

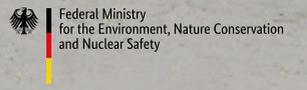


BRINGING  
SMART  
POLICIES  
TO LIFE

# INCLUSIVE GREEN FINANCE: A SURVEY OF THE POLICY LANDSCAPE

SLIDE DECK  
JUNE 2019

Supported by:



based on a decision of the German Bundestag

# FINANCIAL INCLUSION & CLIMATE CHANGE: WHAT IS THE CONNECTION?

## CLIMATE CHANGE DEEPENS POVERTY

- > Climate change could push an additional ~100 million people in poverty by 2030
- > Low-lying coastal zones and marginal agricultural land most vulnerable
- > Effects are sudden and extreme (floods, droughts, storms) or gradual (sea level rise, coastal erosion, melting glaciers)

## IMPACTS INCLUDE

DISPLACEMENT FROM AGRICULTURAL LAND AND NATURAL RESOURCES (FLOODS, HEATWAVES, WILDFIRES)



LOSS OF PROPERTY AND ASSETS (FARMLAND, LIVESTOCK)



HEALTH RISKS (INFECTIOUS DISEASE, UNDERNUTRITION)



SOCIO-ECONOMIC STRESSES (JOB LOSSES, HIGH FOOD PRICES, STRAIN ON PUBLIC SERVICES)



## FINANCIAL INCLUSION BUILDS RESILIENCE TO CLIMATE CHANGE



### SAVINGS (ESPECIALLY FORMAL)

Buffer against cost increases, diversify risks, access credit, accelerate recovery and reconstruction



### CREDIT

Investment in low-carbon technologies, agricultural inputs



### INSURANCE (PARAMETRIC, WEATHER INDEX, MICROINSURANCE)

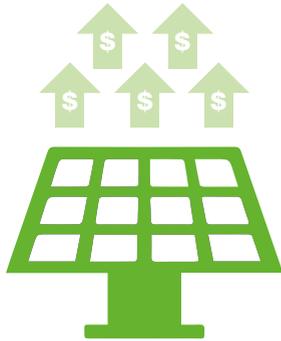
Safeguard against extreme weather and climate volatility



### DIGITAL FINANCIAL SERVICES (E.G. MOBILE MONEY)

Humanitarian assistance after extreme weather events, payments for renewable utilities (e.g. PAYG solar home systems)

## GREEN TECHNOLOGIES CAN MITIGATE CLIMATE CHANGE & REDUCE POVERTY



### RENEWABLE ENERGY (SOLAR, MINI-HYDROELECTRIC)

Clean, relatively low-cost electricity to unconnected areas; increase incomes



### CLEANER COOKSTOVES

Reduce premature deaths from air pollution, lower CO2 emissions



### ACCESS TO FINANCE AND CLEAN TECHNOLOGIES

Safeguard against extreme weather and climate volatility

# STRATEGIES & POLICIES FOR INCLUSIVE GREEN FINANCE



## LINKING FINANCIAL INCLUSION & CLIMATE CHANGE IN NATIONAL FINANCIAL SECTOR STRATEGIES



### 4 AFI MEMBERS EXPLICITLY INTEGRATE CLIMATE CHANGE IN THEIR NFIS:

- > Egypt (planned)
- > Fiji
- > Jordan
- > Rwanda



### 5 AFI MEMBERS IMPLICITLY INTEGRATE CLIMATE CHANGE IN THEIR NFIS:

- > Armenia (planned)
- > Morocco
- > Philippines
- > Tanzania
- > Vanuatu

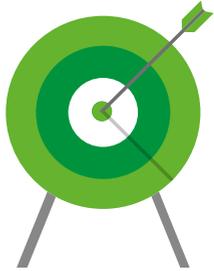


### 6 AFI MEMBERS LINK CLIMATE CHANGE AND FINANCIAL INCLUSION IN OTHER FINANCIAL SECTOR STRATEGIES:

- > Bangladesh: Second Strategic Plan
- > Fiji: Sustainable Finance Roadmap (planned)
- > Jordan: Microfinance Action Plan
- > Morocco: National Roadmap for Aligning the Financial Sector with Sustainable Development
- > Nepal: Financial Sector Development Strategy
- > Nigeria: Sustainable Banking Principles

LINKING CLIMATE CHANGE AND FINANCIAL INCLUSION IN NATIONAL STRATEGIES IS IMPORTANT, AND AFI MEMBER INSTITUTIONS ARE ENACTING A RANGE OF POLICIES TO TRANSLATE THESE STRATEGIES INTO ACTION.

# THE 4P FRAMEWORK OF INCLUSIVE GREEN FINANCE POLICIES



**PROVISION** policies help a government ensure that financial services are provided to qualified beneficiaries, either directly by the government itself or by the private sector fulfilling a government mandate.



**PROMOTION** policies allow a government to create incentives for the private sector to offer financial services to qualified beneficiaries.



**PREVENTION** policies aim to avoid undesirable outcomes rather than addressing them after the fact.



**PROTECTION** policies reduce financial risk by “socializing” potential losses through insurance or social payments, or by giving exceptional access to one’s own assets.



## PROVISION

Financial services for climate action are provided to qualified beneficiaries, either by the government or private sector fulfilling a government mandate.

- > Often a pragmatic first step for policymakers
- > Shows a commitment to climate action
- > Simple to verify
- > Quick effect



Solar panel on a yurt, Inner Mongolia

## PROVISION POLICIES: AFI MEMBER EXPERIENCES



### LENDING QUOTAS

**Bangladesh Bank:** 5% of all loan disbursements and investments for green financing.



### REFINANCING GREEN LENDING

**Nepal Rastra Bank:** Subsidized loans for solar energy, biogas and waste treatment projects.



### REFINANCING RECOVERY & RECONSTRUCTION

**Reserve Bank of Vanuatu:** Disaster Reconstruction Credit Facility assists affected businesses.



## PROMOTION

Government creates incentives for the private sector to offer financial services to qualified beneficiaries.

- Supports innovation
- Reaches more beneficiaries
- Lenders are highly motivated



SME sells airtime to paddy farmers on his solar powered mobile phone, Bangladesh

## PROMOTION POLICIES: AFI MEMBER EXPERIENCES



### MORAL SUASION

**Bangko Sentral ng Pilipinas (BSP):** Makes business case for green lending; green finance as public good



### AWARENESS RAISING & CAPACITY BUILDING

**BSP Philippines and Bank of Thailand:** Training on green lending



### INNOVATION INVESTMENT FUNDS

**Bank al Maghrib:** Supports 300 startups over 5 years, including “cleantech”



### DATA COLLECTION

**Bangladesh Bank:** Collects and shares data on green finance, including sex-disaggregated data.



### LOWERING OF BASE INTEREST RATE AND RESERVE REQUIREMENTS

**Reserve Bank of Vanuatu:** Temporary incentive for commercial banks to loan to low-income people after Tropical Cyclone Pam.



## PROTECTION

Policies that reduce financial risk by offering insurance or social payments, or by giving exceptional access to one's own assets.

- Provides safety net in times of crisis
- Speeds recovery & reconstruction
- Builds resilience



People cross a flooded street, Dhaka, Bangladesh

## PROTECTION POLICIES: AFI MEMBER EXPERIENCES



### CLIMATE RISK INSURANCE

**Central Bank of Armenia:** Subsidizes 50-60% of policies for agricultural climate insurance products.



### CREDIT GUARANTEES

**Central Bank of Nigeria:** Guarantees 50% of the loss if a smallholder farmer defaults on a loan.



### MOBILE MONEY FOR G2P PAYMENTS

**Government of Fiji:** Mobile payments disbursed assistance from its “Help for Homes Initiative” after Tropical Cyclone Winston.



### EARLY WITHDRAWAL FROM PENSION FUNDS

**Fiji and Vanuatu:** People could withdraw 20% from their retirement accounts to rebuild their homes.



## PREVENTION

Policies that aim to avoid undesirable outcomes rather than addressing them after the fact.

- Addresses the impacts of a financial institution's activities
- Supports more holistic finance
- Lowers financial, societal and environmental risks



Female tea plantation worker, Kinihira, Rwanda

## PREVENTION POLICIES: AFI MEMBER EXPERIENCES

ENVIRONMENTAL AND SOCIAL RISK MANAGEMENT (ESRM) GUIDELINES ADDRESS THE SOCIAL AND ENVIRONMENTAL EXTERNALITIES AND RISKS OF A FINANCIAL INSTITUTION'S ACTIVITIES.



**Bangladesh Bank:**  
ERM as Guidance on  
Environmental and  
Social Risk Management  
for Banks and Financial  
Institutions (2017)

**Banco Central do  
Brasil:** Social-  
Environmental  
Responsibility Policy  
(PRSA) (2014)

**State Bank of Pakistan:**  
Green Banking  
Guidelines (2017)

**Nepal Rastra Bank:**  
Guidelines on  
Environmental and  
Social Risk Management  
for Banks and Financial  
Institutions (2018)

**Banco Central de  
Paraguay:** Guide for  
the Management of  
Environmental and  
Social Risks (2018)



# NATIONAL CLIMATE POLICY: HOW ARE CENTRAL BANKS & NATIONAL REGULATORS INVOLVED?

**ACROSS THE AFI NETWORK,  
INCLUSIVE CLIMATE ACTION  
IS TAKING HOLD IN NATIONAL  
FINANCIAL SECTOR STRATEGIES.**

**HOWEVER, REGULATORS STILL HAVE  
LIMITED INVOLVEMENT IN FORMAL  
COORDINATION MECHANISMS AND  
NATIONAL CLIMATE STRATEGIES.**

**Survey Results:**  
50% of AFI members interviewed have not contributed in any way to national climate strategies like Nationally Determined Contributions or National Adaptation Program of Actions.

# AFI: RISING TO THE CHALLENGE OF CLIMATE CHANGE

## AFI & INCLUSIVE GREEN FINANCE

AFI members consider climate change a threat to inclusive development and recognize that the poor are affected disproportionately.

### HOW HAVE AFI MEMBERS RISEN TO THE CHALLENGE OF CLIMATE CHANGE?



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