CLIMATE INVEST

STRATEGIES FOR STRENGTHENING GREEN PROJECT PIPELINES IN EMERGING MARKETS

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OVERARCHING CHALLENGE

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Addressing the climate finance gap requires mobilizing private finance

Mobilizing sufficient financing requires the public and private sectors to invest in the green transition and create an enabling environment to reduce investor risks and accelerate climate finance deals.



$5.8-5.9 TRILLION

Estimated **financing gap** for developing countries (excluding China) to meet **Nationally Determined Contributions** for the period 2023-2030.



CHALLENGES

Private finance is the major source of funding for financing clean energy and green investment, but **bankability issues** persist.



PRIORITIES

More support is needed to ensure that projects meet the **risk-return-mandate** and **requirements of different investors**.



POLICIES

Identifying **regulatory and policy barriers** to private sector investment and **improving the enabling environment** is required to build successful green project pipelines.

CLIMATE INVEST OVERVIEW

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Empowering governments for climate action through knowledge, technical assistance and policy enhancement to increase the flow of finance to green projects

OBJECTIVE: **Scale up sustainable finance** and support governments to develop policies and financing instruments, which catalyze investment to bridge the climate and SDG financing gap.

RESEARCH: **Investment** analysis, **investor** priorities, and **domestic banking** analysis provides recommendations for private sector and policy action.

ACTION: Work with the government and key stakeholders to adopt recommendations and **execute climate finance deals**







CLIMATE INVESTMENT TRENDS

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01

SIGNIFICANT CLIMATE FINANCE GAPS PERSIST

- Cambodia needs **USD 7.8 billion**
- Mongolia needs **USD 11.5 billion**
- Thailand needs **USD 150-200 billion** in climate finance to meet their NDC targets.

NON-INFRASTRUCTURE SECTORS REMAIN CONSISTENTLY UNDERFUNDED

- Most climate finance flows into energy and transport infrastructure, with **less than 10%** directed toward agriculture, water, and waste management.

02

NDC DO NOT SUFFICIENTLY INCORPORATE FINANCING ASPECTS

- Current NDC in countries such as Mongolia do not provide robust estimates on total financing needs or lack an adequate NDC financing strategy by financing source.
- As a result, countries require well-structured investment pipelines to attract public, private and international climate finance.

OPPORTUNITIES INCLUDE SUSTAINABLE TRANSPORT, CLIMATE-SMART AGRICULTURE, RENEWABLE ENERGY (SOLAR, WIND)

03

SEVERAL POLICY AND REGULATORY BARRIERS REMAIN TO FACILITATE GREEN INVESTMENT

- The lack of sufficiently ambitious climate (Thailand) and net-zero targets (Mongolia) as well as persistent coal-based investments send mixed signals to the market, creating uncertainty for investors.
- Establishment of a **net-zero target with sectoral targets** and accompanying timelines will be key.
- Mongolia and Cambodia struggle with fragmented climate finance policies, limiting effective coordination.
- Taxonomies and structured policies on green finance integration are critical to enhance market coherence.

04

SUSTAINABLE FINANCE MECHANISMS MUST BE STRENGTHENED

- In early-stage markets (e.g. Cambodia), developing adequate **regulatory frameworks** matters greatly. In more mature markets (e.g. Thailand and Mongolia), green taxonomies exist however implementation challenges persist.
- **Limited risk-sharing mechanisms** (e.g., green guarantees, concessional finance) reduce investor confidence in countries such as Cambodia and Mongolia.
- Transition finance guidelines are still under development and are required to support the transition of high-emitting sectors, contributing to expanding the investible set.

COMMON OPPORTUNITIES





- Unlock climate finance flows
- Accelerate transition to carbon resilient economies

AGRICULTURE

- Cambodia: sustainable agriculture, climate-resilient crops, and green agribusiness value chains.
- Mongolia: climate-resilient crop varieties, soil conservation techniques, and agroforestry
- Thailand: Providing loans tailored for farmers and capacity building schemes are crucial.

RENEWABLE ENERGY

- Cambodia: Investors are open and actively exploring opportunities to invest in more green investments, including green bonds.
- Mongolia: growing interest in developing larger-scale renewable energy projects by international investors.
- Thailand: Emphasis on the expansion of renewable energy infrastructure, grid integration projects, and enhancing energy efficiency.

TRANSPORT

- Cambodia: Investors are open and actively exploring opportunities to invest in more green investments, including green bonds.
- Mongolia: Barriers due to inconsistent definitions of 'green' technologies across banks
- Thailand: Focus on the development of climate-resilient and efficient infrastructure.

REAL ESTATE

- Cambodia: Golden Tree green bond demonstrated potential of the sector.
- Mongolia: Opportunities in the affordable housing sector, particularly in peri-urban informal settlements or ger districts.
- Thailand: High level of interest in green building projects.

INVESTMENT-READY GREEN PROJECTS

Success Stories from the Region



SCHNEITEC GREEN BOND VIA CAMBODIA SUSTAINABLE BOND ACCELERATOR PROGRAM (CSBA)

- Cambodia's first green bond issued by Schneitec Dynamic Co. Ltd. raised USD 50 million for a solar plant in Kampong Chhnang Province.
- Supported by the Cambodia Sustainable Bond Accelerator (CSBA), a joint initiative led by the SERC, GGGI, and UN ESCAP, in partnership with CGIF and GuarantCo.
- Demonstrates the value of regulatory guidance and technical support for first-time issuers.



MONGOLIA: MSFA'S LEADING ROLE IN IMPROVING THE GREEN FINANCE LANDSCAPE

- The Mongolian Sustainable Finance Association (MSFA) piloted a green project pipeline initiative with domestic banks.
- Key contributions include:
  - the development of the Mongolian Green Taxonomy (2019) and SDG Finance Taxonomy (2023).
  - Co-developing the National Sustainable Finance Roadmap (2022) with UNEP and IFC
- Built capacity for project evaluation and alignment with Mongolia's taxonomy and green lending targets.



THAILAND: ESTABLISHMENT OF SUSTAINABLE FINANCE WORKING GROUP

- Thailand has established a multi-agency Sustainable Finance Working Group, jointly led by the Fiscal Policy Office, Office of Insurance Commission, Bank of Thailand (BOT), Securities and Exchange Commission (SEC), and the Stock Exchange of Thailand (SET).
- 5 key strategic initiatives include developing a practical taxonomy, improving the data environment, implementing effective incentives, creating demand-led products and services, and building human capital.

KEY RECOMMENDATIONS FOR GOVERNMENTS

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POLICY COHERENCE & COORDINATION

- Enhance coordination across government agencies
- Establish a national climate finance screening mechanism
- Expand financing for adaptation projects (e.g. climate-resilient agriculture, flood protection, water resource management)

SUSTAINABLE FINANCE ARCHITECTURE

- Support the development of **sustainable financial instruments** such as green bonds, sustainability-linked loans, and transition finance.
- Reduce costs through **financial incentives** like tax breaks, subsidies for verification, and concessional lending.
- Develop clear **regulatory incentives** for private investment, such as carbon pricing and tax benefits.
- Ensure alignment with **international climate finance standards** (e.g., ISSB, TCFD, IFRS S1 & S2) to enhance investor confidence and market consistency.
- Improve access to **climate finance data and analytics tools** for investors, financial institutions, and policymakers.
- Develop **standardized monitoring, reporting, and verification (MRV) systems** to improve project credibility and facilitate private sector investment.

CAPACITY BUILDING

- Strengthen the **technical and institutional capacities** of government and regulators to identify and develop recurrent pipelines of NDC-aligned projects for public and private sector financing.

Feedback Survey

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Strategies for Strengthening Green Project Pipelines in Emerging Markets