



# Co-financing GCF Climate Finance Landscape in Asia

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# What are the needs ? (from ADB)



**Adaptation cost** estimates for Asia and the Pacific are in the order of **\$40 billion per year** between now and 2050.

**Multilateral development banks** have mobilized \$2.5 billion earmarked for Asia and the Pacific.

**GCF Climate and water sector: 41** projects pipeline representing \$1.5bn GCF finance

**Massive financing required** to combat climate change, the key will be:

- using limited public sector funds to leverage significant amounts of private capital (blended finance) ....

# Today's Perplexity

A global stock-take of current climate finance sources indicates that today there are:

- **50** international public funds
- **60** carbon markets
- **6,000** private equity funds
- **99** multilateral and bilateral climate funds in operation.

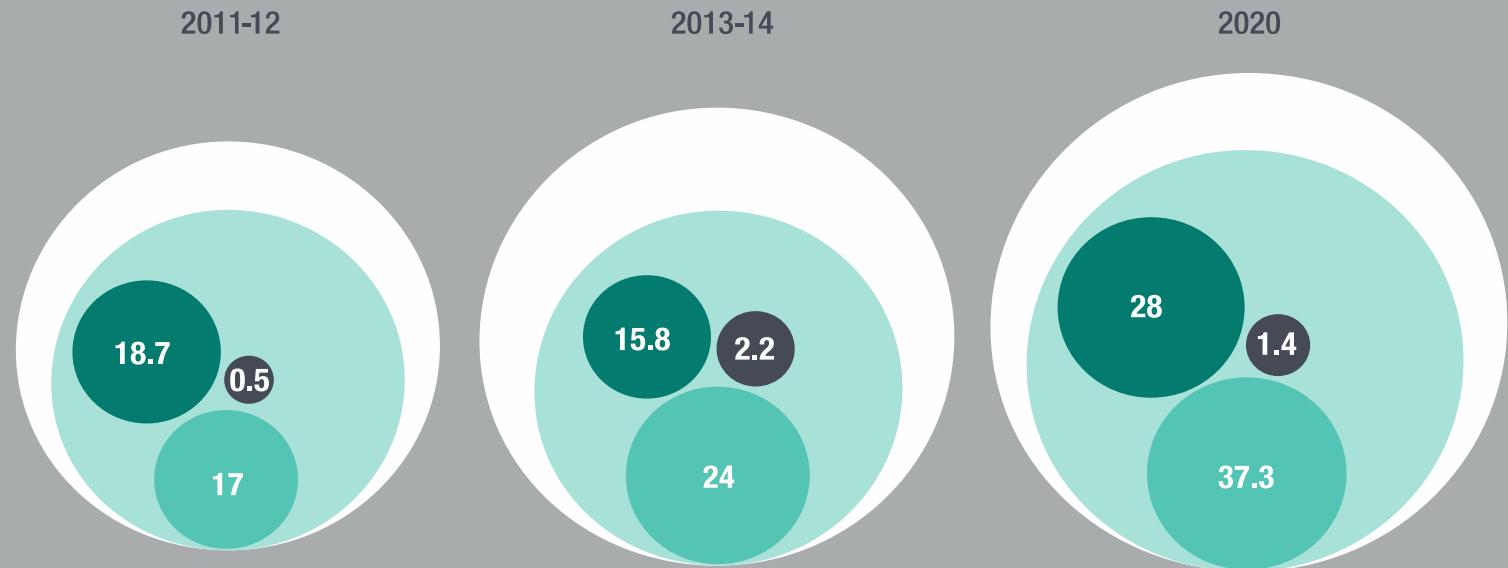
# Public Finance Leads the Way

## 1 PUBLIC CLIMATE FINANCE IS PREDICTED TO GROW BY 60% IN 2020

The total public climate finance developed countries report providing to developing countries is increasing. The 2016 Biennial Assessment estimates that close to \$42 billion a year was spent in developing countries.<sup>1</sup> The developed countries' road map towards making \$100 billion available to developing countries each year projects the amount of public climate finance to increase to \$67 billion in 2020.<sup>2</sup>

### CLIMATE FINANCE FLOWING TO DEVELOPING COUNTRIES \$ BILLIONS

- Global total
- Public climate finance total
- Multilateral climate funds
- Bilateral finance reported to UNFCCC
- Multilateral Development Bank finance\*

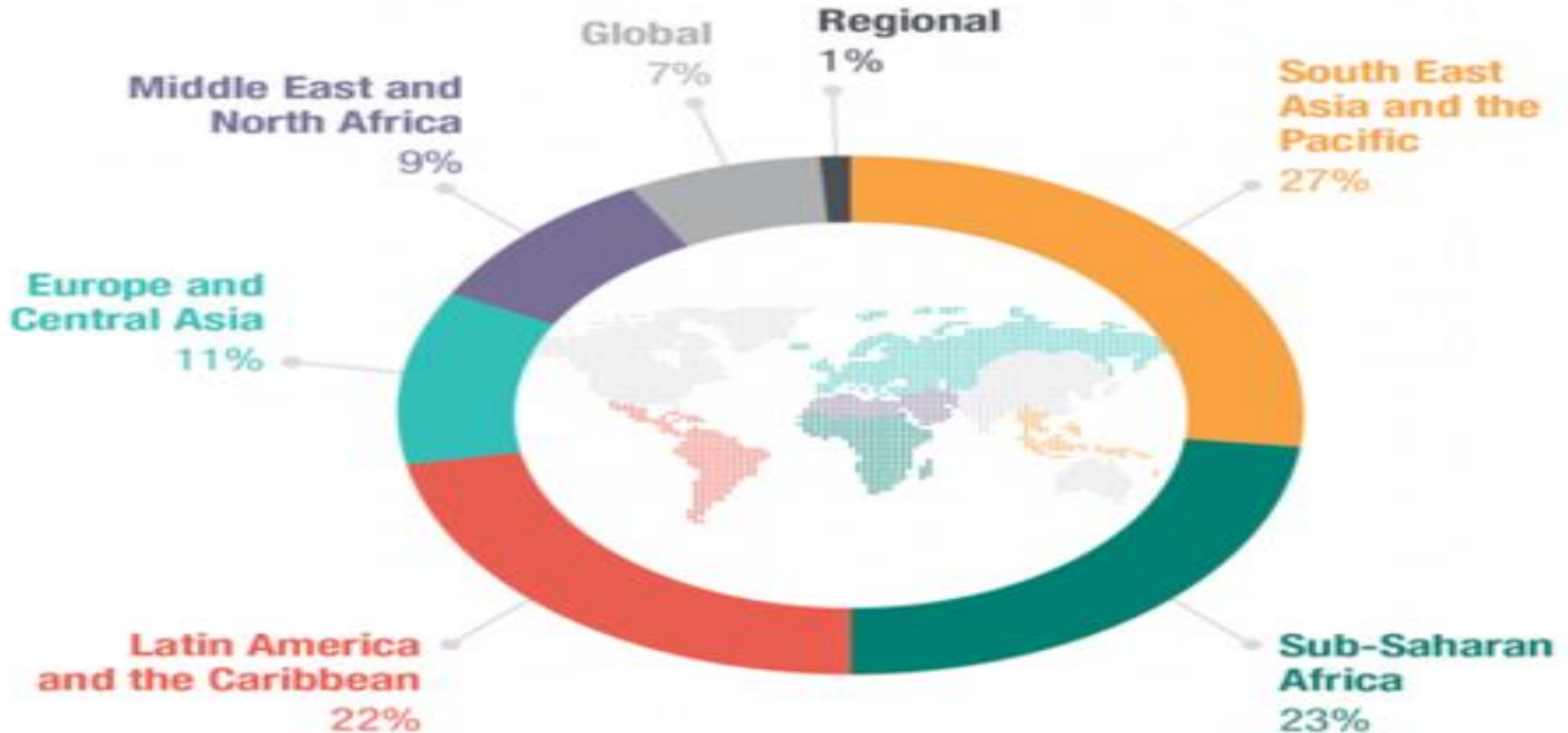


\* MDB finance excludes funding to EU 13 countries and attributes 85% of resources to developing countries

2011 2020

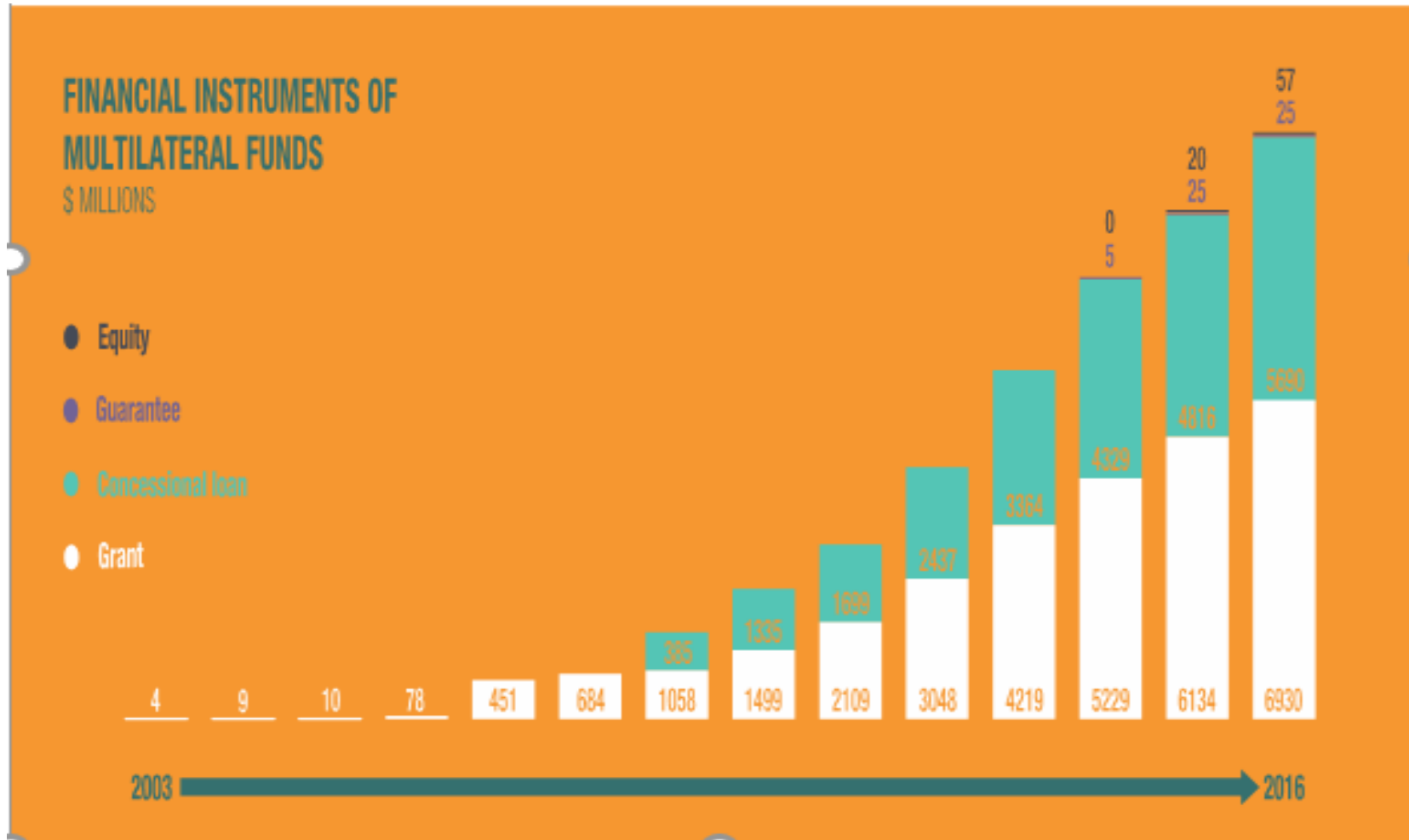
# Asia accounts for 1/3 of climate fund approvals

Percentage of total project approvals of the multilateral climate funds (2003–2017)



Source: Climate Funds Update, 2017

# Diversified Financial Instruments



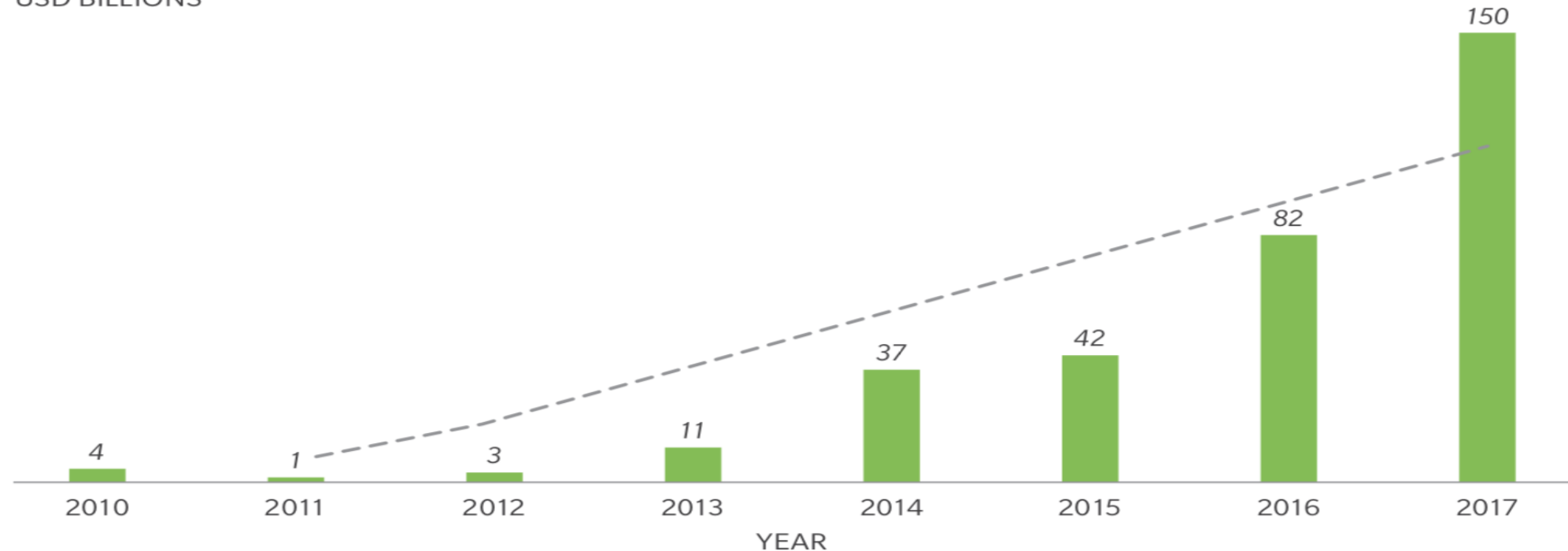
Climate funds largely offer grants and concessional loans

but the use of guarantees and equity investment is increasing.

# Green Bonds Gearing Up

**Exhibit 1:** Volume of green bonds issued since 2010

USD BILLIONS



**Source:** Climate Bond Initiative

1 In collaboration with the Monetary Authority of Singapore and the United Nations Environment Program, the G20 Green Finance Conference was jointly organized by the Asia Securities Industry and Financial Markets Association (ASIFMA) and the Global Financial Markets Association (GFMA), and was held in Singapore on 15 Nov 2017.

# Green bonds



**Achieving fiduciary risk/return whilst improving environmental performance**

The Green Bond concept was developed in 2007/2008 by SEB and the World Bank as a **response to increased investor demand** for engagement in climate-related opportunities.

It is an **investment vehicle** that integrates the fiduciary element of Fixed Income products with climate mitigation and adaptation awareness, giving mainstream investors access to climate-related investment opportunities.



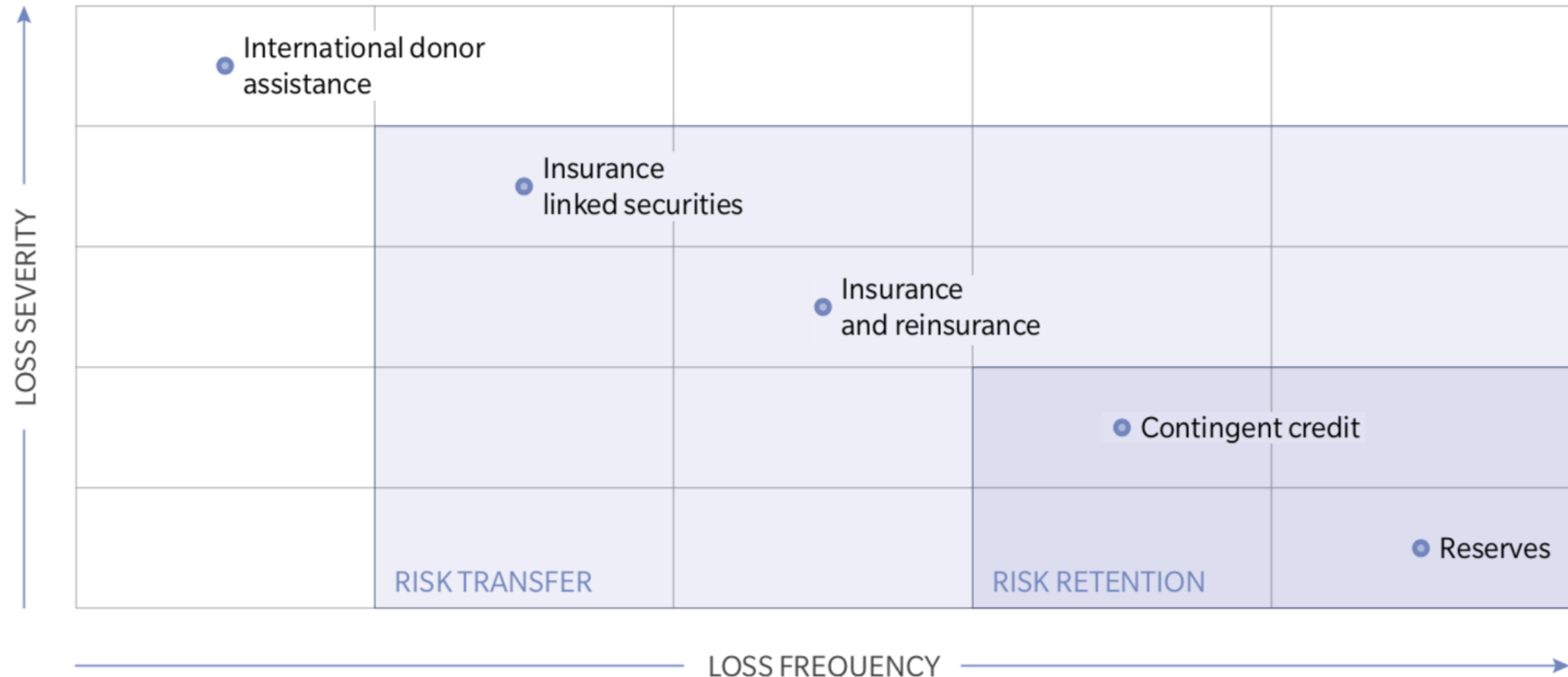
# Singapore As ASEAN Green Finance Hub



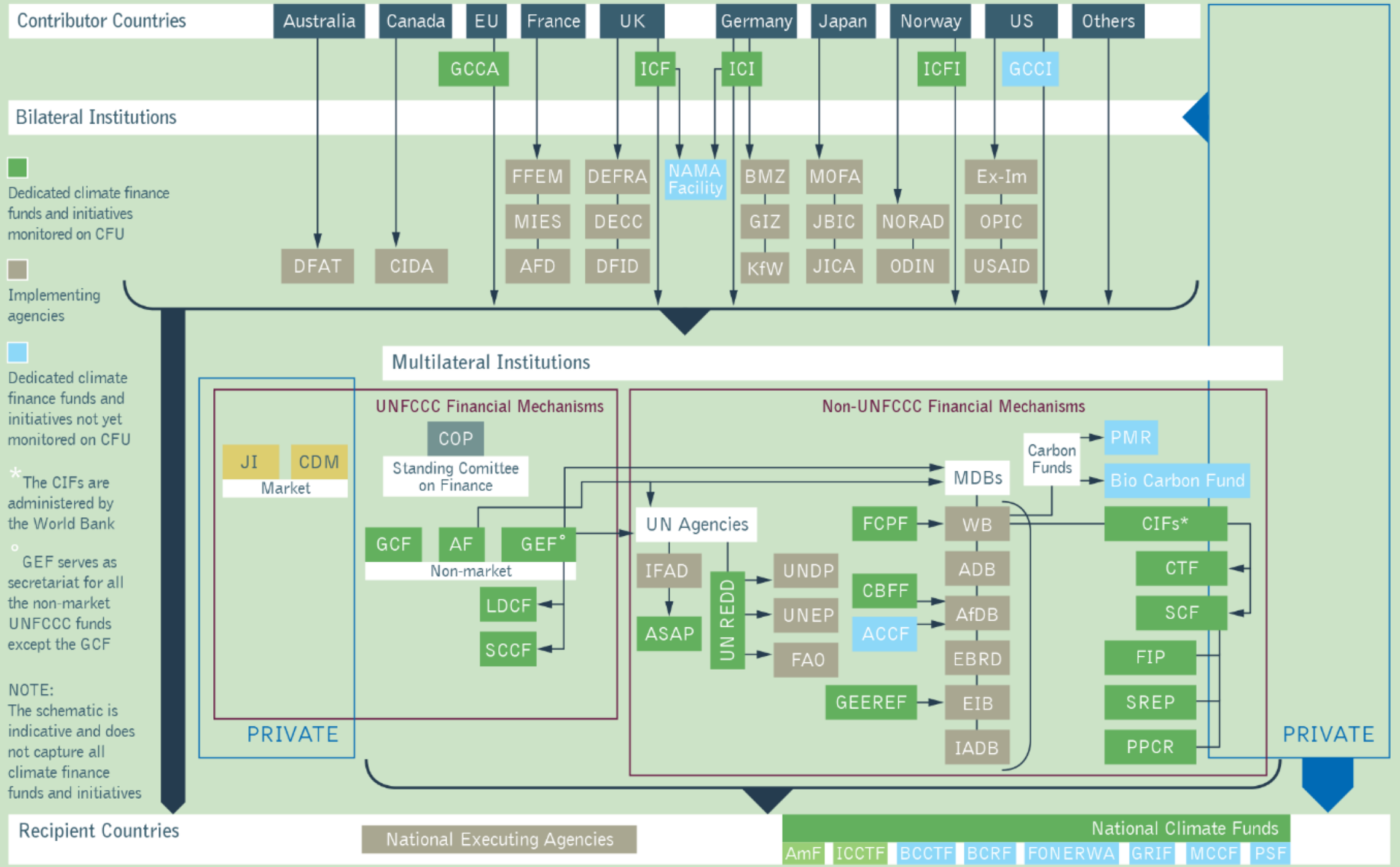
- Singapore has a high rated (AAA) and stable credit profile, fiscal strength, competitive economy, and robust institutions.
- The banking sector is represented by 444 banks from all major regions. It also hosts 815 institutional investment funds and 361 re/insurers.
- With one of the most developed and open capital markets in Asia, Singapore's bond market attracts a diverse range of issuers, with over US\$221 billion in total local currency bonds outstanding, and an additional US\$53 billion of bonds
- Singapore's location in Asia allows the financial sector to service the needs of the region.

# Climate Insurance: Key Role

**Exhibit 2:** Layering in action



<b>Funds</b>	<b>Date of Establishment</b>	<b>Commitment (billion USD)</b>	<b>Sector Focus</b>	<b>Geographic Focus</b>
<b>Silk Road Fund</b>	2014	4.5	Infrastructure, energy, production capacity	Countries along OBOR, mainly Asia
<b>China-ASEAN Investment Coop Fund</b>	2009	10	Infrastructure, energy, natural resources	China, ASEAN
<b>China-ASEAN Maritime Coop Fund</b>	2011	0.5	Maritime economy, environmental conservation	China, ASEAN
<b>Euro-Asian Coop</b>				
<b>China-Central and Eastern Europe Investment Coop Fund</b>	2012	11.5	Infrastructure, energy, manufacturing, communications	Central and Eastern Europe
<b>Russia-China Investment Fund</b>	2012	1 (China) + 1(Russia)	Infrastructure, agriculture, natural resources	70% invested in Russia, 30% in China
<b>South-South Climate Coop Fund</b>	2015	3.2	Adaptation and mitigation	Developing countries
<b>South-South Cooperation Assistance Fund</b>	2015	2	No specific subject	Least developed countries, small island countries
<b>Sino-US Green Fund (formerly China-US Building Energy Efficiency and Green</b>	2016	3.05 (raised 1 <sup>st</sup> round)	Building energy efficiency, emission reduction, industrial structure upgrad	China (in cooperation with municipal governments)





# ADAPTATION FUND

## Readiness Grant Funding

- Readiness Support Package Grants
- South-South Cooperation Grants
- Project Formulation Assistance (PFA) Grants
- Technical Assistance (TA) Grants for ESP and Gender Policy

## Examples of Projects approved

- Reducing vulnerabilities of populations in the **Central Asia** region from glacier lake outburst floods in a changing climate Kazakhstan, Tajikistan, Uzbekistan (5M USD)
- Mekong EbA South: Enhancing Climate Resilience in the **Greater Mekong** Sub-region through Ecosystem-based Adaptation in the Context of South-South Cooperation (Thailand and Vietnam) 7M USD
- Building Coastal City Resilience to Climate Change Impacts and Natural Disasters in Pekalongan City, Central Java Province, **Indonesia** (4M USD)



### Green bonds

ADB has raised €600 million to help finance climate change mitigation and adaptation projects with the issue of a 7-year green bond.

- From 2011 to 2017 ADB approved over \$25 billion in climate financing.
- ADB is committing \$80 billion from 2019 to 2030 to [combat climate change](#).
- Through mechanisms such as the **Climate Investment Funds**, multilateral development banks have mobilized with \$1.6 billion earmarked for Asia and the Pacific.
- As an implementing entity of the **Green Climate Fund**, ADB has access to a potential \$100 billion annually for climate change action in the Asia Pacific region.
- External resources include bilateral sources, multilateral funds such as the Climate Investment Funds and the Global Environment Facility, and ADB-managed trust funds.



- Has committed to increasing climate financing to 28 percent of the Bank Group's portfolio by 2020.
- At current levels of co-financing, that would mean a potential \$29 billion a year for climate projects by 2020.
- The World Bank Group's **Climate Change Action Plan** lays out concrete steps to meet that commitment.



## CLIMATE-SMART WATER INFRASTRUCTURE

- State governments **in India** have signed agreements with **private sector** companies to build the country's first two sewage treatment plants **using a hybrid annuity payment** model in Haridwar and Varanasi, in support of the national priority to clean **the Ganga river**.
- Under this model, the government pays 40 percent of the project cost linked to construction milestones. The remaining 60 percent is paid over 15 years as annuities to the private operators along with operation and maintenance expenses.

**The core values of AIIB is “Lean, Clean, and Green”**



### **Example of Sri Lanka**

- The proposed AIIB Sovereign-backed Loan is to co-finance with the World Bank.
- The preliminary estimates foresee a cost of US\$155 million, which will be the combined loan amount from the World Bank and AIIB.
- The project has the following components:
  - Flood Risk Mitigation Investments
  - Strengthening of Hydro-meteorological Services, Early Warning and Response Systems
  - Project Implementation and Monitoring





Australian Government

Department of Foreign Affairs and Trade

- Australia is investing **more than \$1 billion** over five years to support developing countries, and integrating climate change action and disaster risk reduction across their entire aid program.
- Australia is **leading global partnerships** to protect rainforests and marine ecosystems, and **build capacity in measurement, reporting and verification.**

BMZ



Federal Ministry  
for Economic Cooperation  
and Development

**giz** Deutsche Gesellschaft  
für Internationale  
Zusammenarbeit (GIZ) GmbH

- GIZ engages in conceptual work and development of **NAP support methods**
- **Climate finance readiness:** the capacity of developing countries and emerging economies **to access and use international climate finance** as effectively as possible



Thanks