnetwork.org/>

About the Capacity-building Alliance of Sustainable Investment (CASI)

The Capacity-building Alliance of Sustainable Investment (CASI) is an international cooperation platform officially launched at COP28 in December 2023 in response to the G20 Technical Assistance Action Plan (TAAP). CASI is dedicated to delivering high-quality, high-impact sustainable finance capacity-building services for EMDEs by serving as a "global aggregator and distributor of sustainable finance knowledge". CASI aims to contribute significantly to the achievement of global sustainability goals, such as the UN SDGs and the Paris Agreement. The alliance has set a goal of empowering 100,000 sustainability and green finance professionals by 2030.