

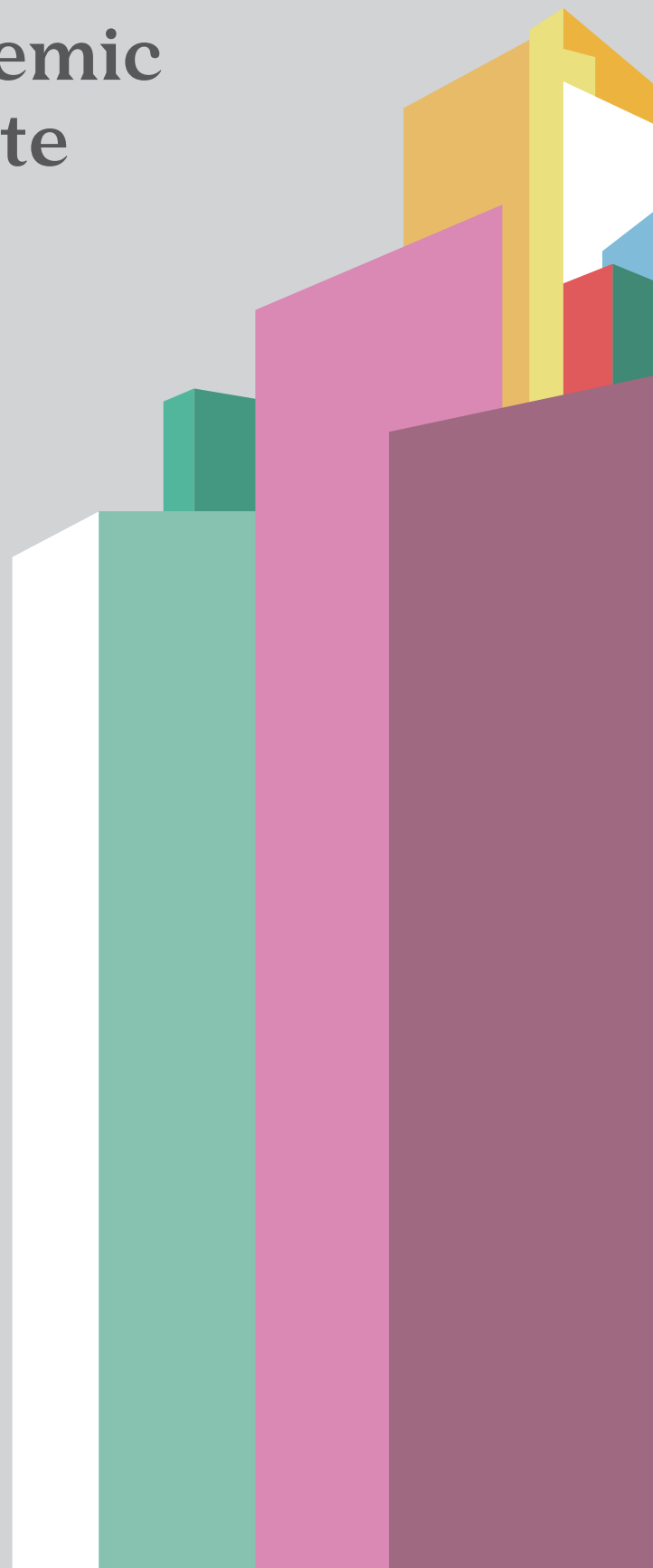
Green and Climate Finance Options to Support the Post-Covid-19 Pandemic Recovery and Climate Action

The impacts of climate change are affecting the Asia-Pacific region like never before. Despite country's nationally determined contributions for climate action, commitments fall short of what is needed to achieve the region's 2030 targets and net-zero emissions by 2050. There is an urgent need for the region to accelerate climate action.





However, economic recovery measures have adversely impacted the fiscal space of many governments, resulting in rising debt burdens and deterioration of income generation and government revenues. This poses a substantial risk to governments' ability to finance climate action.

Green and climate finance has a critical role in mobilising the capital needed to address climate change and recover from the impacts of the COVID-19 pandemic.







The ESCAP-GGGI **Green and Climate Finance Options publication** examines critical policy gaps and barriers to climate finance and presents a range of financial instruments and mechanisms to address these constraints.



Barriers and Challenges

|  Fiscal Constraints |  NDC Ambitions |  Policy and Regulatory Gaps |  Lack of Investment Ready Projects |
|--|---|--|---|
| <p>Estimated that the average fiscal deficit among Asia-Pacific developing countries will rise to 5.6 per cent of GDP in 2021.</p> | <p>Recently updated nationally determined contributions (NDCs) in the Asia-Pacific region are short of what is necessary to keep global temperature rise below 1.5°C.</p> | <p>Discrepancy between a country's emission targets and the existing legal and regulatory schemes that continue to give support to fossil fuels.</p> | <p>Despite increasing demand for green projects from the private sector, the lack of investment ready projects is impeding climate finance flowing to vulnerable countries.</p> |

Financial Instruments and Mechanisms for Climate Action

| | | |
|---|-----------------------------|--|
|  | Project Finance | <p>Green infrastructure projects and business models can attract long-term project finance if they meet the risk and return expectations of investors.</p> |
|  | Funds and Facilities | <p>There are various types of green and climate funds including multilateral funds such as the Global Environment Facility (GEF) and the Green Climate Fund (GCF) and National Financing Vehicles (NFV).</p> |
|  | Thematic Bonds | <p>Thematic bonds use bond proceeds for environmental and social objectives. The framework for issuing green and climate bonds in emerging markets is becoming increasingly clear and accepted by investors.</p> |
|  | Carbon Pricing | <p>Imposing a price on carbon sends a financial signal to investors that low-carbon investments have value. Carbon pricing instruments can be a powerful tool in post-Covid-19 recovery packages.</p> |
|  | Debt-for-climate | <p>Debt for climate swaps can mobilise resources for climate mitigation while reducing the debt burden of developing countries particularly for countries at risk of debt distress. In exchange for debt forgiveness, the debtor government commits to invest the accrued savings in climate-related expenditures.</p> |
|  | Blended Finance | <p>As different green business models in the region are not yet proven, some investors perceive implementation risks to be too high. Blended finance has a critical role to play in enhancing the effectiveness of climate finance instruments in the region.</p> |

ESCAP and GGGI are working together to support the Asia-Pacific region in reaching its climate targets. Together we believe that NDCs need to be drastically enhanced to achieve carbon neutrality by 2050, however, these commitments need to be accommodated by policy action and financing to support investment in a green future.

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