Title: Network Access and the Allocation of Green Finance in Emerging Markets: Evidence from Cameroon

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Abstract

This paper examines how network structures and informal institutions shape the allocation of green finance in emerging markets. While existing climate finance literature emphasizes financial instruments, regulatory frameworks, and risk pricing, less attention has been paid to how capital is allocated in contexts characterized by weak institutional coordination and limited market depth.

Drawing on original field evidence from Cameroon, including 43 semi-structured interviews and supplementary interactions across government, financial institutions, NGOs, and small and medium-sized enterprises (SMEs), the paper shows that access to green finance is not determined solely by project characteristics or financial fundamentals. Instead, it is significantly influenced by relational embeddedness, network position, and informal mechanisms of trust and brokerage.

The findings document systematic disparities in access to funding, where well-connected actors are more likely to identify, secure, and implement green finance opportunities, while less connected but potentially viable actors remain excluded. These patterns suggest that capital allocation in green finance systems may be subject to persistent frictions, leading to inefficiencies in the distribution of climate-related investment.

To explain these dynamics, the paper develops a conceptual framework in which network access acts as a constraint on capital allocation, interacting with institutional fragmentation and external funding structures. The analysis contributes to climate finance and development literature by highlighting the role of informal institutions and relational mechanisms in shaping financial outcomes, particularly in lower-income and institutionally complex environments.

JEL Classification Codes

- G10 – General Financial Markets
- G20 – Financial Institutions and Services
- G28 – Government Policy and Regulation
- O16 – Financial Markets; Saving and Capital Investment; Corporate Finance and Governance
- O55 – Africa
- Q54 – Climate; Natural Disasters; Global Warming

Key words: Green finance; Climate finance; Capital allocation; Informal institutions; Networks; Emerging markets; SMEs; Financial access; Institutional frictions; Cameroon.

Contribution statement : This paper makes three contributions.

First, it contributes to the climate finance literature by shifting the focus from financial instruments and risk pricing to the allocation of green capital in emerging markets, where institutional conditions differ significantly from developed economies (Flammer, 2021; Campiglio, 2016).

Second, it introduces network access as a source of allocation frictions, showing that relational embeddedness and informal institutions play a central role in determining who receives green finance. This extends existing work on financial intermediation and information frictions by incorporating social and relational mechanisms into the analysis (Granovetter, 1985; Hall and Leyshon, 2013).

Third, it provides original empirical evidence from Cameroon, offering a micro-level, multi-actor perspective on green finance governance in a context that is largely underrepresented in the literature. The findings suggest that capital may not flow to the most productive or climate-effective projects, but rather to those with stronger network positioning, with implications for both efficiency and equity in climate finance systems.

1. Introduction

Climate change has increasingly become a central concern for financial markets, policymakers, and researchers, as economic activity remains a major driver of greenhouse gas emissions and long-term climate risk. In response, a rapidly expanding literature in climate finance has examined how climate-related risks are priced in asset markets, how investors respond to environmental information, and how financial systems can facilitate the transition to low-carbon production (Campiglio, 2016; Flammer, 2021; Giglio, Kelly and Stroebel, 2021). A core assumption underlying much of this work is that financial markets, when appropriately structured, can allocate capital efficiently toward green investments.

However, this assumption becomes less straightforward in emerging market contexts, where financial systems are shallower, institutional frameworks are fragmented, and access to capital is often uneven. In such environments, the question is not only whether climate risks are priced correctly, but also whether green capital reaches the actors and projects that are best positioned to deliver environmental outcomes. Despite its importance, this issue remains underexplored in the climate finance literature, which has largely focused on developed markets and formal financial mechanisms.

This paper examines how green finance is allocated in an emerging market context, with a focus on the role of informal institutions and network structures in shaping access to capital. Drawing on original field evidence from Cameroon, the analysis shows that the allocation of green finance is not determined solely by project characteristics, financial viability, or climate impact. Instead,

access to funding opportunities is significantly influenced by relational factors, including network position, trust, brokerage, and institutional proximity.

These findings point to the presence of network-based frictions in the allocation of green finance, whereby some actors are systematically advantaged in accessing capital, while others remain excluded despite potentially viable projects. Such frictions can lead to inefficient capital allocation, as resources may not flow to the highest-impact or most productive uses. This challenges the implicit assumption that expanding green financial instruments or strengthening regulatory frameworks is sufficient to ensure effective climate finance outcomes.

The paper contributes to the literature by introducing a framework in which network access operates as a constraint on capital allocation, particularly in contexts characterized by weak institutional coordination. While previous research has highlighted the role of information asymmetries, transaction costs, and institutional quality in shaping financial access (Beck, Demirgüç-Kunt and Levine, 2007; Banerjee and Duflo, 2014), less attention has been paid to how relational structures and informal mechanisms influence the distribution of green finance.

The analysis builds on insights from economic sociology, particularly the concept of embeddedness (Granovetter, 1985), which emphasizes that economic action is shaped by social relationships. It extends this perspective by showing that networks do not simply facilitate coordination, but can also generate persistent inequalities in access to financial resources. In doing so, the paper complements recent work in financial geography and development finance that highlights the role of intermediaries and network structures in shaping capital flows (Hall and Leyshon, 2013; Cojoianu et al., 2020).

Empirically, the paper draws on a qualitative dataset comprising 43 semi-structured interviews and additional interactions with key actors involved in green finance in Cameroon, including government institutions, financial organizations, NGOs, SMEs, and technical experts. While the analysis is qualitative in nature, it provides systematic evidence of recurring patterns in how funding opportunities are identified, accessed, and allocated. These patterns suggest that green finance systems in such contexts operate through relational channels that are not captured by formal models of financial intermediation.

The paper proceeds as follows. Section 2 reviews the relevant literature and positions the contribution. Section 3 provides background on green finance in Cameroon. Section 4 describes the data and methodological approach. Section 5 presents the empirical findings. Section 6 develops the conceptual framework and discusses implications for capital allocation. Section 7 concludes.

2. Literature Review and Contribution

This paper contributes to three strands of literature: climate finance and capital allocation, financial access and institutional frictions in emerging markets, and the role of networks and informal institutions in shaping economic outcomes. While each of these literatures provides important insights, they remain only partially integrated, particularly in the context of green finance in lower-income countries.

2.1 Climate Finance and Capital Allocation

A growing body of research examines how climate risks and environmental considerations are incorporated into financial markets. This literature has focused on issues such as the pricing of climate risk in asset markets, investor preferences for environmentally sustainable assets, and the role of green financial instruments in mobilising capital toward low-carbon investments (Giglio, Kelly and Stroebel, 2021; Bolton and Kacperczyk, 2021; Flammer, 2021).

One strand of this literature investigates whether financial markets efficiently price climate-related risks. For example, Giglio, Kelly and Stroebel (2021) show that long-term climate risks are reflected in asset prices, while Bolton and Kacperczyk (2021) document that firms with higher carbon emissions face higher expected returns, consistent with a carbon risk premium. Another strand focuses on the effectiveness of green financial instruments, such as green bonds, in directing capital toward environmentally beneficial projects (Flammer, 2021; Tang and Zhang, 2020).

While these studies provide important insights into the functioning of climate finance in developed markets, they typically assume that once capital is mobilised, it is allocated according to market-based criteria. Less attention has been paid to how capital is actually distributed across actors and projects, particularly in contexts where financial markets are less developed and institutional structures are weaker. As a result, the literature provides limited insight into whether green finance reaches the most productive or impactful uses in emerging markets.

2.2 Financial Access and Institutional Frictions

A second relevant literature examines the determinants of financial access in developing and emerging economies. Research in this area has highlighted the importance of institutional quality, information asymmetries, and transaction costs in shaping access to credit and investment (Beck, Demirgüç-Kunt and Levine, 2007; Banerjee and Duflo, 2014). Weak legal systems, limited financial infrastructure, and high monitoring costs can restrict access to capital, particularly for small and medium-sized enterprises (SMEs).

More recent work has also emphasized the role of institutional voids, where formal market-supporting institutions are absent or underdeveloped (North, 1990; Khanna and Palepu, 2010). In such contexts, firms often rely on alternative mechanisms to access resources, including informal arrangements and personal connections.

While this literature provides a useful framework for understanding barriers to financial access, it has largely focused on conventional forms of finance rather than green or climate-related investments. Moreover, it tends to treat access constraints in terms of structural factors, such as regulation and information availability, while giving less attention to the relational mechanisms through which access is mediated in practice. This leaves open the question of how these dynamics operate specifically in the allocation of green finance.

2.3 Networks, Embeddedness, and Informal Institutions

A third strand of literature emphasizes the role of social networks and informal institutions in shaping economic behaviour. The concept of embeddedness, introduced by Granovetter (1985), highlights that economic action is not purely driven by formal market mechanisms but is embedded

in social relationships. Subsequent research has shown that networks can facilitate access to information, reduce uncertainty, and enable coordination (Uzzi, 1997; Jackson, 2008).

In the context of finance, networks have been shown to influence credit allocation, investment decisions, and access to opportunities, particularly in environments characterized by uncertainty and weak formal institutions (Hall and Leyshon, 2013; Cojoianu et al., 2020). Intermediaries and brokers often play a key role in connecting actors to financial resources, while trust and reputation can substitute for formal screening mechanisms.

However, networks can also generate exclusion. As noted by Portes (1998), embeddedness may produce benefits for insiders while limiting access for those outside established networks. This dual role of networks—facilitating coordination while reinforcing inequality—has important implications for understanding financial access in emerging markets.

Despite these insights, the role of networks in climate finance remains underexplored. Existing studies have not systematically examined how relational structures shape the allocation of green finance, nor how they interact with institutional pressures and external funding frameworks.

2.4 Contribution to the Literature

This paper bridges these literatures by examining how network structures and informal institutions shape the allocation of green finance in an emerging market context. It contributes in three main ways.

First, it extends the climate finance literature by shifting the focus from risk pricing and financial instruments to the allocation of green capital, particularly in contexts where market mechanisms may not operate efficiently.

Second, it contributes to the literature on financial access by introducing network-based frictions as a key mechanism shaping who receives green finance. Rather than viewing access constraints solely in terms of institutional quality or information asymmetry, the paper highlights the role of relational embeddedness, brokerage, and informal institutions.

Third, it integrates insights from economic sociology into the study of climate finance, demonstrating that networks not only facilitate coordination but can also produce systematic inequalities in access to capital. In doing so, it provides a more comprehensive framework for understanding how green finance operates in practice, particularly in institutionally complex environments.

3. Context: Green Finance in an Emerging Market Setting

Understanding how green finance is allocated requires attention to the institutional and market environment in which financial decisions are made. Cameroon provides a useful empirical setting for examining these dynamics, as it combines increasing exposure to global climate finance frameworks with relatively weak institutional coordination and limited financial market depth.

Like many lower-income countries, Cameroon has formally committed to international climate and development agendas, including the Paris Agreement and the Sustainable Development Goals. These commitments have led to a growing presence of climate-related funding initiatives, often supported by multilateral institutions, bilateral donors, and international non-governmental

organizations. At the same time, domestic financial markets remain relatively underdeveloped, with limited availability of long-term capital, high perceived risk, and constrained lending to small and medium-sized enterprises (SMEs).

In this context, green finance does not operate through deep and liquid capital markets, but rather through a combination of:

- donor-funded programs and project-based financing
- development finance institutions and intermediary organizations
- local financial institutions with limited exposure to climate-related investments

This creates an environment in which capital allocation is shaped not only by project fundamentals, but also by institutional arrangements, external funding structures, and access to information.

A defining feature of this setting is the fragmentation of institutional frameworks. While multiple actors are involved in green finance—including government agencies, financial institutions, NGOs, and international organizations—there is no single, fully coordinated system governing the identification, evaluation, and funding of green projects. As a result, access to finance often depends on navigating a complex landscape of actors, programs, and requirements.

This context makes Cameroon analytically relevant for examining how green finance is allocated in environments where formal institutions are incomplete and where informal mechanisms may play a larger role in shaping outcomes.

3.1 Data

The empirical analysis is based on original qualitative data collected through fieldwork conducted across key locations in Cameroon. The primary dataset consists of 43 semi-structured interviews, complemented by 26 supplementary interactions (including follow-up discussions and informal exchanges), conducted with actors directly involved in green finance activities.

Participants were selected to capture the diversity of the green finance ecosystem, including:

- Government officials involved in policy and coordination
- Financial institutions, including banks and microfinance organizations
- Non-governmental and international organizations engaged in climate and development programs
- Small and medium-sized enterprises (SMEs) and local businesses seeking or receiving financing
- Technical experts and consultants working in climate finance and sustainability

This multi-actor approach allows for a comparative analysis of how different stakeholders perceive and engage with green finance, and how their positions within institutional and relational structures affect access to funding.

Interviews were conducted using a semi-structured format, allowing for both consistency across participants and flexibility to explore context-specific dynamics. Key themes included:

- definitions and understanding of green finance
- processes for identifying and accessing funding opportunities
- role of institutions, policies, and standards
- importance of networks, partnerships, and intermediaries
- perceived barriers to access and implementation

All interviews were transcribed and systematically coded using an iterative, abductive approach, allowing patterns to emerge while remaining informed by existing theoretical frameworks.

3.2 Empirical Approach

The analysis focuses on identifying recurring patterns in how green finance opportunities are accessed and allocated, rather than estimating causal effects in a statistical sense. While the data are qualitative, they provide detailed insights into the mechanisms through which actors interact, make decisions, and navigate institutional constraints.

The approach is particularly suited to the research question for two reasons.

First, the mechanisms of interest—such as trust, brokerage, and network access—are difficult to observe using standard quantitative data, especially in contexts where formal records of financial transactions and decision processes are limited. Qualitative evidence allows for a more direct examination of these processes, capturing how actors perceive and respond to opportunities and constraints.

Second, the focus on multiple actor groups enables the identification of systematic patterns across perspectives, rather than relying on single-source accounts. For example, patterns related to network access and information flow were consistently reported across NGOs, SMEs, and financial institutions, suggesting that these are not isolated observations but structural features of the system.

To organize the analysis, the paper identifies key mechanisms through which green finance is allocated, including:

- information access and opportunity awareness
- relational screening and trust-based selection
- brokerage and intermediation
- institutional alignment and compliance requirements

These mechanisms are then linked to observed outcomes in terms of who receives funding, which projects are supported, and how resources are distributed across actors.

3.3 Positioning of Evidence

While the findings are derived from a single-country case, the objective is not to provide statistically generalizable results, but to identify mechanisms that may be relevant in other emerging market contexts with similar characteristics. In particular, the combination of:

- weakly coordinated institutional frameworks
- reliance on external funding sources
- importance of informal networks

is common across many lower-income countries.

As such, the evidence presented here should be understood as mechanism-focused, offering insights into how green finance allocation operates in practice, rather than as a test of a specific quantitative model.

4. Descriptive Patterns of Access and Allocation

To complement the qualitative analysis, this section summarizes recurring patterns observed across interviews regarding access to green finance.

Across the sample, a consistent pattern emerges in how actors become aware of and access funding opportunities. A large majority of SME respondents reported that initial awareness of funding opportunities occurred through informal channels, including personal contacts, professional networks, or intermediary organizations, rather than through publicly accessible platforms.

Similarly, NGO and expert respondents highlighted that participation in previous projects or partnerships significantly increased the likelihood of being included in future funding opportunities. This suggests the presence of path dependence, where prior inclusion in funding networks enhances future access.

These patterns are summarised in Table X.

Access Mechanisms Across Actor Groups

Mechanism	SMEs	NGOs	Financial Institutions	Experts
Network-based information	High	High	Medium	High
Public/open access	Low	Medium	Medium	Low
Intermediary dependence	High	High	Medium	High
Repeat participation	Medium	High	Medium	High

5. Findings: Network Frictions in Green Finance Allocation

5.1 Overview

This section presents evidence on how green finance is allocated in Cameroon, focusing on the mechanisms that shape access to funding. Rather than being determined solely by project characteristics or financial viability, the findings indicate that allocation is mediated by a set of relational and institutional mechanisms that structure who receives funding and under what conditions.

Five key mechanisms emerge from the data:

1. Fragmented definitions and classification uncertainty
2. External standardisation and donor-driven allocation criteria
3. Network-based access to information and opportunities
4. Brokerage and relational intermediation
5. Relational filtering and exclusion

Together, these mechanisms suggest that green finance allocation operates through network-based channels, creating frictions that may affect both efficiency and inclusion.

5.2 Fragmented Definitions and Classification Uncertainty

A first source of friction arises from the absence of a shared definition of what qualifies as "green finance." Across actors, there is no consistent understanding of which projects are eligible, how environmental impact should be measured, or what criteria should be prioritised.

Participants described green finance in divergent ways:

"For some, it is climate change… for others, it is just anything related to the environment." *(NGO respondent)*

"From a banking perspective, we still look at repayment first, then maybe environmental impact." *(Financial institution respondent)*

This lack of standardisation introduces classification uncertainty, which affects both the supply and demand for green finance. For project developers, uncertainty about eligibility increases the cost of preparing proposals and reduces the likelihood of applying. For funders, it complicates the evaluation process and may lead to reliance on simplified or externally defined criteria.

In economic terms, this can be interpreted as an information friction, where ambiguity around classification limits the efficient matching of capital to projects.

5.3 External Standardisation and Donor-Driven Allocation

In the absence of strong domestic frameworks, allocation criteria are often shaped by external actors, particularly international donors and development organizations. These actors introduce their own standards, reporting requirements, and definitions of green finance.

As one participant noted:

"Most of the time, we follow donor frameworks… because that is where the funding comes from." *(NGO respondent)*

This creates a system in which allocation rules are externally determined, rather than locally coordinated. While such standardisation can reduce uncertainty, it also introduces constraints, as projects must align with predefined categories and reporting formats that may not fully reflect local conditions.

From an allocation perspective, this can lead to misalignment between funding criteria and local project needs, potentially excluding viable projects that do not fit donor-defined templates.

5.4 Network-Based Access to Information and Opportunities

A central finding is that access to green finance opportunities is strongly influenced by network position. Information about funding opportunities does not circulate evenly across actors, but is often concentrated within established networks.

Participants repeatedly emphasized the importance of connections:

"If you are not connected, you will not even hear about some of these opportunities." *(SME respondent)*

"Information moves through networks, not through official channels." *(Expert respondent)*

This suggests that the first stage of allocation—awareness of opportunities—is already subject to network-based filtering. Actors who are better connected are more likely to receive timely information, understand application requirements, and engage with funding processes.

In economic terms, this represents an information asymmetry driven by network access, which can distort the pool of applicants and affect the overall allocation of capital.

5.5 Brokerage and Relational Intermediation

Beyond information access, many actors rely on intermediaries—such as consultants, NGOs, or institutional insiders—to navigate the application and funding process. These intermediaries act as brokers, connecting project developers to funding sources.

As one participant explained:

"You often need someone who understands the system and can connect you to the right people." *(Expert respondent)*

While brokerage can facilitate access, it also introduces an additional layer of selection. Brokers may prioritise actors within their networks or those perceived as more reliable, effectively shaping which projects are presented to funders.

This creates a relational intermediation mechanism, where access to finance depends not only on project quality, but also on the ability to engage with intermediaries. Such mechanisms can increase efficiency by reducing search costs, but may also reinforce existing network advantages.

5.6 Relational Filtering and Exclusion

The combined effect of information asymmetries and brokerage is a process of relational filtering, whereby only a subset of potential projects enters the funding pipeline. Actors outside established networks face significant barriers, even when they have viable projects.

Participants described these barriers explicitly:

"Not everyone has the same chance… it depends on who you know." *(NGO respondent)*

"There are good projects that never get funding because they are not visible." *(Expert respondent)*

This suggests that the allocation of green finance is not purely merit-based, but influenced by network position and institutional proximity. As a result, some projects may be excluded not because of low quality, but because they lack access to the relevant relational channels.

From an economic perspective, this implies a potential misallocation of capital, where resources do not necessarily flow to the highest-impact or most productive investments.

5.7 Summary of Mechanisms

Taken together, the findings point to a system in which green finance allocation is shaped by a sequence of relational and institutional mechanisms:

1. Uncertain definitions create classification frictions
2. External standards define eligibility criteria
3. Networks determine information access
4. Brokers mediate entry into funding channels
5. Relational filtering shapes final allocation

These mechanisms interact to produce a system in which access to green finance is uneven and potentially inefficient.

5.8 Linking to Capital Allocation

The presence of these mechanisms suggests that green finance systems in emerging markets may not operate as frictionless markets. Instead, they are characterised by network-based constraints

on access, which can influence both the distribution and effectiveness of climate-related investments.

While the data do not allow for a direct measurement of efficiency losses, the consistent patterns observed across actors indicate that network position plays a systematic role in shaping allocation outcomes. This raises important questions about whether expanding green finance through additional funding or instruments is sufficient, or whether addressing underlying access constraints is necessary to improve outcomes.

6. Conceptual Framework: Network Frictions and Relational Packages

6.1 From Findings to Mechanism

The empirical findings suggest that green finance allocation in Cameroon is not governed by a single market-clearing mechanism, but by a sequence of relational and institutional filters. These filters shape:

- who becomes aware of opportunities
- who is able to apply
- who is considered credible
- who ultimately receives funding

To capture these dynamics, this paper introduces a conceptual framework in which network access operates as a constraint on capital allocation, interacting with institutional fragmentation and externally imposed standards.

At the centre of this framework is the concept of relational packages.

6.2 Defining Relational Packages

Relational packages refer to:

Recurring configurations of actors, relationships, and expectations through which green finance opportunities are identified, mediated, and allocated.

These packages are not random interactions. Instead, they represent stable patterns that structure how capital flows through the system.

Each package typically includes:

- a funding source (e.g., donor, development agency, financial institution)
- one or more intermediaries (e.g., NGOs, consultants, brokers)
- target actors (e.g., SMEs, community organisations)
- a set of implicit and explicit expectations (e.g., reporting standards, trust, prior relationships)

6.3 Types of Relational Packages Identified

The data reveal several recurring configurations:

(1) Donor–NGO Compliance Package

- Donors define funding criteria and standards
- NGOs act as intermediaries and implementers
- Access depends on prior collaboration and compliance capacity

Effect:

- standardisation
- but limited entry for new actors

(2) Bank–SME Risk Package

- Financial institutions evaluate projects based on risk and repayment
- SMEs require relational credibility to secure funding

Effect:

- preference for known clients
- exclusion of new or informal actors

(3) Government–NGO Authorisation Package

- Government provides legitimacy and access to programs
- NGOs align projects with policy frameworks

Effect:

- administrative gatekeeping
- politicised access in some cases

(4) Community–Authority Legitimacy Package

- Local actors rely on social legitimacy and recognition
- Informal approval structures influence project acceptance

Effect:

- informal inclusion mechanisms

- but limited scalability

6.4 Mechanism: From Networks to Allocation Outcomes

These relational packages function as allocation channels. Instead of capital flowing directly from funders to the most efficient projects, it flows through these structured pathways.

This creates three key outcomes:

1. Information Filtering

Only actors within relevant networks become aware of opportunities.

2. Relational Screening

Trust and prior relationships substitute for formal evaluation.

3. Allocation Concentration

Funding is directed toward actors embedded in established packages.

6.5 Implications for Capital Allocation

The presence of relational packages implies that:

- green finance allocation is path-dependent
- access is non-neutral and uneven
- capital may not flow to highest-impact projects

This introduces a form of network-based allocation friction, which operates alongside more commonly studied financial frictions such as information asymmetry and transaction costs.

Global Climate Frameworks

(Paris Agreement, SDGs)

↓

Institutional Pressures

(Donor standards, policies)

↓

Relational Mechanisms

(Networks, trust, brokers)

↓

Relational Packages

(Structured interaction channels)

↓

Allocation Outcomes

(Who gets funded / who is excluded)

Relational Mechanisms and Allocation Effects

Mechanism	Description	Allocation Effect
Information access	Network-based awareness	Unequal opportunity
Brokerage	Intermediated access	Controlled entry
Trust	Informal screening	Bias toward known actors
Institutional alignment	Donor compliance	Exclusion of non-aligned projects

6.6 Formal Interpretation of Relational Packages

Relational packages can be interpreted as informal allocation channels that operate alongside formal financial mechanisms.

In a simplified framework, consider:

- A set of projects *ii*i with heterogeneous quality *qiq_i*qi
- A set of actors embedded in networks with varying connectivity *nin_i*ni

Access to funding can be expressed as:

*P(fundingi)=f(qi,ni,I)P(\text{funding}_i) = f(q_i, n_i, I)*P(fundingi)=f(qi ,ni ,I)

where:

- *qiq_i*qi : project quality
- *nin_i*ni : network position
- *II*I: institutional conditions

In a frictionless system, allocation depends primarily on *qiq_i*qi . However, the empirical findings suggest that *nin_i*ni plays a significant role, particularly where institutional coordination is weak.

Relational packages can therefore be understood as structured mappings between *nin_i*ni and funding probability, shaping how capital is allocated across actors.

7. Discussion and Implications

7.1 From Network Structures to Allocation Outcomes

The findings presented in this paper suggest that green finance allocation in Cameroon is shaped by a set of network-mediated processes that operate alongside, and sometimes override, formal

financial and institutional mechanisms. While climate finance is often conceptualised as a system in which capital is directed toward environmentally beneficial investments based on risk-return considerations and regulatory incentives, the evidence here indicates that allocation is also conditioned by relational access and institutional positioning.

This has important implications for how we understand capital allocation in emerging market contexts. Rather than operating as a frictionless matching process between capital supply and project demand, green finance systems may function as network-dependent allocation structures, where access to funding is contingent on embeddedness within specific relational configurations.

The concept of relational packages provides a way to formalise this insight. These packages act as intermediated channels through which capital flows, shaping both the set of projects that are considered and the actors that are ultimately funded. As a result, allocation outcomes are not solely determined by observable project characteristics, but by the interaction between institutional rules and relational mechanisms.

7.2 Network Frictions and Capital Misallocation

A central implication of this framework is that network structures can generate allocation frictions that resemble, but are distinct from, more commonly studied financial frictions such as information asymmetry or credit constraints.

Specifically, three forms of friction emerge:

(1) Entry Frictions (Information and Visibility)

Actors outside established networks face barriers in accessing information about funding opportunities. As a result, the pool of applicants is endogenously restricted, potentially excluding high-quality projects before they are even evaluated.

(2) Screening Frictions (Trust and Relational Selection)

In the absence of strong formal evaluation mechanisms, funders and intermediaries rely on trust, reputation, and prior relationships as proxies for quality. While this may reduce uncertainty, it also introduces bias toward known actors, limiting the role of objective project assessment.

(3) Allocation Frictions (Brokerage and Gatekeeping)

Intermediaries play a central role in connecting capital to projects, but also act as gatekeepers who influence which projects are presented and prioritised. This creates a system in which allocation is filtered through relational channels, rather than determined solely by market signals.

Taken together, these frictions suggest that green finance allocation may be systematically distorted, with capital flowing disproportionately toward actors who are better connected rather than those with the highest-impact or most efficient projects.

This does not necessarily imply that network-based allocation is inefficient in all cases. Networks can reduce transaction costs and facilitate coordination, particularly in environments with weak

formal institutions. However, the evidence suggests that these benefits are accompanied by distributional consequences, where access is uneven and potentially exclusionary.

7.3 Implications for Climate Finance Effectiveness

These findings have direct implications for the effectiveness of climate finance. If capital is not allocated to the most impactful projects, the overall contribution of green finance to emission reduction and climate adaptation may be lower than expected.

This challenges a key assumption in much of the climate finance literature, namely that increasing the supply of green capital—through instruments such as green bonds or climate funds—will necessarily lead to improved environmental outcomes. Instead, the results suggest that allocation mechanisms matter as much as capital availability.

In particular, the presence of network frictions implies that:

- increasing funding volumes may not improve access for under-connected actors
- standardisation of financial instruments may not address underlying access constraints
- project pipelines may be biased toward actors already embedded in existing networks

These dynamics are especially relevant in emerging markets, where institutional capacity is limited and reliance on intermediaries is high.

7.4 Implications for Financial Intermediation

The findings also contribute to broader discussions on financial intermediation in developing contexts. Traditional models of intermediation emphasize the role of banks and formal institutions in screening and allocating capital. However, the evidence here suggests that informal intermediaries and relational networks play a parallel and sometimes dominant role.

This has implications for how we conceptualise financial systems in emerging markets. Rather than viewing informal mechanisms as residual or secondary, they may be integral to how allocation occurs in practice. The challenge, therefore, is not to eliminate these mechanisms, but to understand how they can be made more inclusive and transparent.

7.5 Policy and Institutional Implications

From a policy perspective, the results suggest that improving green finance outcomes requires more than expanding financial instruments or strengthening regulatory frameworks. It also requires addressing the relational and institutional conditions that shape access to capital.

Three broad implications emerge:

(1) Improving Information Diffusion

Expanding access to information about funding opportunities—through public platforms, open calls, and outreach—can reduce entry frictions and broaden the pool of applicants.

(2) Reducing Over-Reliance on Closed Networks

Encouraging more transparent and competitive selection processes can limit the concentration of opportunities within established networks.

(3) Strengthening Institutional Coordination

Developing clearer and more consistent national frameworks for green finance can reduce reliance on fragmented and externally driven allocation systems.

Importantly, these interventions should be designed with an understanding that networks are not inherently inefficient, but can become exclusionary when combined with weak institutional structures.

7.6 Broader Implications for Emerging Markets

While this paper focuses on Cameroon, the mechanisms identified are likely relevant for other emerging and lower-income countries with similar characteristics, including:

- limited financial market depth
- reliance on donor funding
- fragmented institutional frameworks
- strong role of informal networks

In such contexts, green finance systems may systematically exhibit network-dependent allocation patterns, with implications for both efficiency and equity.

7.7 Summary

This section has shown that green finance allocation in emerging markets is shaped by a set of network-based frictions that influence who gains access to capital and under what conditions. By introducing the concept of relational packages, the paper provides a framework for understanding how institutional pressures and relational dynamics interact to produce allocation outcomes.

These findings suggest that improving the effectiveness of climate finance requires not only increasing capital supply, but also addressing the mechanisms through which capital is distributed.

8. Conclusion

This paper has examined how green finance is allocated in an emerging market context, with a focus on the role of network structures and informal institutions. Drawing on field evidence from Cameroon, it shows that access to green finance is not determined solely by project characteristics or financial fundamentals. Instead, allocation is mediated by relational mechanisms, including network access, brokerage, and trust-based selection.

The findings identify a set of network-based frictions that shape capital allocation. These include barriers to information, reliance on relational screening, and the role of intermediaries in filtering access to funding opportunities. Together, these mechanisms suggest that green finance systems in such contexts may not operate as frictionless markets, but as network-dependent allocation structures.

To explain these dynamics, the paper introduces the concept of relational packages, which capture the recurring configurations through which capital flows between funders, intermediaries, and project actors. This framework provides a way to connect institutional conditions with observed allocation outcomes, highlighting how formal rules and informal relationships jointly determine who receives funding.

The results have implications for both research and policy. From a research perspective, they suggest that understanding climate finance requires attention not only to financial instruments and risk pricing, but also to the mechanisms through which capital is distributed. From a policy perspective, they indicate that increasing the supply of green capital may be insufficient if underlying access constraints are not addressed.

More broadly, the paper contributes to the literature by highlighting the importance of informal institutions and network structures in shaping financial outcomes, particularly in emerging markets where formal systems are incomplete. While the analysis focuses on Cameroon, the mechanisms identified are likely relevant in other contexts with similar institutional characteristics.

Future research could build on these findings by developing empirical measures of network-based access, exploring their effects on investment outcomes, and examining how different policy interventions influence allocation patterns. Such work would help to better understand the conditions under which green finance can achieve both efficiency and inclusivity.

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