Launch of the ESCAP and GGGI report on Green Finance Options:
Learn more about post-COVID-19 recovery efforts to fill the green financing gap.

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less than 25 per cent of the countries have sufficient financial resources in place, while many countries are still in the nascent stages of creating an enabling framework for successful climate action’.

“opportunities exist to incorporate sustainable climate action into the COVID-19 recovery efforts and enable them to coexist with the region’s climate ambitions.”

“enhancing access to green and climate finance can be instrumental in helping the region recover from the pandemic through the “sweet spot”
### Barriers and Challenges

<table>
<thead>
<tr>
<th>Fiscal Constraints</th>
<th>NDC Ambitions</th>
<th>Policy and Regulatory Gaps</th>
<th>Lack of Investment Ready Projects</th>
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<tbody>
<tr>
<td>Estimated that the average fiscal deficit among Asia-Pacific developing countries will rise to 5.6 per cent of GDP in 2021.</td>
<td>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.</td>
<td>Discrepancy between a country’s emission targets and the existing legal and regulatory schemes that continue to give support to fossil fuels.</td>
<td>Despite increasing demand for green projects from the private sector, the lack of investment ready projects is impeding climate finance flowing to vulnerable countries.</td>
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# Financial Instruments and Mechanisms

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
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<tbody>
<tr>
<td>Project Finance</td>
<td>Green infrastructure projects and business models can attract long-term project finance if they meet the risk and return expectations of investors.</td>
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<tr>
<td>Funds and Facilities</td>
<td>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).</td>
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<tr>
<td>Thematic Bonds</td>
<td>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.</td>
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<td>Carbon Pricing</td>
<td>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.</td>
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<tr>
<td>Debt-for-climate</td>
<td>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.</td>
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<tr>
<td>Blended Finance</td>
<td>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.</td>
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Blended Finance in Action

• Levels of real and perceived risks in the region create a bankability gap. One way to close this gap is through the use of blended finance.

• Allows for innovation and supports measured risk taking in the development of new solutions which can be brought to market, tested and scaled once proven.

Case Study - Advanced Municipal Solid Waste to Energy Project in Vietnam

GGGI was tasked with the role of financial advisor to complete project financing. Blended finance was important for providing confidence to the domestic private sector equity investors and making high-risk project debt finance more attractive for the local commercial bank partner.
Stages of Financing

1. Early stage
   - This is an experimental stage. Technological feasibility and market readiness are uncertain. Most early-stage activities take place in university labs and corporate R&D centers.
   - Government grants and tax incentives for corporate R&D are common interventions. In addition, policy support is prioritized to enable the business context.

2. Start-up
   - This stage is when the product/solution moves out of labs and first real-life applications take place.
   - Equity instruments are used to kick-off business development in the walled garden environment.
   - Public/Private Partnerships are often formed. They serve as a platform to exchange information to advance technological progress, create consensus, align views, develop incentives and co-ordinate activities.

3. Pre-commercial
   - This stage is often very new businesses. As such, initial support is highly needed.
   - Debt financing and enhancement instruments can be implemented to catalyze private sector investment.
   - Enhanced risk-sharing structures are recommended and need to determine (i) the type of risk to be shared, (ii) how the risk would be shared, and (iii) the roles and responsibilities (undertakings) of the parties.

4. Commercialized
   - Commercialized stage, where the business is mainstream.
   - Green Bonds and Capital Market Listing are taking place with a broader mainstream ESG investors.
Conclusions and Recommendations

The report argues that three key factors need to be addressed:

• **Mainstream coherent climate policies** to reorient **government spending** away from harmful activities and encourage climate action and sustainable development.

• **Balance** competing policy choices to support the use of the appropriate finance instruments.

• **Support blended finance** to help galvanize **private sector capital** involvement particularly in SIDS and LDC’s.
Partner with ESCAP and GGGI

Financial Support
Innovative Climate Finance Solutions
Research and Analysis
Advocacy
Policy and Regulatory Support

Thank you