

International Climate Change Forum

THE PRIVATE SECTOR ROLE IN CLIMATE FINANCING

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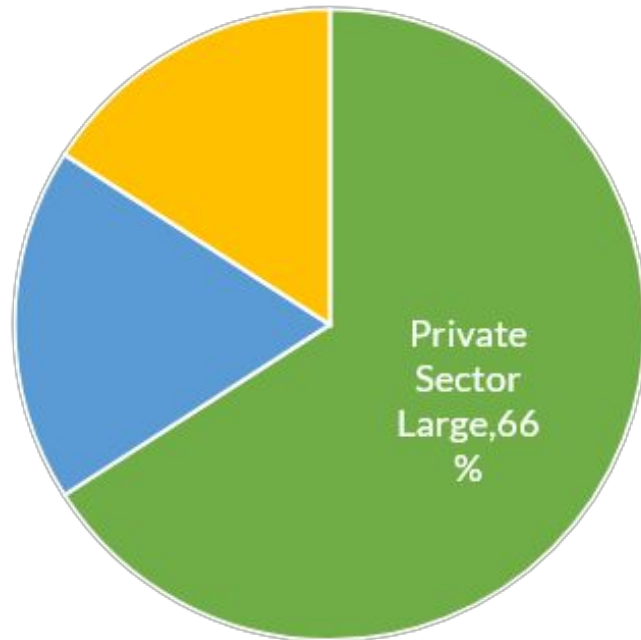
Climate Resilience: Understanding Private Sector Needs and Challenges

Results from GGGI Survey

GGGI surveyed 350+ participants from 13+ industries with the highest number of participants from the financial sector & business services



Private Sector Respondants by Sector



Industries Present

Financial Sector (banks, insurance etc.)

Business Services (Consulting/ Audit)

Manufacturing / Industries

Food/ Agriculture/ Plantations

Education Services

Consumer Products

ICT

Construction & Real Estate

Logistics

Health

Tourism

Automotive Sector

Media/ Communication/ Entertainment

Others

Supply chain disruptions and financial risks were the most highlighted challenges posed by climate change

Percentage of respondents mentioning:

28%

Supply chain disruptions

18%

Financial: default risks

10%

No risk

8%

Weather: rains/ floods/
drought

5%

Demand/ customers/
clients

4%

Employee/ staff
disruptions

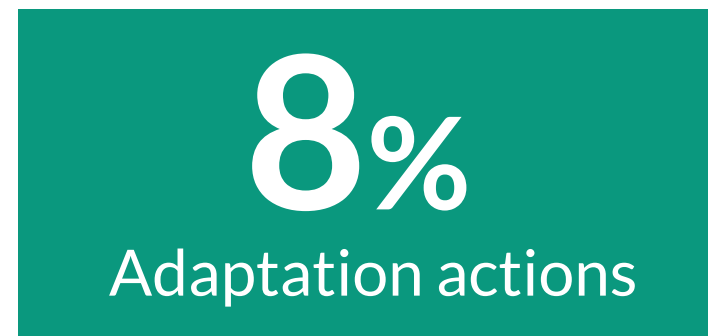
2%

Insurance/ claims risk

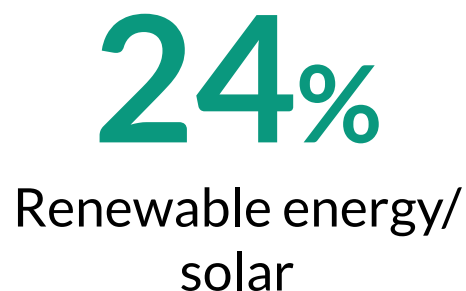
5x as many respondents identified mitigation actions currently being taken in their industry as adaptation actions

Actions currently being taken in industry:

Percentage identifying:



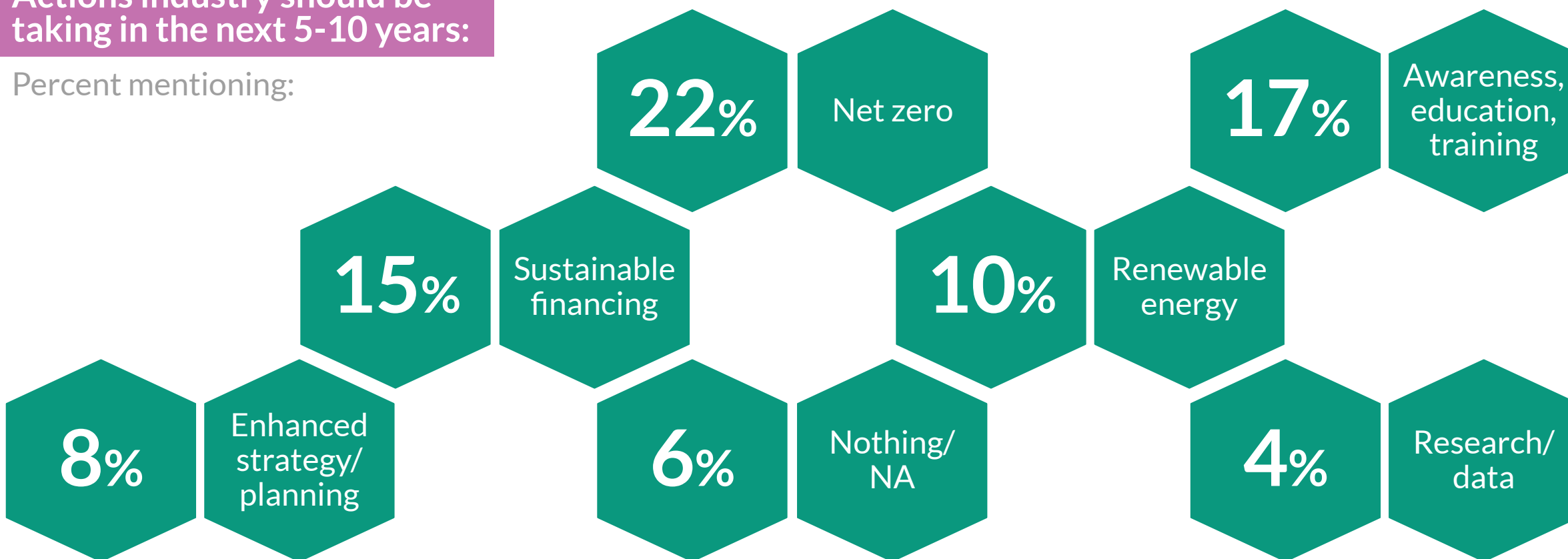
Specific actions mentioned:



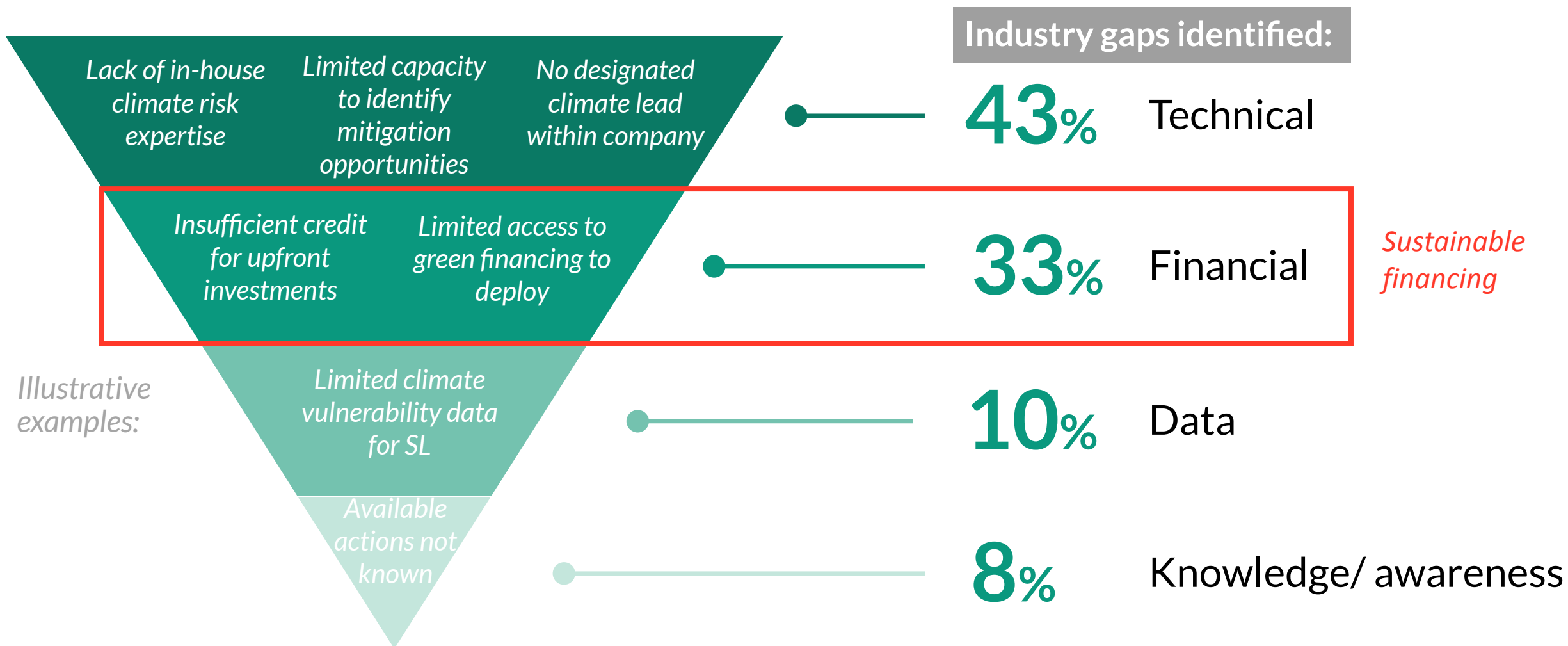
Achieving net-zero, increasing awareness, and sustainable financing were most identified as necessary future actions

Actions industry should be taking in the next 5-10 years:

Percent mentioning:



Technical and financial gaps were seen as the biggest hurdles for industries in responding to climate change





Sustainable Financing for the Private Sector: Thematic Bonds

Thematic bonds are one instrument that enable the private sector to raise climate financing

Bonds (plain vanilla):

Form of loan where bond issuer receives funds from the buyer. The funds are paid back after the stipulated time with interest.



Thematic bonds:

Exclusively used to finance projects that have positive environmental and social impacts. They generally fall into three categories:



Green Bonds

Financing for climate mitigation and adaptation, investments in green assets

- Renewable energy
- Sustainable transport
- Ecosystem conservation



Blue Bonds

Financing marine and ocean-based projects with positive environmental benefits

- Ecosystem conservation

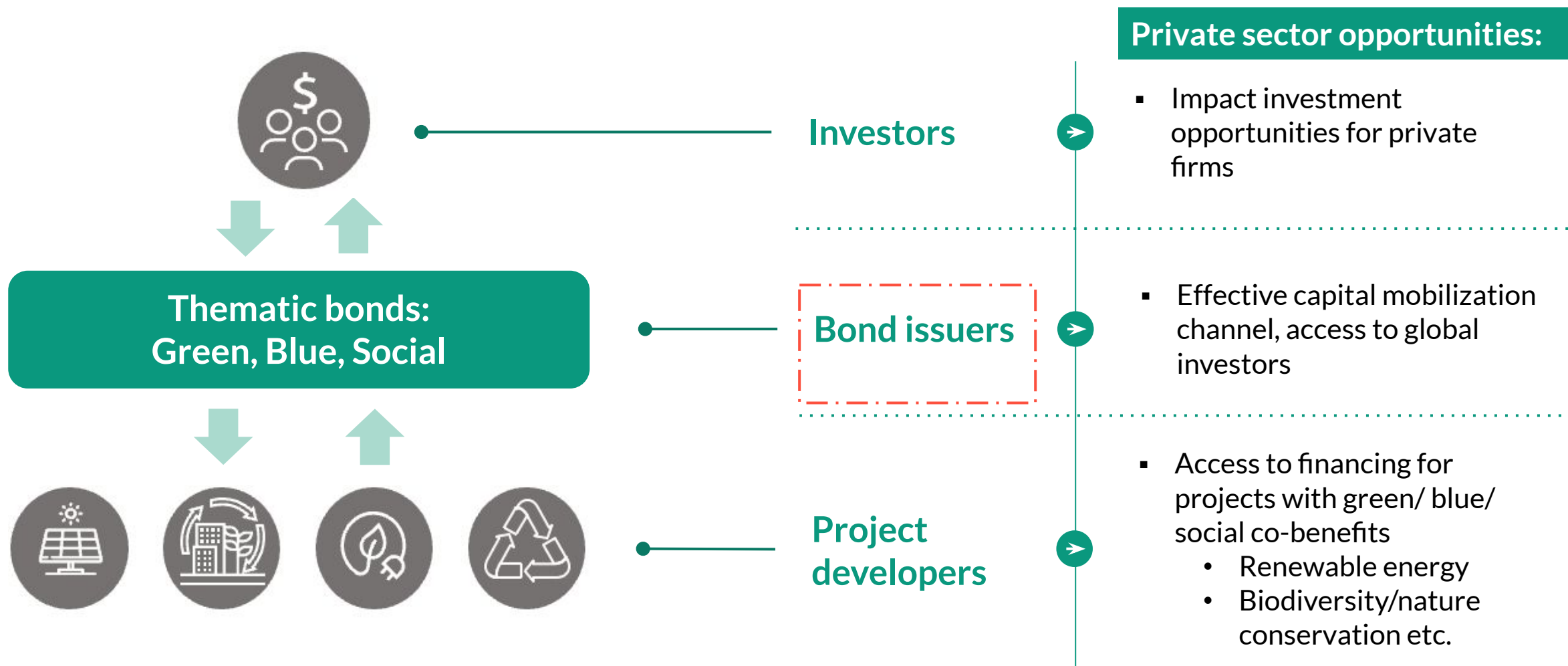


Social Bonds

Financing for projects with a positive effect on social improvement

- Affordable basic infrastructure
- Access to essential services

The private sector role in thematic bonds as: investors, issuers, or project developers



Issuing Thematic Bonds: The Role of Thematic Bond Frameworks

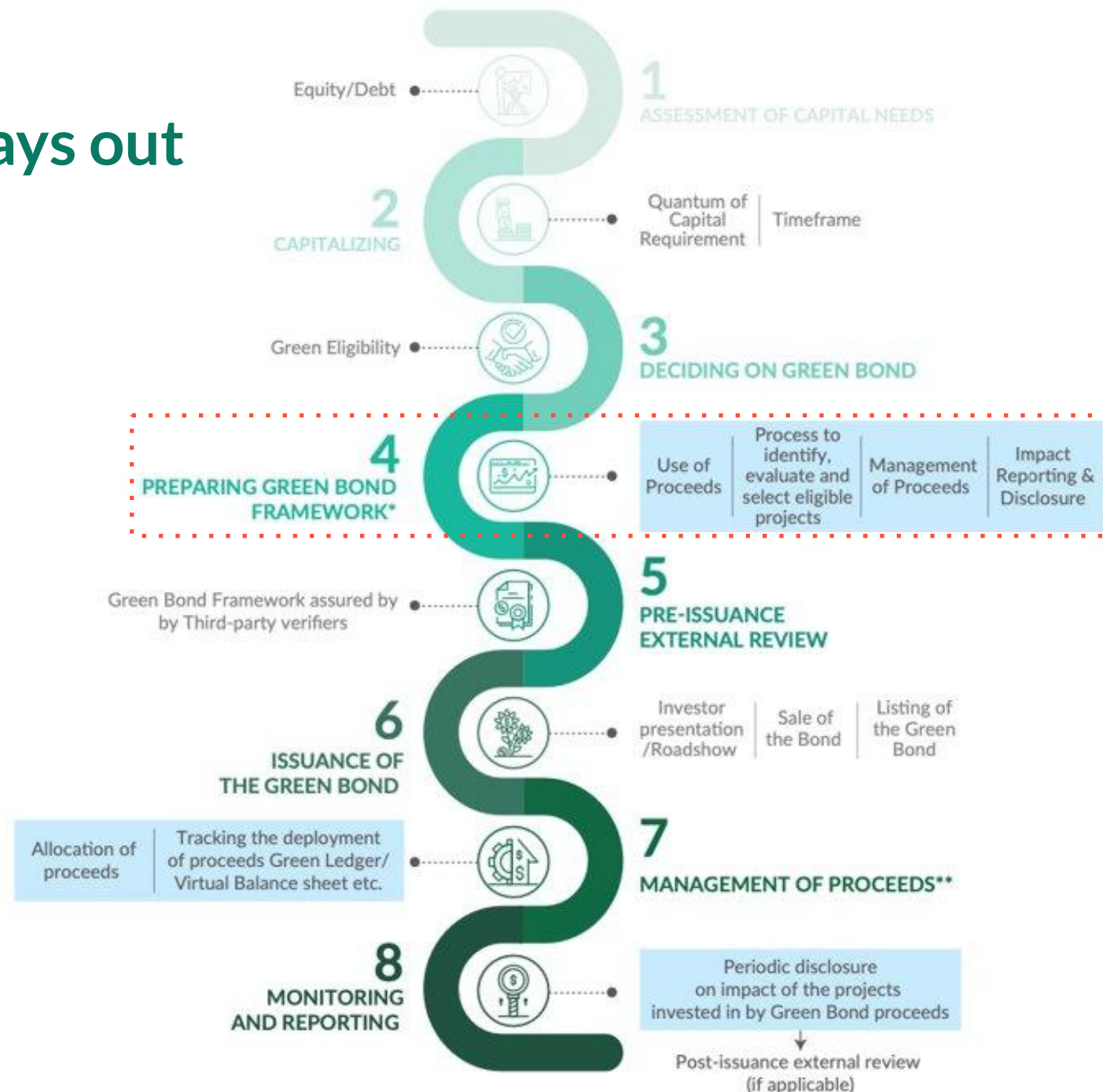
Bond issuers: a thematic bond framework is a key step that lays out guidelines to be followed

It ensures that projects that are financed are aligned with green, blue, or social characteristics and outcomes.

- ✓ Transparency supports greater investor confidence
- ✓ Assurance of alignment with best practices
- ✓ Prevention of 'green washing'

Structured around four critical elements:

1. Use of proceeds
2. Project identification and evaluation
3. Management of proceeds
4. Reporting



The 'Use of Proceeds' section outlines the eligible categories that thematic bond financing can be channelled towards



Green eligible project categories

- Renewable energy
- Energy efficiency
- Clean transportation
- Environmentally sustainable management of living natural resources, land use
- Biodiversity
- Sustainable water and wastewater management
- Climate change adaptation
- Circular economy
- Green buildings



Blue eligible project categories

- Coastal climate adaptation
- Marine ecosystem management
- Sustainable coastal and marine tourism
- Marine pollution
- Sustainable marine value chains
- Marine renewable energy
- Sustainable ports
- Sustainable marine transport



Social eligible project categories

- Affordable basic infrastructure (water, sanitation)
- Access to essential services (health, education)
- Affordable housing
- Employment generation
- Food security
- Socioeconomic advancement and empowerment



GGGI's Case Studies



Case Study: GGGI offered technical support to EVN Finance to issue first verified green bond in Vietnam



GGGI Technical Advisory:

- 1 Identifying eligible green projects & assets
- 2 Advising on creating the Green Bond Framework & setting up internal processes
- 3 Providing hands-on assistance for issuers to work with third party verifier/ SPO Provider
- 4 Assisting in discussions with the underwriter, potential investors, and other stakeholders

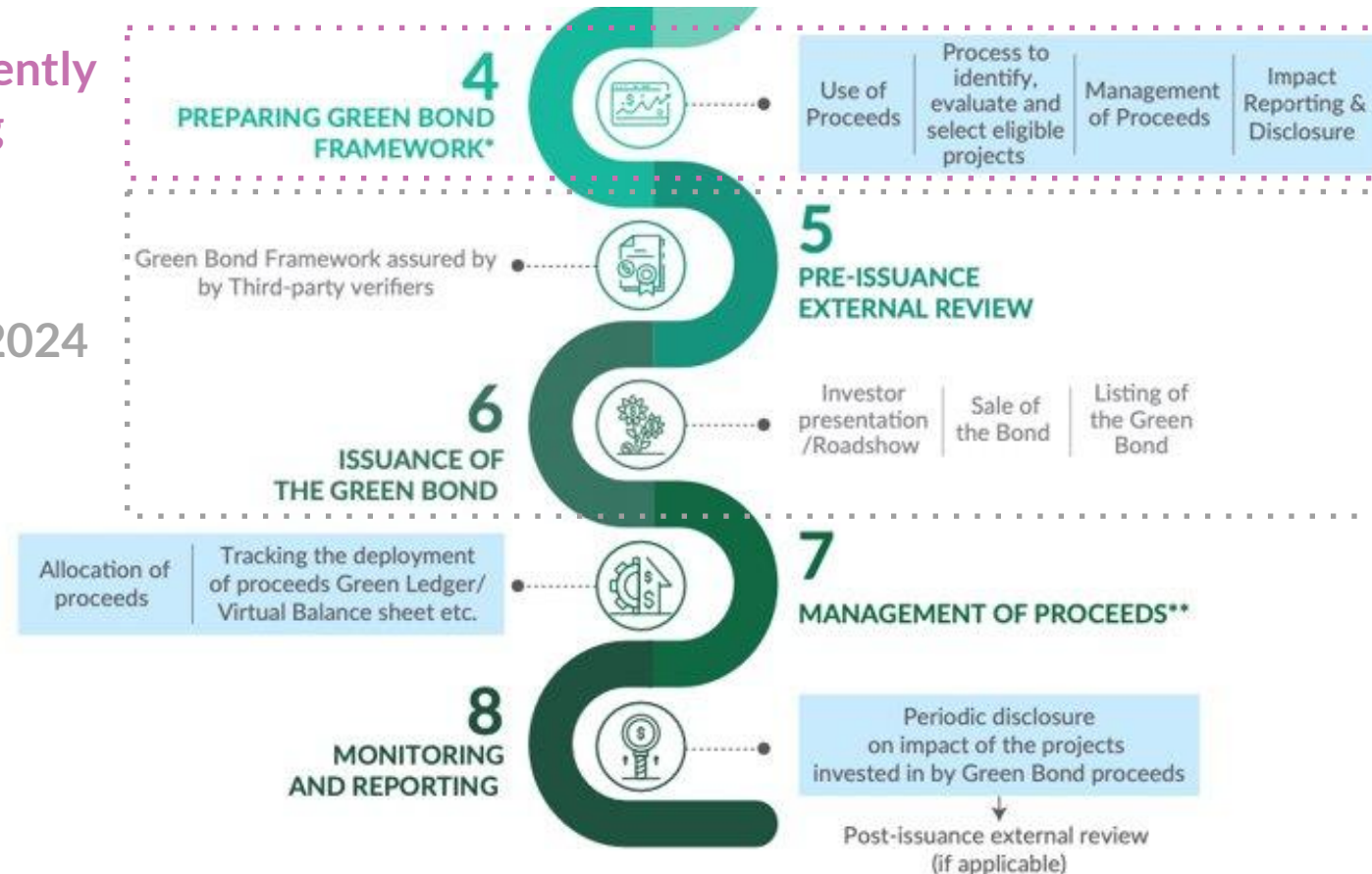


Ongoing work in Sri Lanka: GGGI is working towards a thematic bond issuance with NDB and Commercial Bank

- 4 GGGI will develop a Thematic Bond Framework
- 5 GGGI will provide technical assistance to second party verification for the Thematic Bond Framework
- 6 GGGI will strengthen institutional capacity to identify Green and Social projects

GGGI currently supporting

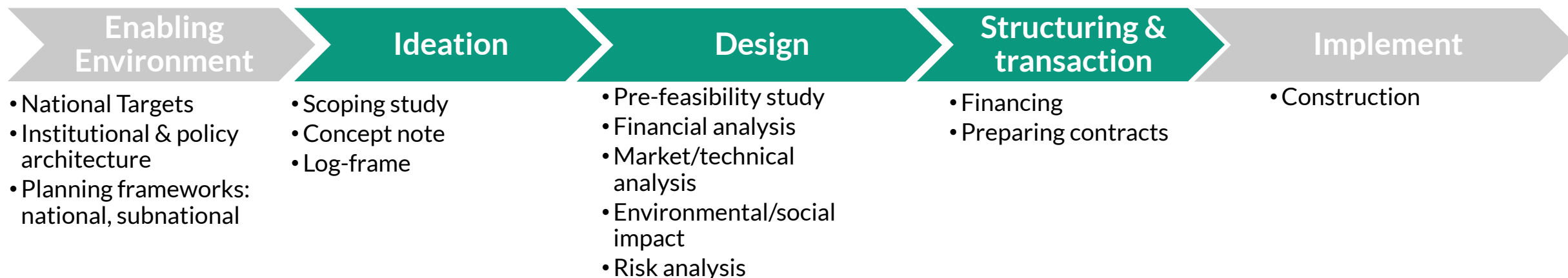
Planned 2024 support



Project development: preparing bankable projects is key to attracting funds raised by thematic bonds

Bankable project: Risk-return profile meets investors' criteria and financing can be secured

Ensuring bankability happens at the project preparation stage



Key bankability factors



Thank You



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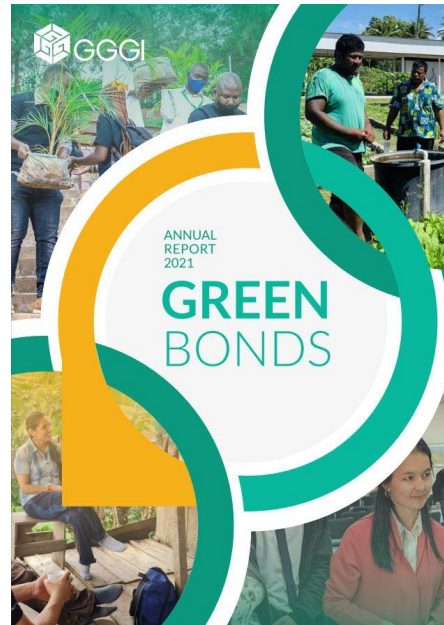
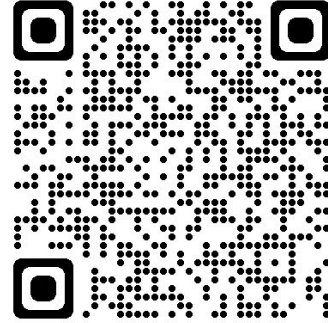


Additional Resources

Mind the Gap

Bridging the Climate Financing Gap with Innovative Financial Mechanisms

Insight Brief 1 / November 2016



GGGI TECHNICAL REPORT NO. 9

Review of GGGI's Experience to Design and Operationalize National Financing Vehicles to Finance Climate and Green Growth Policy Implementation

DECEMBER 2019

GGGI TECHNICAL REPORT NO. 20

Closing the Climate Financing Gap:

Stocktaking of GGGI Green Investment Projects 2015-2020

| September 2021

Appendix

