



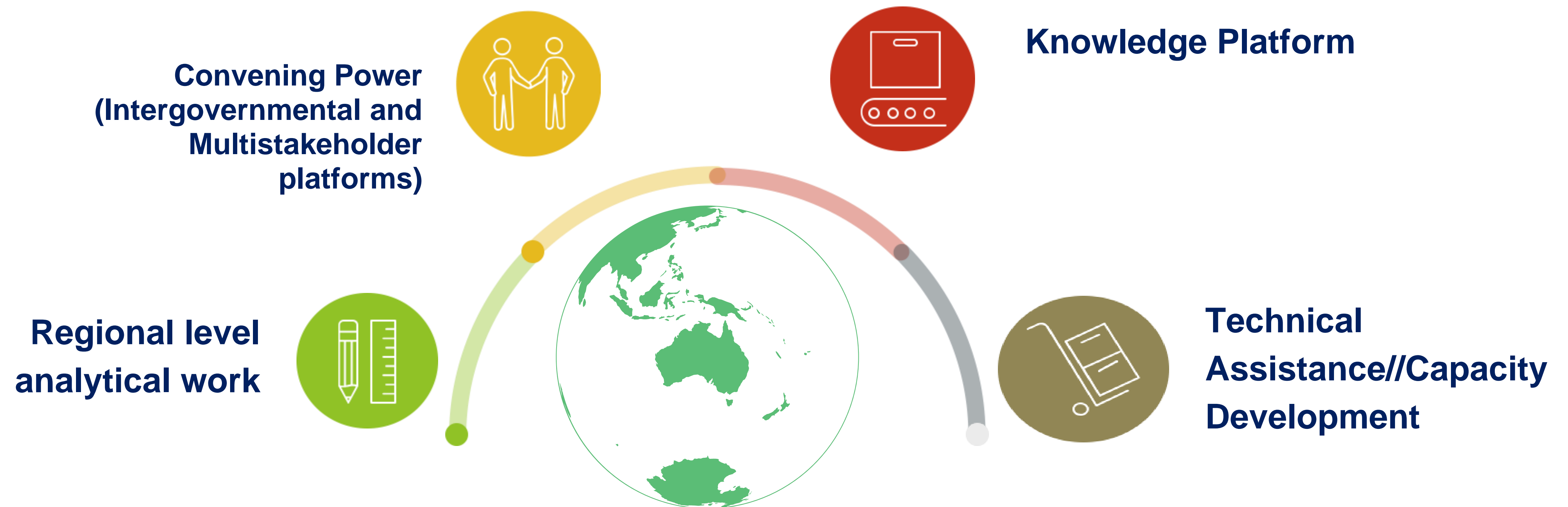
Innovative Climate Finance Mechanisms for Financial Institutions in Asia-Pacific

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The work of UNESCAP in a snapshot

Regional development arm of the UN system and the link between national and global level development cooperation within the United Nations



Convergence of Global Agendas: The finance imperative



Paris Agreement

"to make financial flows consistent with a pathway towards low GHG and climate-resilient development including financing adaptation to the growing number of negative impacts of climate change"



The 2030 Agenda for Sustainable Development

Finance is one of the means of implementation (goal 17) with specific targets and indicators including on domestic resource mobilization, ODA, FDIs, debt instruments etc.;



The New Urban Agenda

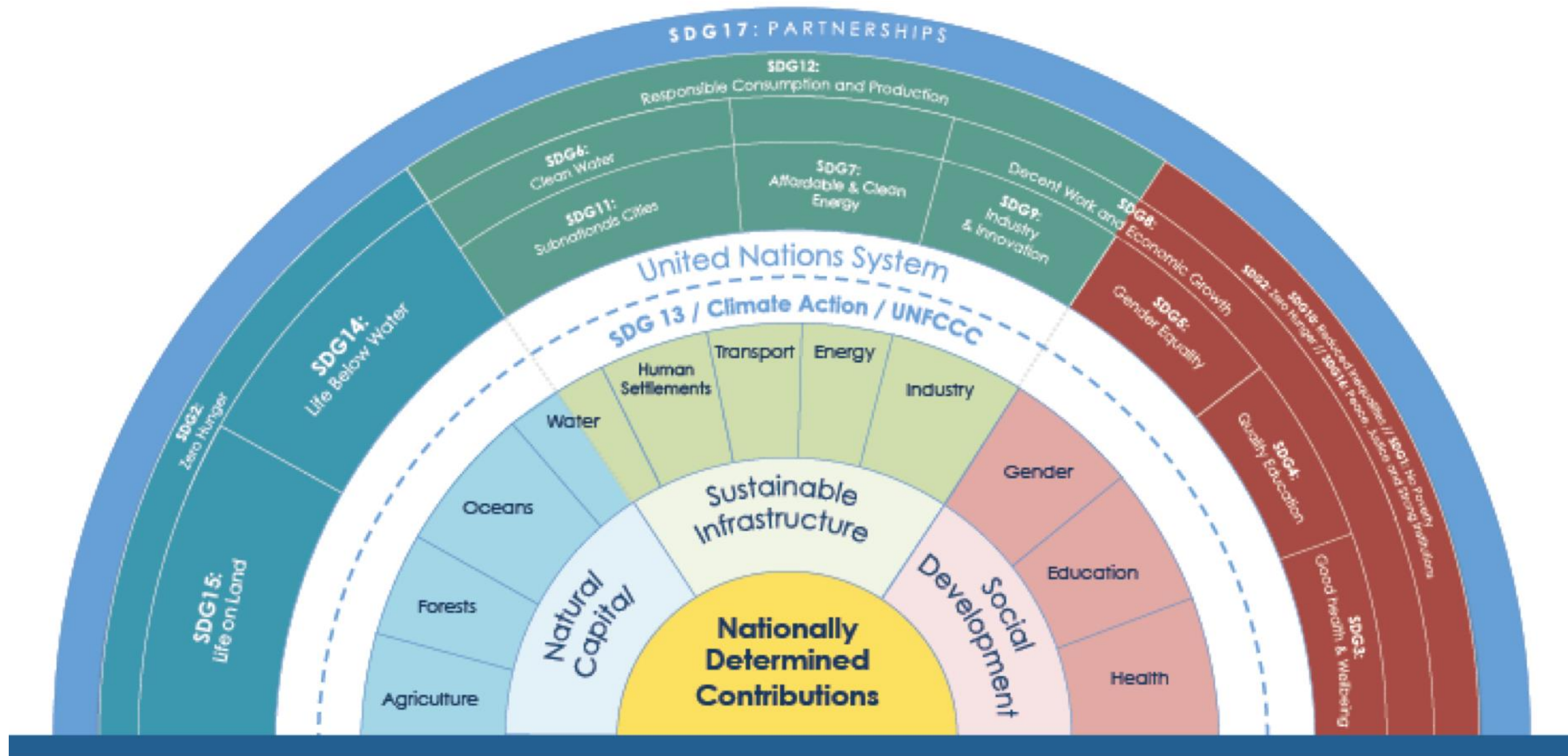
"effective, innovative, and sustainable financing frameworks and instruments, enabling strengthened municipal finance and local fiscal systems in order to create, sustain, and share the value generated by sustainable urban development"



The Addis Ababa Action Agenda (AAAA)

to strengthen regulatory frameworks to better align financial investment with public goals, including incentivizing sustainable practices, and foster long-term quality investment from domestic and international institutions.

NDCs and SDGs go hand in hand



UNESCAP project on climate finance

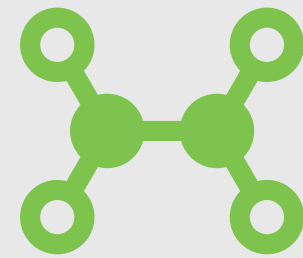


Innovative Climate Finance Mechanisms for Financial Institutions

- Indonesia, Philippines, Pakistan, Sri Lanka

Three main focuses:

- Identify gaps and needs for investments in low carbon development activities in support of NDC implementation
- Empower of Central Banks to enhance their role in domestic climate finance as the regulators of the national financial system
- Capacity development and technical advisory services to Central Banks to develop policies and guidelines



A three level outcome

- Scoping studies to identify “climate finance champions”
- Identification of pilot finance instrument per country
- South-south exchange of experiences and augmentation of knowledge/capacity

Scoping studies focus

- **Institutional arrangements and mapping of key stakeholders:** role of relevant ministries, financial institutions, and the role private sector in mobilizing climate finance
- **Domestic schemes/incentives for mobilizing climate finance:** including best practice and impacts from financial institutions in the region
- **Current policy frameworks to support national climate finance flows** (especially links to national financial institutions) and their impacts (where available)
- **State of development of the national finance/banking sector** incl consultative process with major stakeholders
- **Levels of ambition proposed as part of Nationally Determined Contributions** (NDCs) submitted to the UNFCCC
- **Mapping of other similar capacity building initiatives**
- **Assessment of Technical Assistance** required by the Central and National Banks
- **Identification of key stakeholders and national champions** for promoting and advocating climate finance initiatives and policies

NDCs as the starting point (mitigation snapshot)

Indonesia 26% by 2020 29% by 2030 based on a 2010 projected BAU scenario	Sri Lanka 7% between 2021-2030 based on a 2010 projected BAU scenario
Pakistan 20% by 2030 based on business as usual scenario	Philippines 70% by 2030 based on a 2000-2030 projected BAU scenario

Tools that can be used for domestic resource mobilization



Disclosure requirements of climate-related financial risks

Green Finance Guidelines and Frameworks

Green Macroprudential Regulation and Climate-related stress testing

Directed Green Credit Bank Products

Green Differentiated Reserve Requirements

Accepting Carbon Certificates as part of Commercial Banks' Legal Reserves

Green Quantification Easing and Reserve Management

Champions, key instruments, key policies

Indonesia Indonesia Financial Services Authority OJK	Sri Lanka Central Bank of Sri Lanka
Pakistan State Bank of Pakistan	Philippines Climate Change Commission Central Bank of the Philippines BSP

Indonesia Indonesia Climate Change Trust Fund	Sri Lanka Sri Lanka Climate Change Trust Fund
Pakistan Climate Change Financing Framework	Philippines People's Survival Fund

Indonesia Sustainable Financing Roadmap	Sri Lanka Sustainable Financing Roadmap
Pakistan Green Banking Guidelines	Philippines Legislative

Barriers (selective list)

INDONESIA

- Awareness on and evidenced-based typology of sustainable business practices; Coordinating enabling environment; capacity of commercial banks on climate finance

PAKISTAN

- Insufficient institutional arrangements unclear roles and accountability; little monitoring of impact of business loans and no attribution of cost and externalities

PHILIPPINES

- Absence of regulatory policy mandating banks to embed environmental safeguards; no national financial products to support low carbon investments;

SRI LANKA

- Lack of communications between and institutional capacities of the main institutions involved in climate finance.
- Need for an “Integrated Committee” between the Sustainable Development Council, Climate Change Council, Central Bank, and in close collaboration with the Ministry of Sustainable Development and Wildlife, the Mahaweli Development and Environment and the Ministry of Finance and Policy Planning

Needs from national level (selective list)

INDONESIA

- Identify how different sectors relate to climate finance and how funding can stimulate further economic development.
- Provide advice to decision makers and to support the communications of cross-sectoral coordination committees with Ministry of Finance.

PAKISTAN

- Technical advisory services for the development of concrete financial instruments.
- Priority list of sectors for low carbon investments to guide the national banks.

PHILIPPINES

- Strengthening the monitoring and evaluation procedures, and overall financial governance and financial institutions through developing of a green banking law.

SRI LANKA

- Technical assistance for the development of a national sustainable/green financing roadmap and the supporting regulatory tools and mechanisms
- Training course/module on green banking/climate finance to train staff of the Central Bank and other banks

Needs (summary areas)

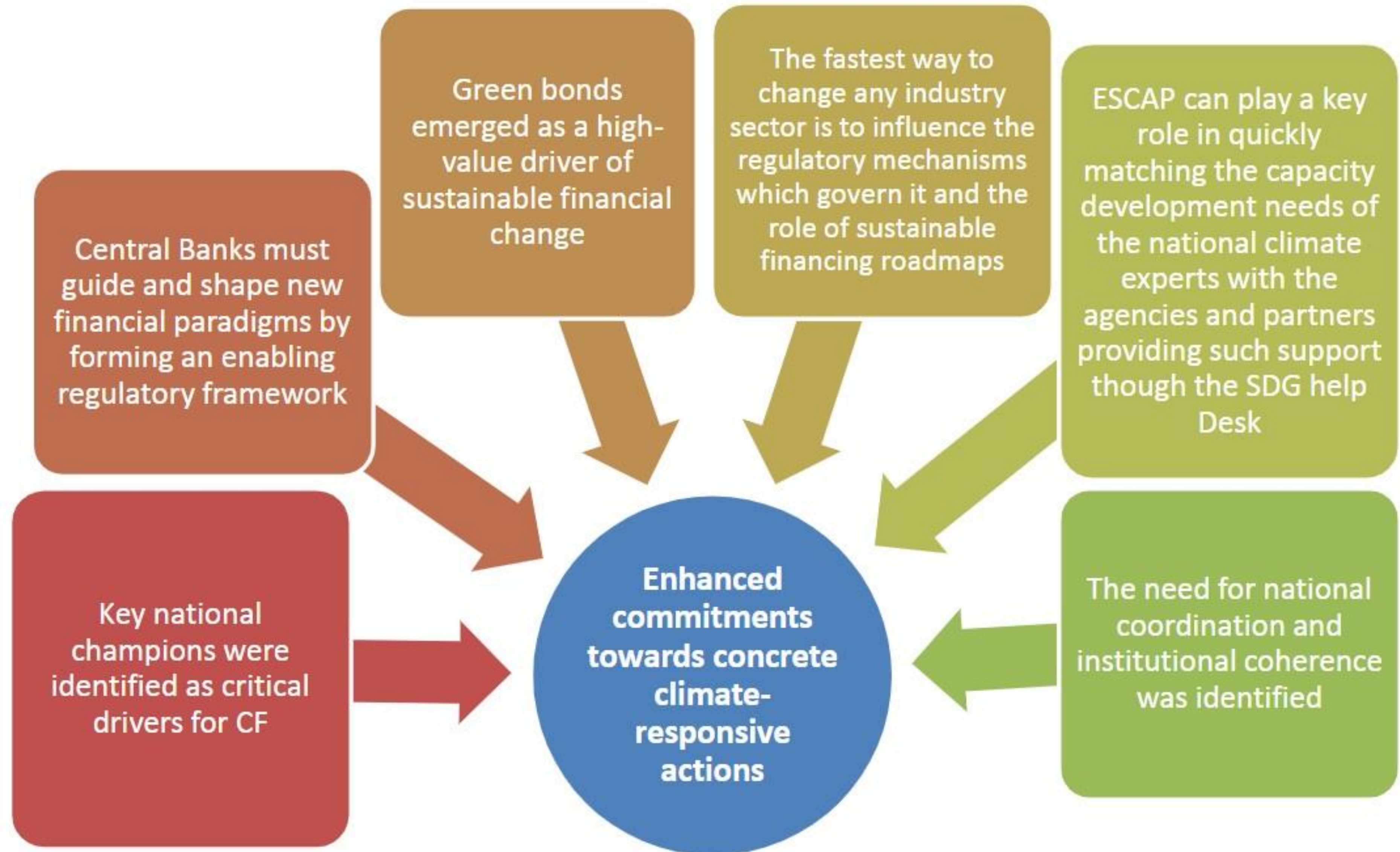
Various capacities need to be strengthened including capacities to:

- Develop integrated national climate finance strategies (planning) that correspond to NDCs
- Create or strengthen specific financial instruments (innovation)
- Match the best available financial instrument to the specific need (feasibility) and then access the instrument (bankability)
- Monitor and evaluate procedures, costs and benefits (environmental, economic, social) and overall financial governance

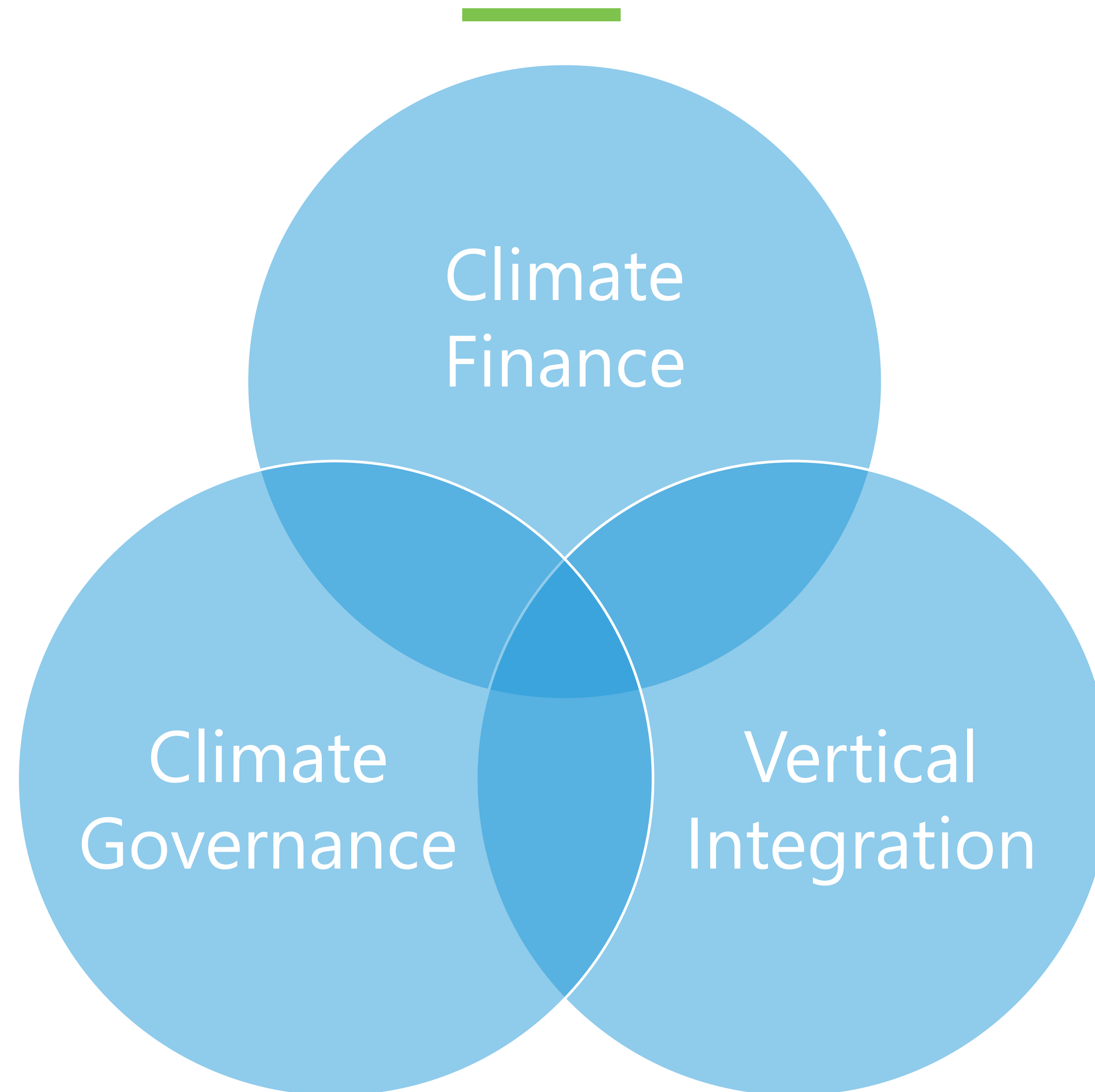
Recommendations for Banking Sector

- Integrate climate risk into risk management strategies
- Incentivize adaptation and climate-proof financial instruments to support climate change adaptation along agro-value chains
- Explore opportunities to develop new products and services in collaboration with other actors
- Proactively support climate change adaptation by calling for greater financial inclusion (e.g. services that target women with a framework to monitor and evaluate progress)
- Clean the portfolio investments and lending

Regional Level Recommendations



Strengthening Climate Action Readiness

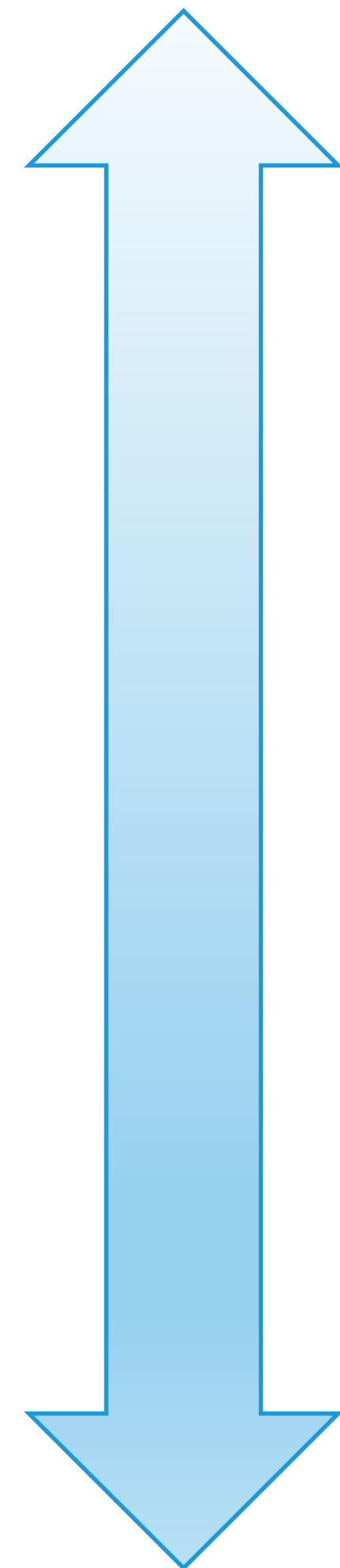


The way forward: Finance

SUPPLY/DEMAND DRIVEN CLIMATE FINANCING



The way forward: Vertical Integration

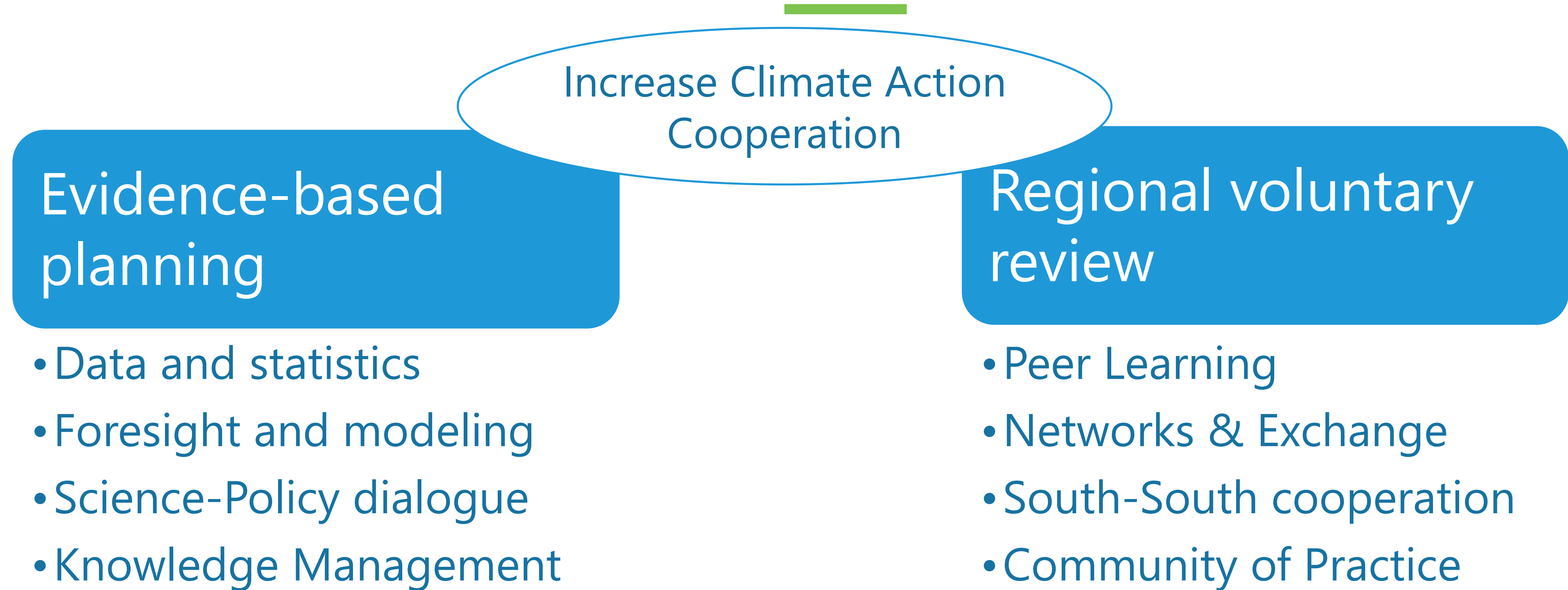


Climate Sensitive Urban Plans for local level finance (CSUP)

Integrated Sectoral Plans (ISP) in priority areas for fast NDC implementation with multi-annual investment portfolios

Information, monitoring and/or reporting systems for GHG-emissions and other climate-relevant data from local to national level

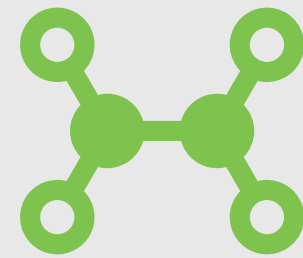
The way forward: Governance



UNESCAP multi-sectoral value on raising NDC's ambition



The 2030 Agenda means of implementation, Mols, (finance, trade, statistics, partnerships, policy coherence) are part of the ESCAP Regional Roadmap on Implementing the 2030 Agenda in Asia and the Pacific. ESCAP has Divisions working in all these Mols.



A three dimensional approach:

- Sectors
- Means of Implementation and specific tools
- Development Scenarios for Climate Action Readiness



Three level outcome

- Streamlining more ambitious NDCs in development planning
- Demand-supply climate finance portfolios
- South-south exchange of experiences and augmentation of knowledge/capacity



Thank you

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