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“Mainstream Green Finance”

Green Policies for Post COVID-19 Economic Recovery

15th PACER Dialogues

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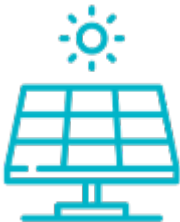
8th July 2021



1. Why does Southeast Asia need a Green Recovery?



2. What are the opportunities for a Green Recovery in the region?



3. How can government's start with Green Recovery?

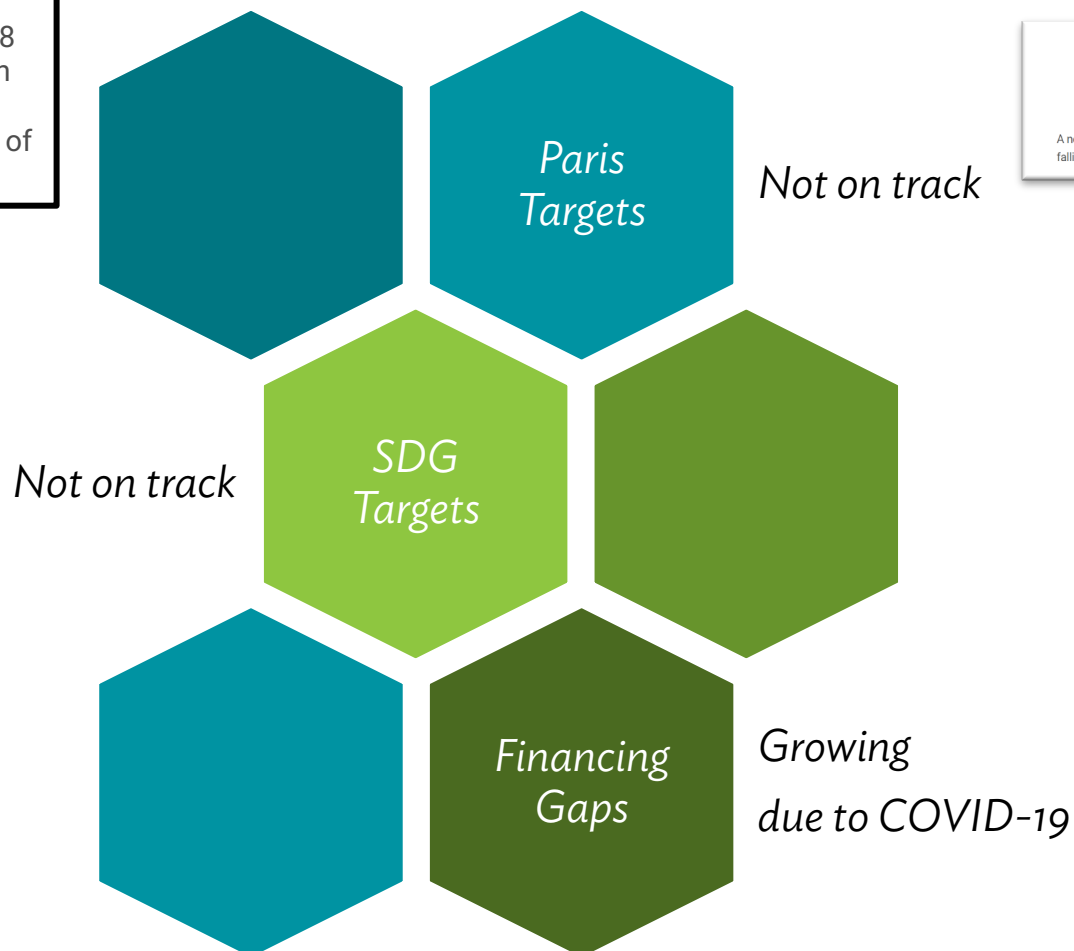


1. Why does Southeast Asia need a Green Recovery?

On Track ?

- **71 million people** expected to be pushed back into extreme poverty in 2020, first time since 1998
- **>80 million jobs** may have been lost in ASEAN in 2020
- **Women and children** bearing the heaviest brunt of the pandemic's effects.

The Sustainable Development Goals Report 2020



UN issues red alert

A new report on national climate plans intended to achieve the Paris agreement shows ambition falling alarmingly short. [Read more.](#)

Conference of the Parties serving as the meeting of the Parties to the Paris Agreement
Third session
Graz, 1-12 November 2021

Nationally determined contribution under the Paris Agreement

Synthesis report by the secretariat

Summary

The report synthesizes information contained in the 40 new or updated nationally determined contributions submitted by 75 Parties in accordance with decision 1/CP.21 and recorded in the annex to the synthesis report of nationally determined contributions as at 10 November 2021.

GDP Growth Forecast

Developing Asia



Find out more in ADB's Asian Development Outlook 2021
www.adb.org/outlook

#ADO2021

SDGs' Financing: A big(ger!) challenge Post COVID-19



Table 3: Estimated Infrastructure Investments and Gaps, 25 DMCs, 2016–2020
(\$ billion in 2015 prices)

	Estimated Current Investment (2015)	Baseline Estimates			Climate-adjusted Estimates		
		Annual Needs	Gap	Gap (% of GDP)	Annual Needs	Gap	Gap (% of GDP)
Total (25)	881	1,211	330	1.7	1,340	459	2.4
Total without PRC (24)	195	457	262	4.3	503	308	5.0
Selected Central Asia Countries (3)	6	11	5	2.3	12	7	3.1
Selected South Asia Countries (8)	134	294	160	4.7	329	195	5.7
Selected Southeast Asia Countries (7)	55	147	92	3.8	157	102	4.1
Selected Pacific Countries (5)	1	2	1	6.2	2	2	6.9
India	118	230	112	4.1	261	144	5.3
Indonesia	23	70	47	4.7	74	51	5.1
PRC	686	753	68	0.5	837	151	1.2

PRC = People's Republic of China.

Numbers in parentheses refer to the number of selected countries.

Note: The gap as a % of GDP is based on the annual average of projected GDP from 2016 to 2020. The 25 DMCs covered here are listed in Annex Table 2.

Source: ADB (2016a); Country sources; Investment and Capital Stock Dataset, 1960–2015, IMF; Private Participation in Infrastructure Database, World Bank; World Bank (2015a and 2015b); World Development Indicators; World Bank; ADB estimates.





Table 1.1.3 GDP growth rate, % per year

The outlook is positive, but recovery paths vary.

	2019	2020	2021	2022
Southeast Asia	4.4	-4.0	4.4	5.1
Brunei Darussalam	3.9	1.2	2.5	3.0
Cambodia	7.1	-3.1	4.0	5.5
Indonesia	5.0	-2.1	4.5	5.0
Lao People's Democratic Republic	4.7	-0.5	4.0	4.5
Malaysia	4.3	-5.6	6.0	5.7
Myanmar	6.8	3.3	-9.8	...
Philippines	6.1	-9.6	4.5	5.5
Singapore	1.3	-5.4	6.0	4.1
Thailand	2.3	-6.1	3.0	4.5
Timor-Leste	1.8	-7.9	3.4	4.3
Viet Nam	7.0	2.9	6.7	7.0

- **UN Estimates:** \$3–\$5 trillion annually, globally for SDGs
- **ADB:** Asia needs \$26 trillion investments in infrastructure 2016 to 2030, or **\$1.7 trillion per year**, incl. for climate change
- **The GAP:** Even before COVID-19, Asia had a substantial investment gap **\$459 billion per year** (\$907 billion p.a. if including social infrastructure)
- **COVID Impacts:** Government budgets further constrained

The Green Recovery Rationale: 4 Reasons

Reasons	1	2	3	4
	Safeguard the environment for enhancing resilience against future pandemics 	Address the worsening impacts of climate change and biodiversity loss, and their economic consequences 	Boost economies through green stimulus policies (as demonstrated in past crises) 	Strengthen Southeast Asia's long-term economic competitiveness through a green recovery approach 
Examples	<ul style="list-style-type: none"> ▪ Rise of deadly pathogens such as COVID-19 due to unhealthy level of contact among wildlife, livestock and people ▪ Emergence of more than 30% of all new diseases since 1960 due to land use change (due to e.g., urbanization) 	<ul style="list-style-type: none"> ▪ Myanmar and the Philippines among the most impacted countries by climate change globally ▪ ASEAN economies estimated to lose 11% of their combined GDP in the year 2100 due to climate change 	<ul style="list-style-type: none"> ▪ New and competitive green industries developed due to green stimulus in Germany and Japan during the Global Financial Crisis 2007-2008 ▪ 5 more jobs are created for every \$1 million public spending on renewables versus fossil fuels 	<ul style="list-style-type: none"> ▪ Growing emphasis in FDI decisions on the environmental footprint of operations ▪ Strong opportunity to capture global demand for low-carbon products such as smart grids and solar PVs – projected to grow at 11% per year from 2020-2050



The Climate Change Rationale: Critical Juncture

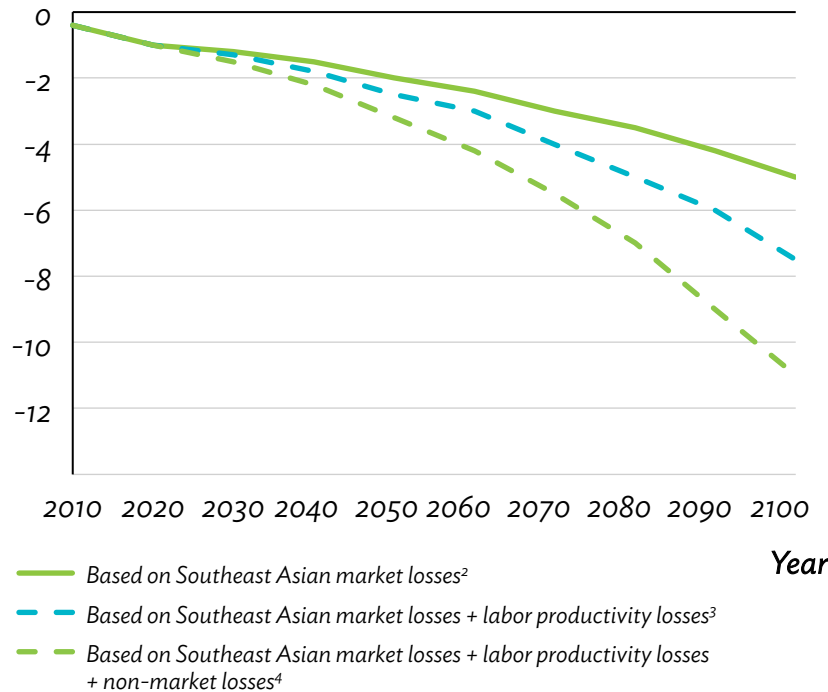
Climate change could risk GDP losses of up to 11% by 2100 in Southeast Asia, while biodiversity loss could place more than half of global GDP at risk

The individual contributions submitted to date would only cut about 1% of global greenhouse gas emissions — a far cry from the 45% cut needed by 2030 [to meet the 1.5 degree goal](#)

Intergovernmental Panel on Climate Change (IPCC).

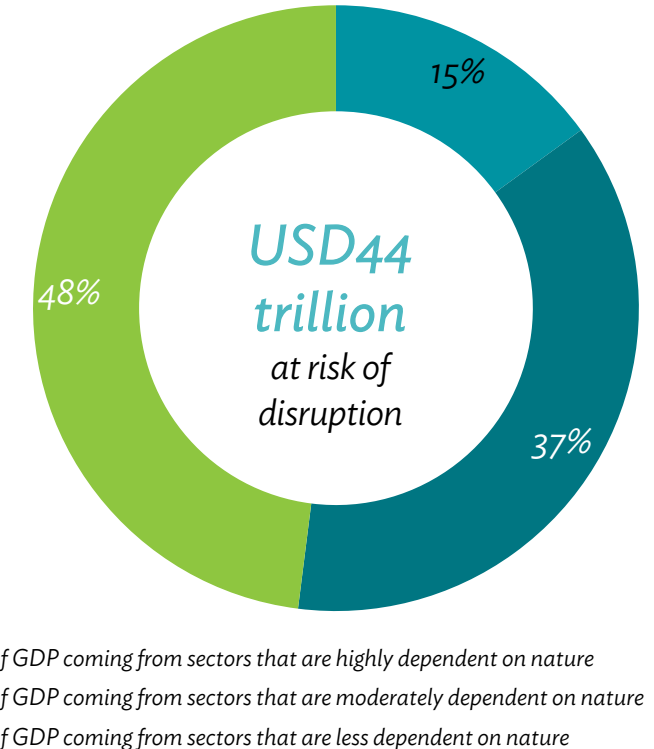
Projected loss to Southeast Asia GDP due to climate change¹
Percent regional GDP loss due to climate change

GDP loss due to climate change



1. Modelling was done based on the following ASEAN economies: Indonesia, Malaysia, the Philippines, Thailand and Viet Nam.
2. Refers to direct impact to ASEAN markets of sea level rise, changes in energy-demand patterns, changes in crop yields, and changes in tourism flows
3. Refer to the impact of warming temperatures on labor productivity; in particular, as the number of hours during which temperatures exceed thresholds limiting physical labor rise, labor will need to be additionally cooled and/or altered in timing, or where this is not possible, for labor to be reduced, with potential impacts on economic output.
4. Refer to non-market impacts which include increased risk of potentially catastrophic events and losses to health and ecosystems.

Share of global GDP at risk from biodiversity loss
Percent of 2018 GDP by dependency on natural capital

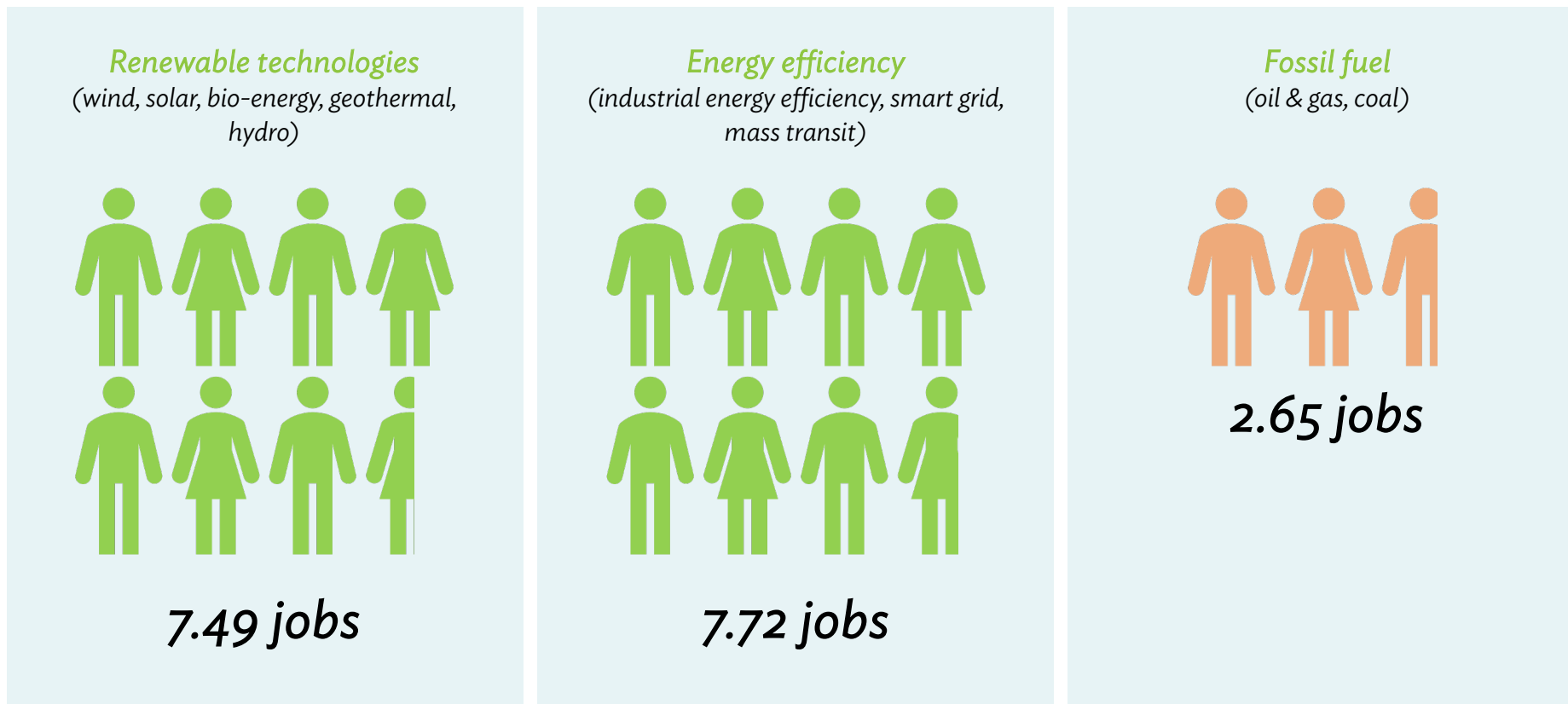


SOURCES: Asian Development Bank; World Economic Forum; AlphaBeta analysis

The Jobs Rationale: An Equitable Growth

Government spending on renewable energy and energy efficiency has been shown to create more jobs than spending on fossil fuels

Jobs created, directly and indirectly¹, per USD1 million in spending



1. Excludes induced jobs, which refer to jobs that are created as a result of increased demand for goods and services, that in turn arise from the specific economic impact.

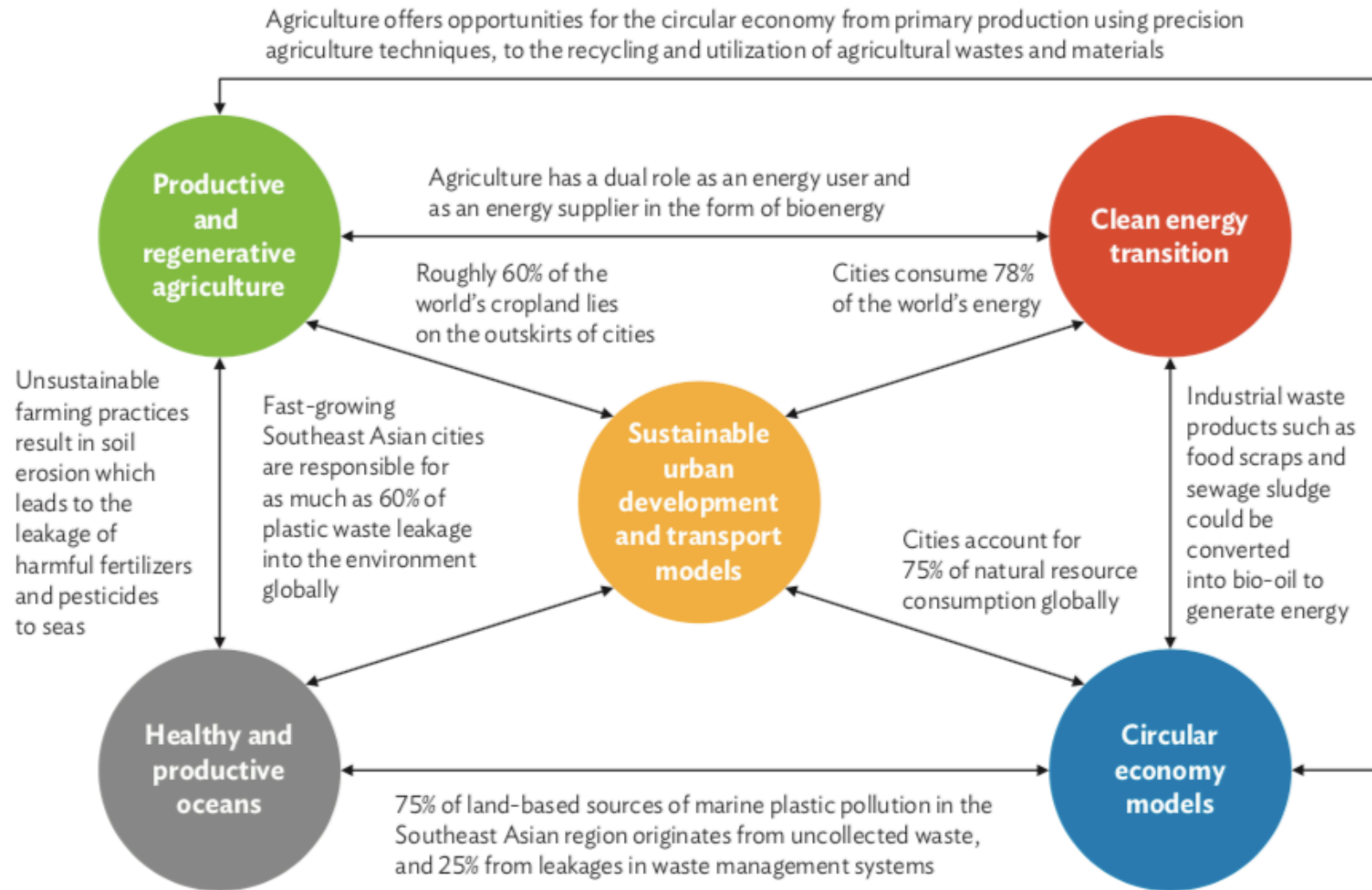
SOURCE: Heidi Garrett-Pelter (2017); McKinsey & Company (2020)



2. What are the opportunities for a Green Recovery in the region?

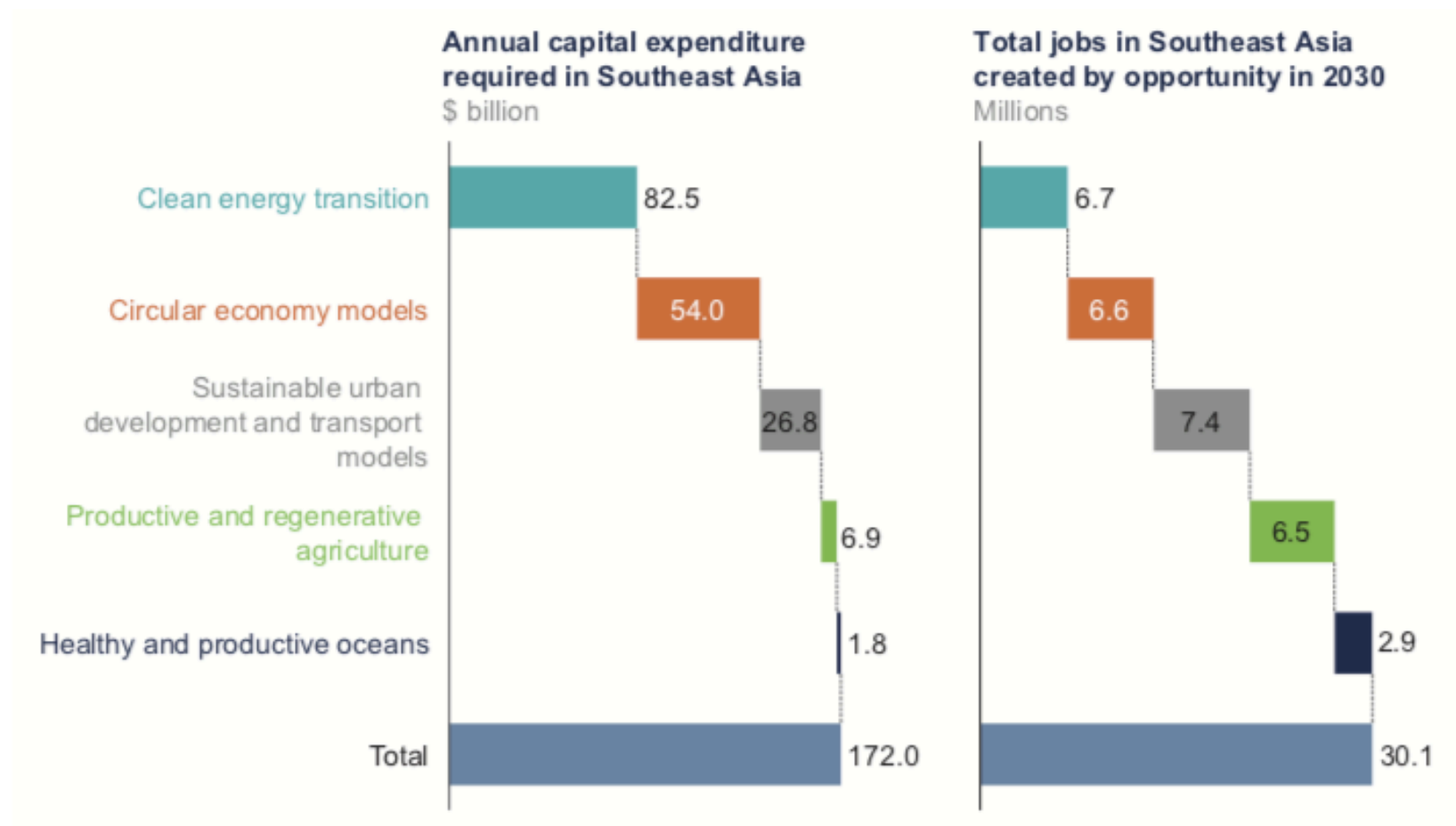
Green Growth Opportunities

The five green growth opportunities are highly interconnected



Green Growth Opportunities

Five green growth opportunities, requiring over USD172 billion worth of CAPEX could create 30 million jobs in Southeast Asia by 2030



1. The estimate relates to ten Southeast Asian nations: Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Viet Nam.
SOURCE: World Economic Forum; Literature review; AlphaBeta analysis. See Appendix for sizing assumptions and methodology.

3. How can government's start with Green Recovery?



**GREEN FINANCE STRATEGIES
FOR POST-COVID-19
ECONOMIC RECOVERY
IN SOUTHEAST ASIA**

GREENING RECOVERIES FOR PEOPLE AND PLANET
OCTOBER 2020

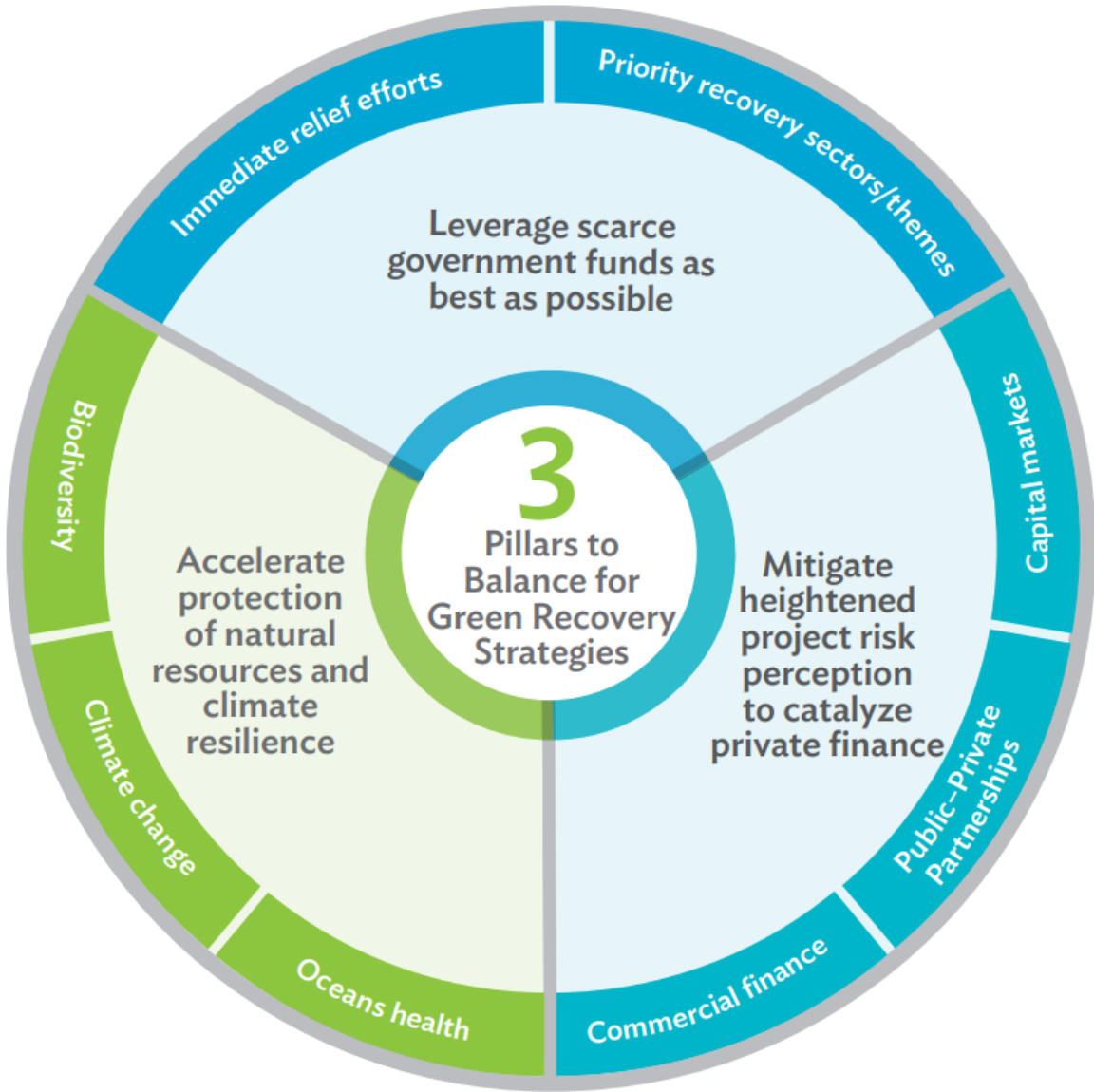


Conceptualize the Green Recovery Roadmap

6 KEY Aspects to focus on

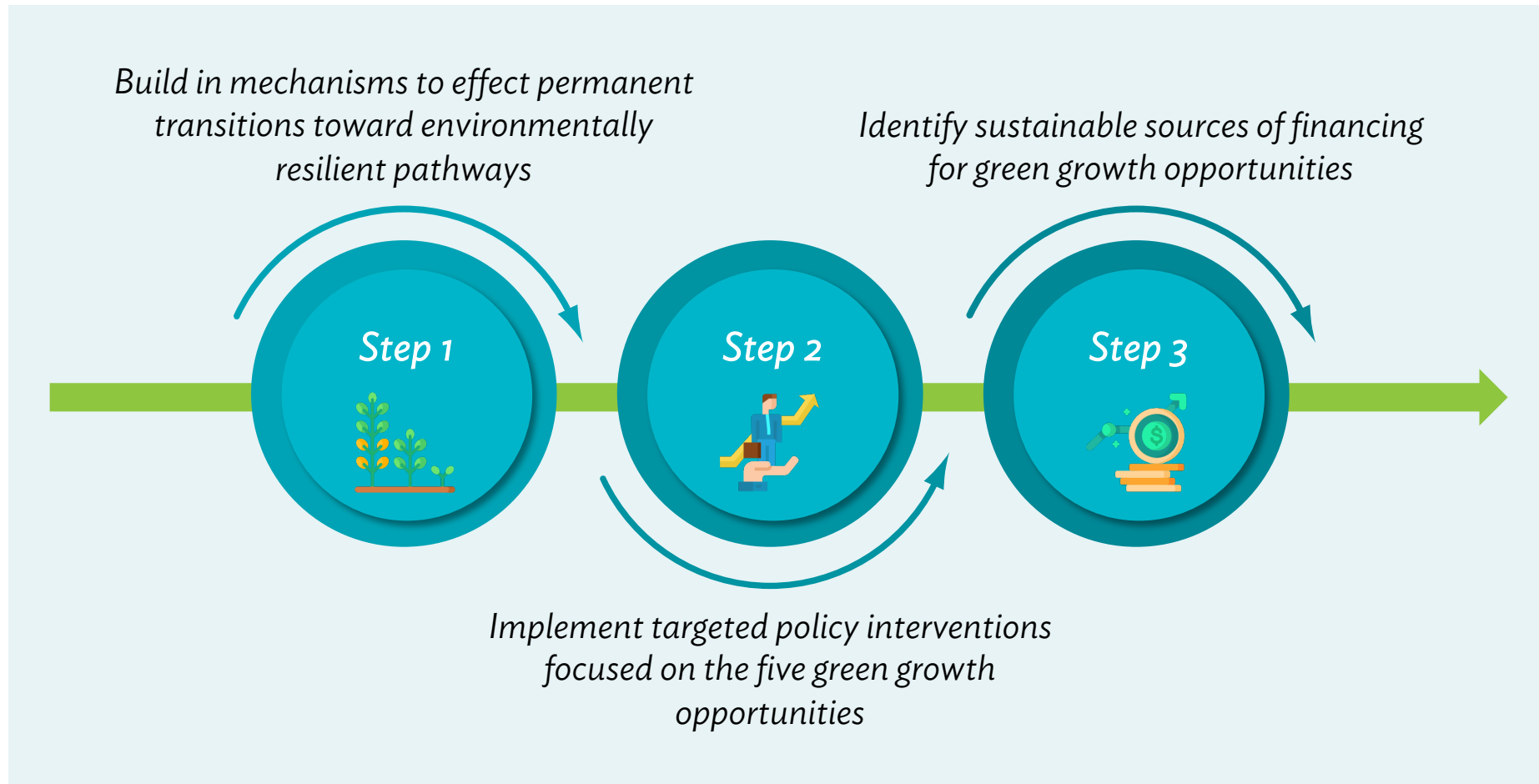


Clear Goals in Recovery Strategies



Implementing the Green Recovery

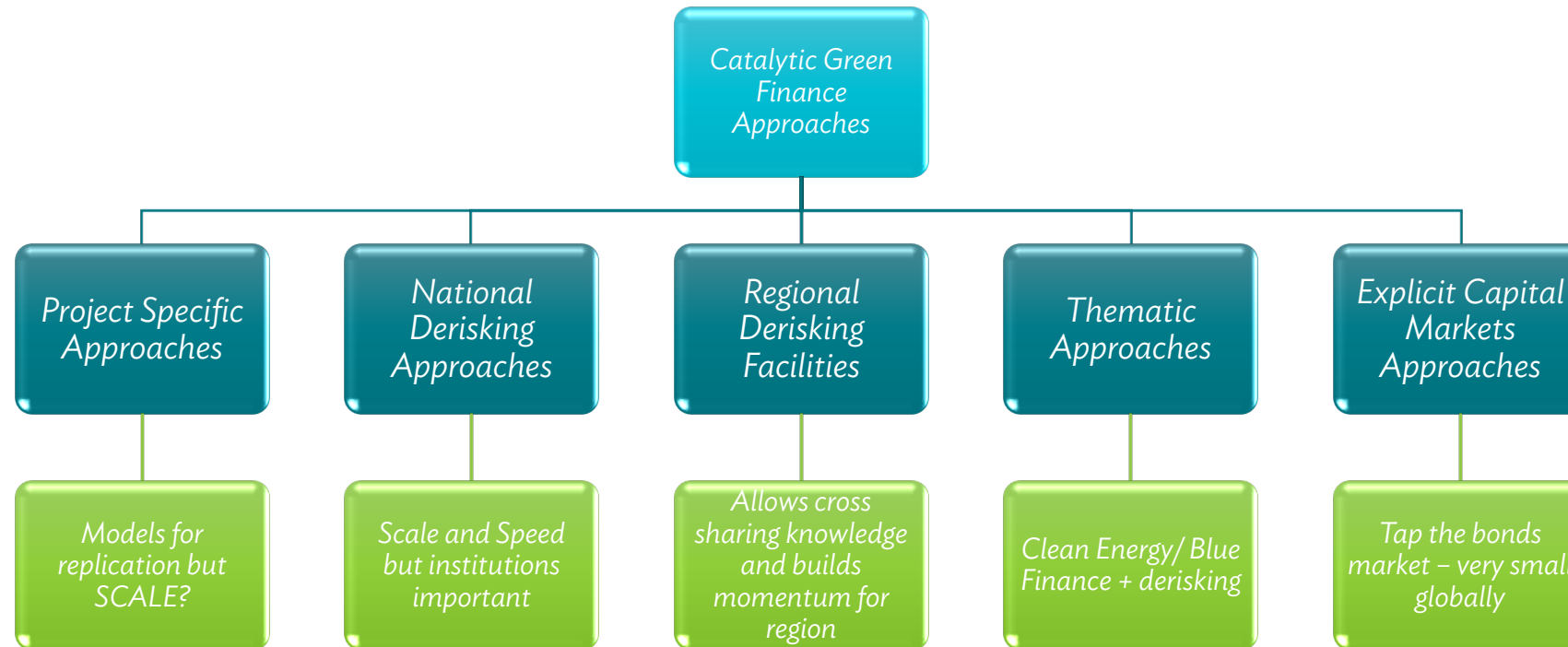
There are three key steps to implementing a green recovery



SOURCE: AlphaBeta analysis

Finance a key lever for Governments to use

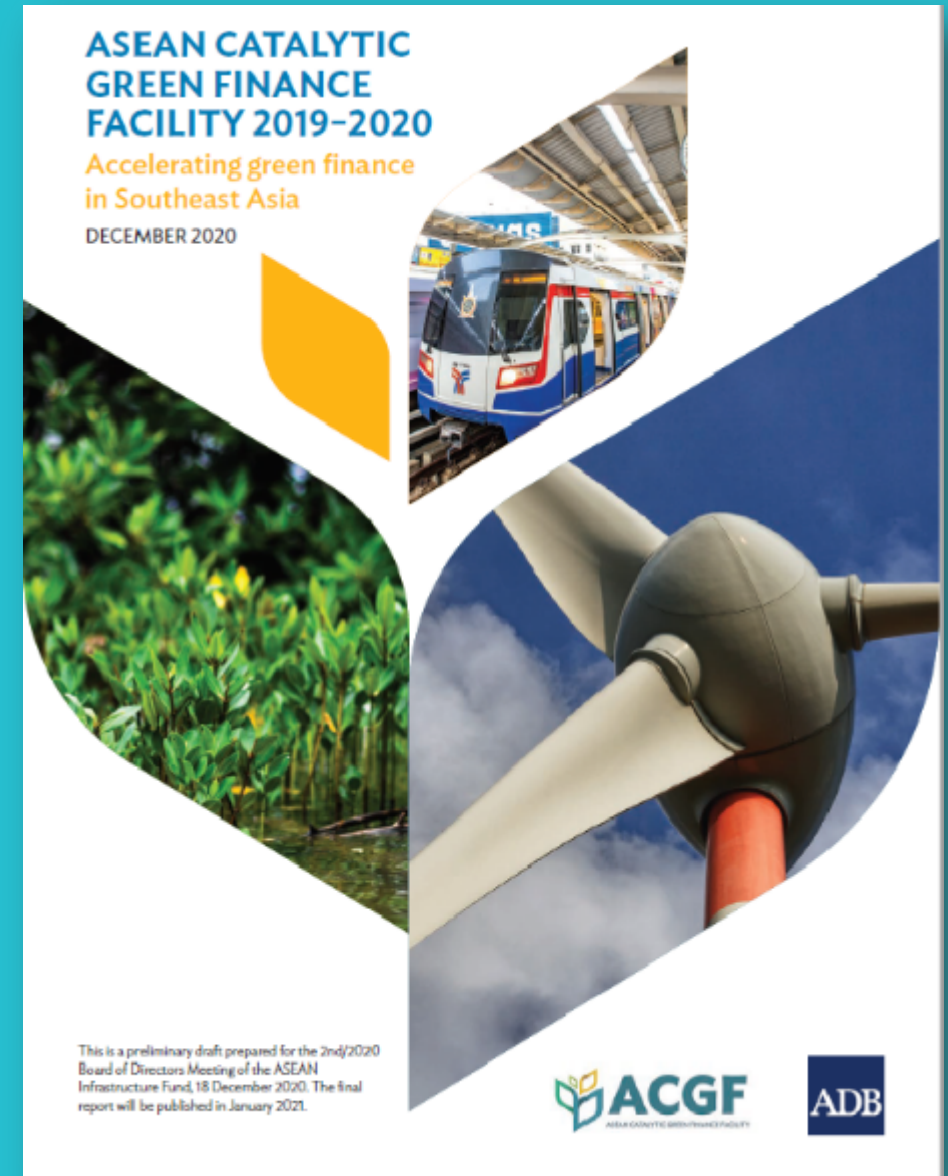
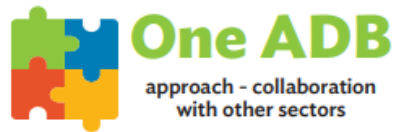
Incentivize flows of private green capital: “1 X 6” principle



Financing the Green Recovery: The ACGF Example

Regional, Catalyzing, Integrated, Innovative

ACHIEVEMENTS 2018–2021



Financing the Green Recovery: The ACGF

Green Recovery Program for SEA

Programmatic approach: \$300M to support a total of \$4B in projects + \$2B private capital to be mobilized over 30 years (in 2 rounds of financing)

Objectives:

- Support countries **prioritize NDCs** as part of recovery
- Create **green jobs** for economic recovery
- **Mobilize green capital** for building back better
- **Avoid lock-in** of carbon intensive infrastructure & strengthen resilience



\$300M APPROVED - GCF
19 March 2021
1st Green Recovery Program in Asia



Accelerate green COVID Recovery projects with catalytic funding



Deepen green capital markets especially at city, SOE and local government levels



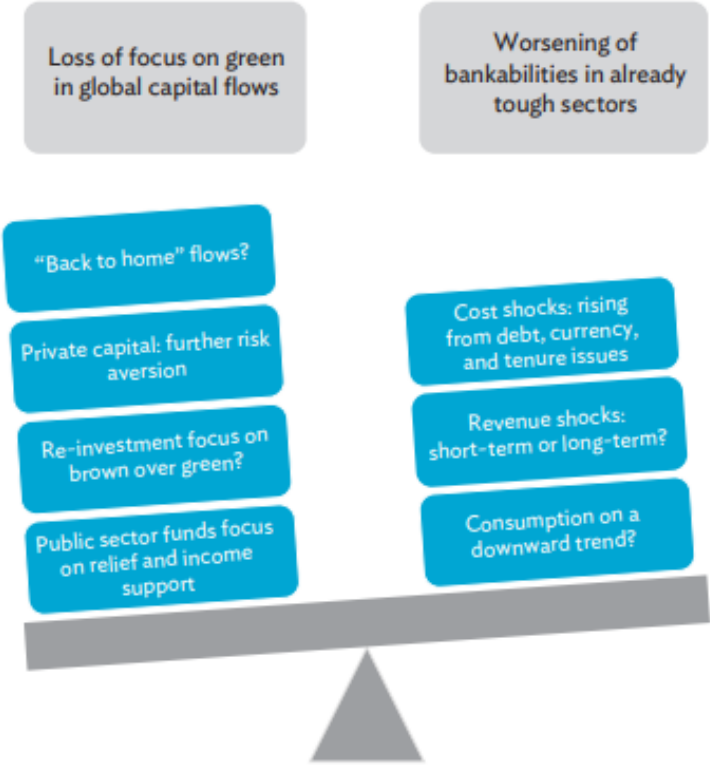
Support countries with green recovery financing strategies, capacity building & project concepts development

Thank You!

Green Finance Recoveries...already in progress



Challenges in Attracting Capital to Green Infrastructure



There are nine policy levers that governments can deploy to influence environmental outcomes

#	Policy levers	Description
1	Pricing of externalities	Pricing the environmental externalities of activities into market decisions (e.g., carbon taxes)
2	Financial support for green products and services	Provide loans and grants for products / services with environmental impacts (e.g., loans for energy-efficient retrofits in construction sector), disbursing public funds to private corporations after environmental actions are taken, and green public procurement
3	Catalyzing private sector financing	Mobilize private sector investments in areas with environmental implications (e.g., green financing approaches)
4	Investments in supporting infrastructure	Direct government investments in projects with specific environmental outcomes (e.g., renewable energy projects, mining activities)
5	Support for innovation	Finance development of new technologies with implications for the environment (e.g., R&D for electric vehicle deployment)
6	Addressing non-price market failures	Impose environmental standards and regulations (e.g., property rights) in specific industries or activities with environmental impacts, or their reversal (deregulation)
7	Behavioral change and skills development programs	Trigger behavioral changes (e.g., “nudge” policies to alter consumer preferences on sustainability) and create skills programs to build capacity for green projects (e.g., regenerative agricultural techniques)
8	New collaborations	Foster collaborations within industry or between industry and other actors (government, civil society etc.) to influence environmental outcomes
9	New information systems	Address information asymmetries by alerting businesses to risks, providing information to consumers, and driving transparency in environmental performance

The World Economic Forum identified over USD10 trillion of green growth opportunities globally by 2030, five of which are especially relevant to the focus countries

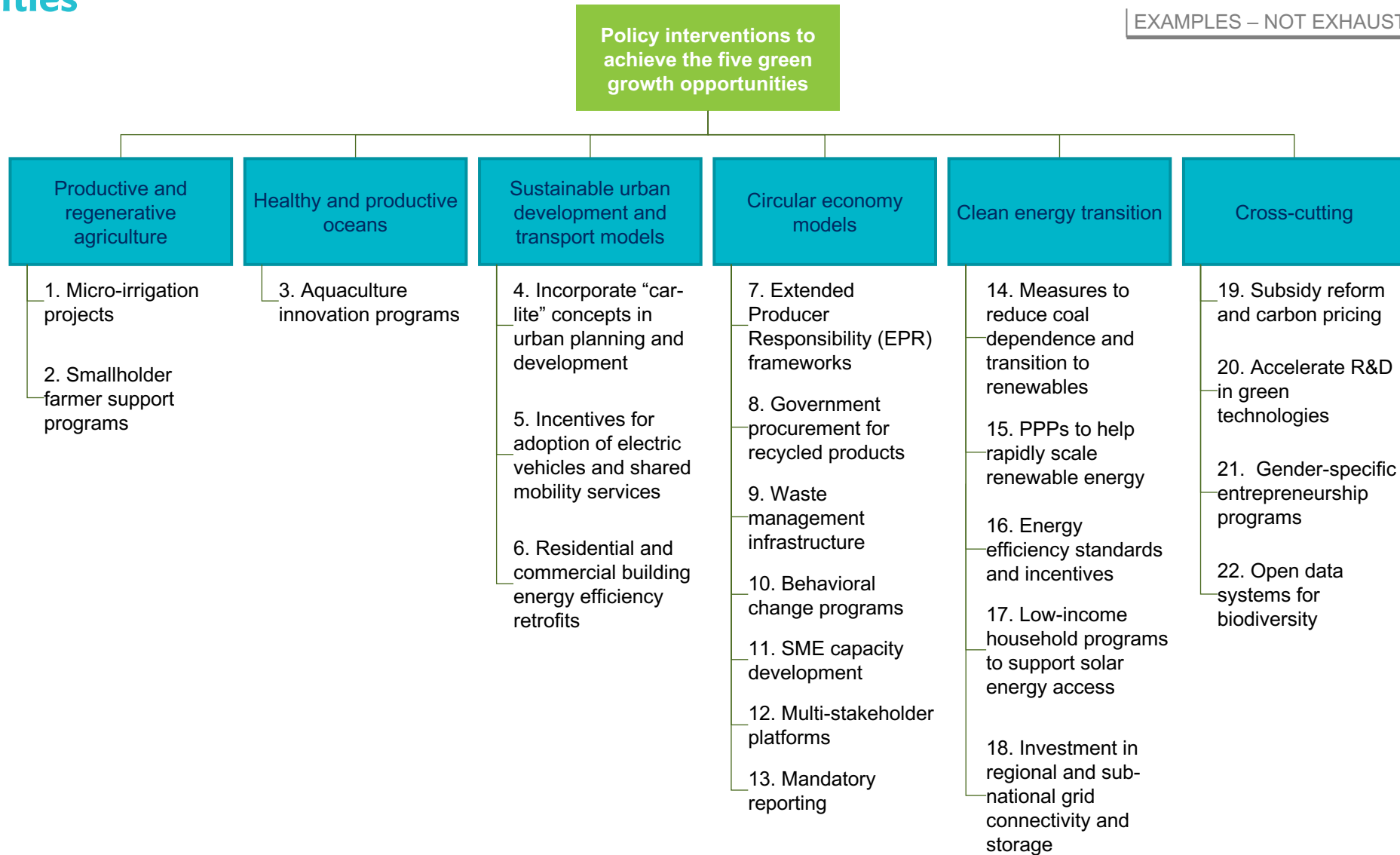
Relevance: Large Moderate Limited Prioritized opportunities

Green Growth Opportunities ¹	Cambodia	Thailand	Indonesia	Myanmar	Philippines
Food, land and ocean use					
Ecosystem restoration and avoided land and ocean use expansion	Large	Moderate	Large	Moderate	Large
Productive and regenerative agriculture	Large	Large	Large	Large	Large
Healthy and productive oceans	Large	Large	Large	Large	Large
Sustainable management of forests	Limited	Limited	Limited	Limited	Limited
Planet-compatible consumption	Limited	Large	Limited	Limited	Limited
Transparent and sustainable supply chains	Limited	Limited	Limited	Limited	Limited
Infrastructure and the built environment					
Sustainable urban development and transport models	Large	Large	Large	Large	Large
Nature-positive built environmental design	Moderate	Moderate	Moderate	Moderate	Moderate
Planet-compatible urban utilities	Moderate	Moderate	Moderate	Moderate	Moderate
Nature as infrastructure	Limited	Limited	Limited	Limited	Limited
Nature-positive connecting infrastructure	Moderate	Moderate	Moderate	Moderate	Moderate
Energy and extractives					
Circular economy models	Large	Large	Large	Large	Large
Nature-positive metals and minerals extraction	Limited	Limited	Limited	Limited	Limited
Sustainable materials supply chains	Limited	Limited	Limited	Limited	Limited
Clean energy transition	Large	Large	Large	Large	Large

1. Some of these green growth opportunities have been rephrased compared to their original wording in the World Economic Forum research in order to aid greater clarity in their scope.

Examples of policy interventions that could help capture the identified green growth opportunities

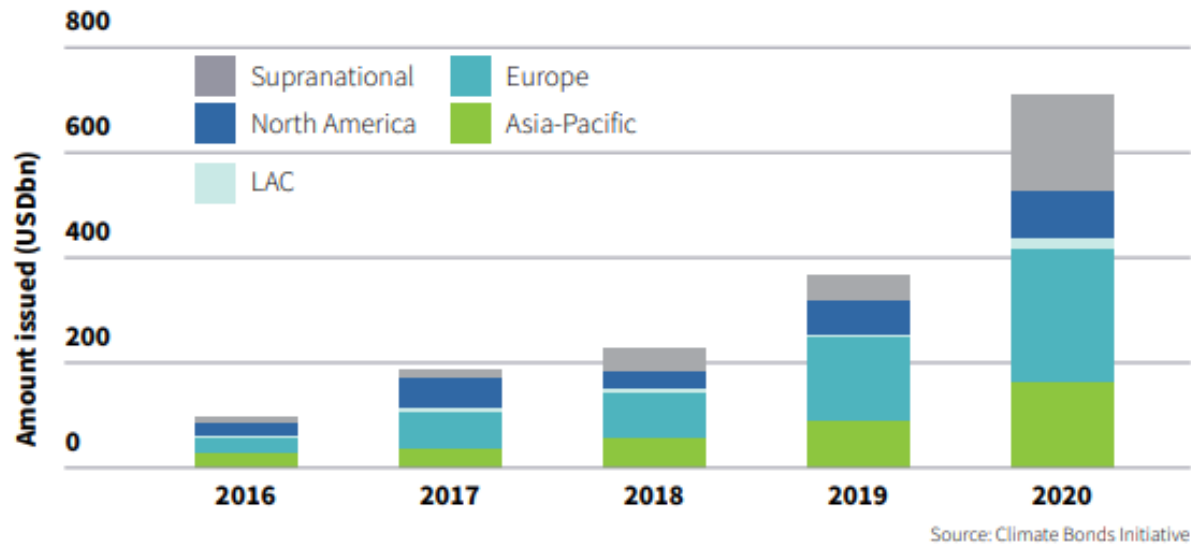
EXAMPLES – NOT EXHAUSTIVE



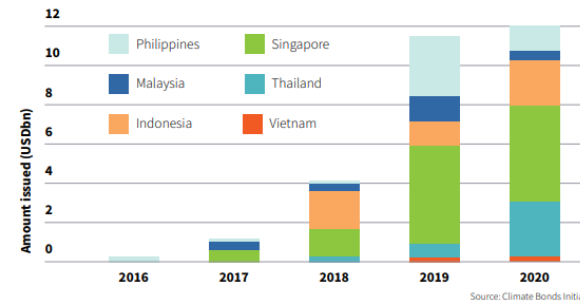
Green Finance for Post COVID Response: A Critical Way Forward

Green Finance: As a cross cutting theme, green finance provides a clear roadmap for countries to achieve their SDGs and Paris Agreement Goals...And green projects will attract private capital sources.

Asia-Pacific GSS issuance continues to grow, accounting for 23% of global issuance in 2020



ASEAN cumulative green, social and sustainability issuance by country



- ASEAN GSS issuance reached a record high of **USD12.1bn** in 2020, a 5.2% Y-o-Y increase from 2019. Cumulative GSS issuance in ASEAN since 2016 now stands at USD29.1bn
- ASEAN Green labelled theme continues going up, rising to **USD9.3bn** in 2020 and showing a consistent increase in terms of both instrument size and number of issuers.