ASIA LEDS PARTNERSHIP

Advancing low-emission, climate-resilient development across Asia

ACCESSING FINANCE
FOR GREEN GROWTH AND LEDS

Workshop Report

March 12-14, 2014 | Hanoi, Vietnam

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climate-resilient development a

The Asia Low Emission Development Strategies (LEDS) Partnership is a voluntary regional network comprised of individuals and organizations from the public, private, and non-governmental sectors active in designing, promoting, and/or implementing LEDS in Asia. It is one of three regional platforms of the LEDS Global Partnership, an initiative of more than 110 countries and international programs launched in 2011.

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A regional platform of the LEDS Global Partnership

LEDS GLOBAL PARTNERSHIP

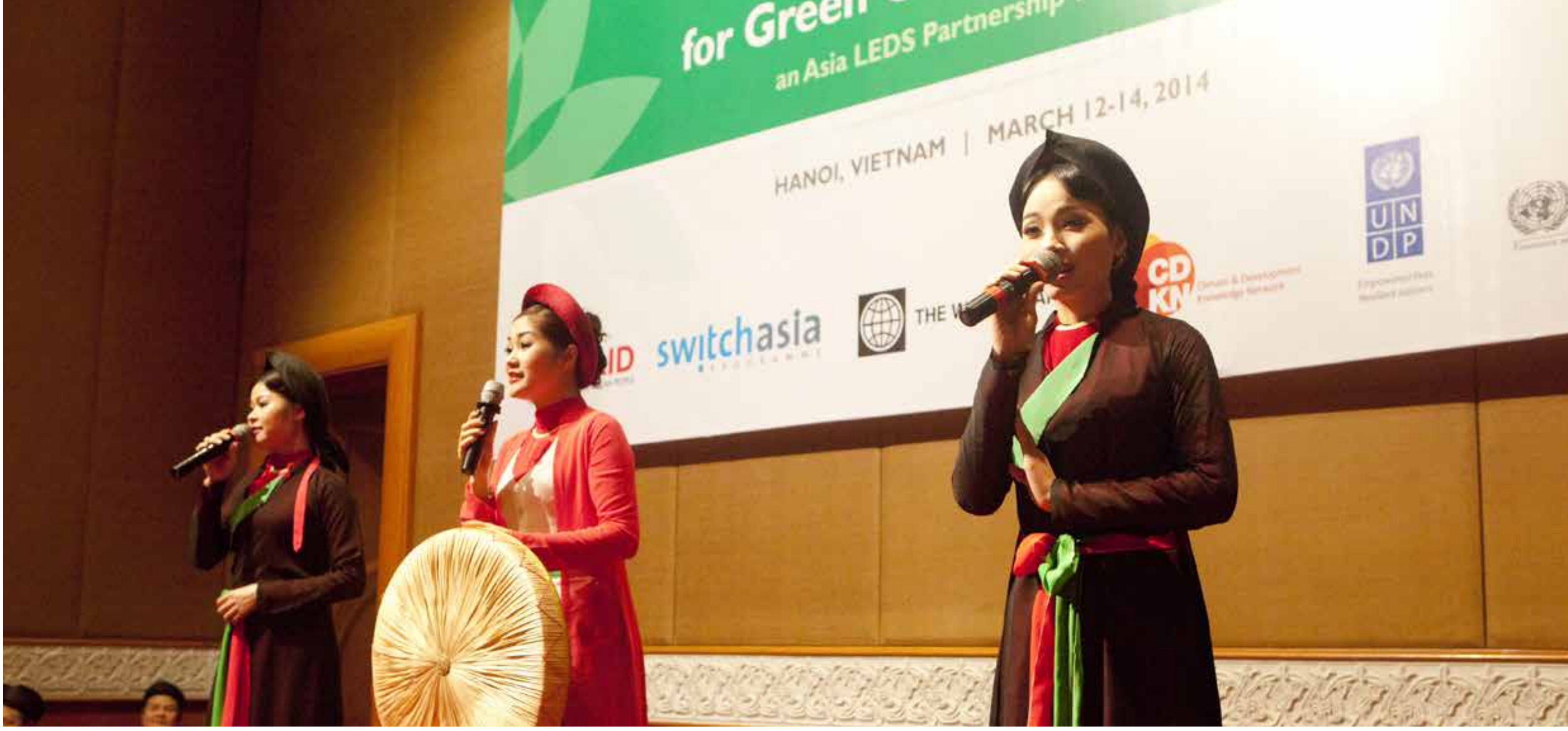

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TABLE OF CONTENTS

1. OVERVIEW AND OBJECTIVES

The ***Asia LEDS Partnership Workshop on Accessing Finance for Green Growth and LEDS*** took place March 12-14, 2014 in Hanoi, Vietnam. The event brought together approximately 150 government officials from Cambodia, Indonesia, Malaysia, Philippines, Singapore, Thailand, and Vietnam, as well as experts and representatives from global climate change funds, development organizations, state and private banks, and businesses.

The objectives of the event were to support learning and exchange on the challenges facing policymakers and implementers in accessing climate finance, and improve understanding of how to use climate finance to leverage resources to scale up implementation of low carbon and green growth strategies.

The workshop was hosted by Vietnam Ministry of Planning and Investment (MPI), with support from Asia LEDS Partnership members including the U.S. Agency for International Development (USAID), SWITCH-Asia Network Facility, World Bank, Climate and Development Knowledge Network (CDKN), United Nations Development Programme (UNDP), and UN Economic and Social Commission for Asia and the Pacific (UNESCAP). The U.S. Agency for International Development Low Emissions Asian Development (USAID LEAD) program, as Secretariat for the Asia LEDS Partnership, provided technical and logistical support.

This workshop was the second Asia LEDS Partnership event focused on climate finance, following a regional workshop in Manila in April 2013 to promote better understanding among officials from developing Asian countries, commercial bankers, fund managers, and green project developers on mechanisms to finance low-emission growth.

The Asia LEDS Partnership is a regional network that supports peer-to-peer learning, knowledge sharing, and improved coordination among governmental and non-governmental partners to help Asian countries achieve transformative, sustainable economic growth. It is one of three regional platforms of the LEDS Global Partnership.

A summary of proceedings follows. A list of participants, presentations, and other materials are available online at: http://asialeds.org/events/ALP-climate-finance-workshop-hanoi-2014.

Vice Minister Nguyen The Phuong of Vietnam's Ministry of Planning and Investment

2. WEDNESDAY, MARCH 12

OPENING AND WELCOME REMARKS

The workshop's opening address was delivered by Vice Minister Nguyen The Phuong of MPI, who said that, "Vietnam has developed a National Green Growth Strategy to improve people's living standards through employment in green industries, agriculture and services, investment in natural capital, and development of green infrastructure, and all of these investments will require funding from the government, non-state sector, and the international community".

Mr. Orestes Anastasia, Co-Chair of the Asia LEDS Partnership, emphasized that members of the Asia LEDS Partnership have consistently identified the topic of financing for LEDS and green growth strategies as a priority area for collaboration. The next two days are structured to update participants on existing and planned climate finance, and what is needed to access resources for green growth and LEDS activities. There will be time for open discussion that will provide a better understanding on all sides of actions that are required to increase the flow of funding towards green investment in Asia.

CLIMATE FINANCE AND NATIONAL CLIMATE FINANCE STRATEGIES

Basics on climate finance for green growth

Mr. Ari Huhtala of CDKN discussed the international landscape of climate finance, noting that the menu of financing options for green growth is growing, but so is confusion because different systems and criteria are in place for each option. Climate finance must involve ministries of environment, planning, finance, and sectoral ministries; parliamentarians; and nongovernment actors. Clear signals from government, direct public finance interventions, and enabling policy environments will help unlock private finance and direct their flow towards green growth investments.

Mr. Huhtala outlined a process of developing national finance strategies to enhance implementation of LEDS: 1) integrate low emission programs with national and subnational development priorities to build investor confidence, 2) use public finance and fiscal frameworks, and engage financial intermediaries to unlock investment opportunities, 3) use standard risk management approaches to unlock private capital for LEDS, and 4) effectively use international climate finance to bridge gaps.

FEATURE: Financing Implementation of the Vietnam Green Growth Strategy

Presented by Dr. Pham Hoang Mai of MPI

The Vietnam Green Growth Strategy (VGGS) aims to reduce greenhouse gas intensity, and promote green production and green lifestyles. USD 30 billion is needed by 2020 to meet goals. Mobilizing international climate funds as well as international and domestic investors is challenging.

Climate finance is well tied to policies. Vietnam is undertaking a Climate Public Expenditure and Institutional Review and has established a Climate Finance Task Force to recommend reforms needed to better mobilize and utilize financing from all sources. Vietnam is also formulating action plans and priority projects, developing market based mechanisms for financing green growth, strengthening fiduciary procedures for resource mobilization, creating a national Climate Finance Options database of funding sources, and formulating green investment guidelines for public investment.

A Green Growth Support Facility funded by the Government of Belgium was officially launched in October 2013 and will operate for 72 months to support implementation of the National Green Growth Strategy. Government investment and ODA will be used to catalyze private investment, and public private partnerships in infrastructure and power generation are also planned.

Photo: USAID LEAD Program 2014

Country Highlights on Financing Green Growth and LEDS

Cambodia: Approximately USD 250 million has been mobilized in the last 4 years to support climate change programs (mostly adaptation), with 80 percent of public funding being externally sourced. The Cambodia Climate Change Alliance (CCCA) allows pooling of funding to support national priorities, and will support 21 projects valued at USD 10.8 million during 2010-2014. Capacities are being developed for management of the CCCA Trust Fund. Guidelines are under development for integrating climate finance in subnational planning and budgets.

Indonesia: Indonesia seeks to reduce emissions by 26 percent by 2020 from business as usual scenarios, while maintaining at least 7 percent economic growth. Budget allocation for climate change is USD 16.59 billion over 4 years (2011-2014), with USD 9.67 billion allocated to mitigation activities, and the remainder to adaptation and supporting activities.

Malaysia: A number of programs are being implemented at the national level to support green growth, such as feed in tariff, Sustainability Achieved via Energy Efficiency rebate, Green Technology Financing Scheme, Low Carbon Cities Framework, and MyCarbon. Policy incentives include pioneer status, investment tax allowance, import duty and sales tax exemption, and income tax exemption. Iskandar region is undertaking comprehensive measures to develop as a green and low carbon region.

Philippines: A key activity undertaken by the Government of Philippines is identification, tagging, and prioritization of climate change related activities, to enable oversight and line department managers to track and report climate change expenditures. This process is led by the Climate Change Commission and Department of Budget and Management, but involves all instruments of the national government. Guidelines have been developed and are now in use for tagging mitigation and adaptation expenditures.

Thailand: Thailand's domestic climate finance includes annual government budget (2.7 percent of total budget is allocated to climate), the Energy Conservation Promotion Fund, the Environment Fund, carbon market mechanisms, tax mechanisms, and private banks. The Environment Fund size is USD 36 million in 2014, with 70 percent disbursed as soft loans to the private sector and 30 percent as grants to NGOs and communities for related projects.

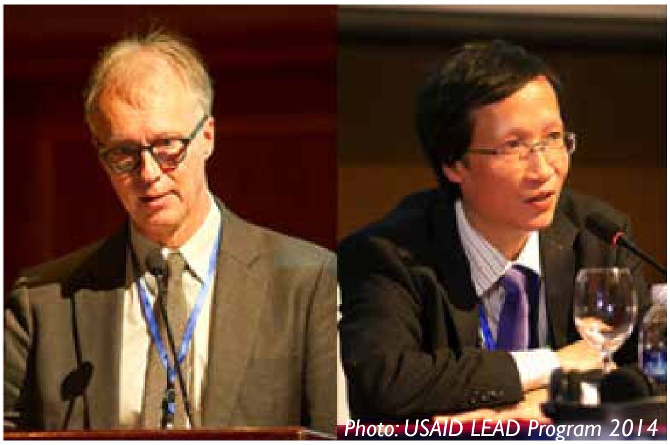
Q&A with the Lead Presenters

What is the biggest challenge you see for accessing climate finance, and how would you address that challenge?

Mr. Huhtala: How can we re-channel money towards climate compatible pathways? The challenge is not availability of capital, but perception of climate as a business opportunity is not clear in the business community. We must make this business case, rather than discuss subsidizing. We can build capacity to prepare bankable proposals that combine many sources of finance, where climate finance can be used to lower average cost to make an effort commercially viable.

Dr. Mai: Funds are available, but how can we develop bankable proposals? The biggest challenge is understanding the rules of the game. The Green Climate Fund should have USD 100 billion by 2020, but we do not know the rules and thus how we must prepare. We are working on a Green Growth Support Facility to build a track record and enable direct access. We would like to minimize dealings with multiple donors' required procedures, and prefer to work through a single channel.

Additional challenges shared by country representatives: Proliferation of sources of funding, low donor harmonization, and project-based approaches can generate transaction costs and sub-optimal alignment with national priorities, and can result in limited use of national planning and budgeting procedures. Also, there is a need for mechanisms to identify climate-relevant investments at an early stage, so that climate change can be considered in the design of these investments, and to monitor climate-related expenditures and their impacts.



Mr. Ari Huhtala of CDKN (left) and Dr. Pham Hoang Mai of Vietnam's MPI (right)

Vietnam classifies official development assistance (ODA) funds toward climate change, which is not the practice in all countries. Can you further explain this classification?

Dr. Mai: Our calculations are based on what we classify as a climate change project. ODA has played an important role but its nature has changed as Vietnam has developed. First, environmental and climate change related ODA mostly went to sewage and waste projects, and now it is directed towards technology transfer, pilot projects, and projects that can be bankable for the private sector. ODA can be a catalyst and leverage – reducing risks for banks to provide concessional loans for private sector to invest in green growth projects.

In Asia, AFOLU is often the largest emissions source. How do we generate low carbon development in this sector?

Mr. Huhtala: Funds for AFOLU are usually very different (e.g., REDD+). Nonetheless they are an integral part of the climate finance landscape and we should improve how well they are recorded.

Dr. Mai: In Vietnam, 30-40 percent of emissions are from agriculture. Differing emission sources require differing emission proposals. Mitigation measures include biogas or biomass based on agricultural substances; there are examples of private sector involvement in these areas. The government also has a program to change production patterns and to introduce watering technologies, but challenges to mobilize private sector are significant here.

ASSESSING FINANCING NEEDS TO SUPPORT GREEN GROWTH AND LEDS

Key questions: *What are approaches/methods for assessing green/climate financing needs? How can policymakers integrate analysis of financing needs with development of green growth strategies?*

Summary of Presentations

Mr. Andreas Karlsen, UNDP
Climate Public Expenditure and Institutional Reviews (CPEIRs) can assist governments to increase the efficiency of public resource allocation, utilization, and implementation of climate resilient and low-carbon development priorities. A CPIER provides an overview of climate change expenditures against policy objectives, sets a baseline and budget execution history against which future expenditures can be measured, offers a functional system to monitor and evaluate climate expenditures over time, enables better priority setting of resource allocations for climate activities, and is a foundation to establish a baseline and MRV framework for financial support for LEDS.

Ms. Anja Rosenberg, Climate Policy Initiative
Budget coding helps to link direct actions and indirect activities on the ground to national policy frameworks and climate finance. Budget coding methodology includes: setting a working definition for "climate finance," identifying activities in state budget that fall under this proposed definition, and confirming coding results with respective agencies. Budget coding activities undertaken in Indonesia revealed that 70 percent of climate finance is domestic financing, mostly invested in enabling environment and pro-development programs – showing integration of climate change policies with socio-economic policies, and accelerating implementation of climate activities.

Ms. Aditi Maheshwari, International Finance Corporation (IFC)
Designing a successful strategy for implementation should address both financing needs and associated actions critical to leveraging private investment for green growth. Case studies show that challenges are rarely purely financial, though financing is always part of the problem and the solution. IFC has seen that across regions, 62 percent of clean energy investment flows are private sector and 72 percent of that is domestic by origin. Factors for successful private sector market development include political will and commitment along with a supporting regulatory regime, commercial and financial drivers (e.g., banking sector interest), and involvement of the value chain (e.g., developers, suppliers).

Highlights from Discussion

Carbon taxes and carbon subsidies. Selected country representatives noted that a carbon tax is a sensitive issue as it can be viewed as capping growth of developing countries, and limiting choice of technology and development path. Thus it is important to carefully consider country context, and not impose overarching measures. Furthermore, there are many carbon subsidies in this region, which take many forms. Phasing out subsidies is very political, complicated, and country specific. Carbon taxes should not be discussed without first discussing carbon subsidies.

Appropriate policy instruments. There are many policy instruments, and no one solution. If only using one instrument, this usually does not fix the problem(s). We need to allow different policy instruments to address challenges in the context of countries, and try to learn and share on what works.

MOBILIZING CLIMATE FINANCE FOR SOUTHEAST ASIA

Key questions: *Where is the money? How much is available for whom? What is applicable for me?*

Summary of Presentations

Mr. Koos Neefjes, UNDP
Climate Finance Options is a global website that offers climate finance information. It is the most extensive searchable, online database with 74 in-depth profiles of climate financing sources, including eligibility guidelines and application instructions to access these funds. Case studies on innovative applications and how funds were utilized are included to inform new projects. A related, similar nationally managed website is being developed in Vietnam, and will be hosted in Vietnam, with country specific information.

Mr. Orestes Anastasia, USAID
The Fast Out of the Gate Report reviews over 200 climate change-related funds and financing mechanisms applicable to countries in South and Southeast Asia.
It includes a directory of over 40 public sector funds as well as private sector funds (e.g., asset management companies, private equity, public-private partnerships) with information on eligibility and application process. Trends observed include rising importance of climate bonds, opportunities presented in alternative assets, and growth in specialized climate banking.

Mr. Octavio Peralta, ADFIAP
Development finance institutions (DFIs) across Southeast Asia, or development banks, are a source of environmental financing to micro, small and medium enterprises and large projects to catalyze sustainable economic development. Climate finance is deemed both as a strategic and priority area by governments and DFIs have responded to this call mostly in the form of long-term lending programs (indirect/wholesale and direct/retail loans) and technical assistance. Examples are found in Brunei, Malaysia, Philippines, Thailand, and Vietnam.

Green Climate Fund (GCF) Secretariat
The GCF will aim for a balance between mitigation and adaptation funding, and will maximize engagement with the private sector, including through a significant allocation to the Private Sector Facility. In May 2014, the Board will decide on the remaining requirements for resource mobilization to allow the GCF to receive, manage, program, and disburse funds.

Highlights from Discussion

Comparing climate "unfriendly" financing with current climate financing levels. Participants exchanged ideas on whether current climate financing is balancing business as usual investment, such as in fossil fuel development. Energy subsidies are seen as one of the biggest hurdles towards green growth globally, but they are very concentrated in countries with fossil fuels. Subsidies do exceed climate finance, so more money is going into pollution. This is a complex situation as subsidies may be driven by good reasons (e.g., access to affordable energy). Work in subsidy reform is taking place in many countries.

Attracting private funding. The Fast Out of the Gate report noted that India by far was most successful in mobilizing or attracting private sector investments, followed by Thailand. Possible success factors might include high awareness of private sector banks and investors; high capacity to develop project proposals that meet fund requirements; full pipeline of bankable climate finance projects; and effective policy, regulatory, and market mechanisms.

Minimizing impacts of business as usual investments of DFIs. Many development banks in the region, such as those that are members of ADFIAP, have environmental policy statements, perform environmental due diligence when assessing project impacts, and have sustainability reporting under a global reporting initiative. ADFIAP also offers training manuals on greening investment for bank board of directors and loan officers to raise awareness and encourage action on these topics.

IN-DEPTH REVIEW OF SELECTED CLIMATE FINANCE OPTIONS

These sessions responded to interest of participants to learn about funding sources that they can access to support green growth plans. Presentation content focused on eligibility requirements, application guidelines, and tips for preparing proposals for submission. Finance options presented follow.

NOTE: *Presentations are not summarized below as all information shared is likely of interest to potential applicants. Please refer to full presentation materials at http://asialeds.org/event-presentations/ALP-workshop-hanoi-2014. Only hyperlinks to fund information are provided here, for reference.*

Climate Investment Funds
- Clean Technology Fund (CTF)
- Pilot Program for Climate Resilience (PPCR)
- Forest Investment Program (FIP)
- Scaling Up Renewable Energy in Low Income Countries Program (SREP)

The NAMA Facility
- New! Second Call for NAMA Support Project Outlines now open. Proposals due July 15, 2014. Please see: http://www.nama-facility.org/news.html

Global Environment Facility (GEF) Administered Funds
- GEF Trust Fund
- Least Developed Countries Fund (LDCF)
- Special Climate Change Fund (SCCF)
- Nagoya Protocol Investment Fund (NPIF)
- The Adaptation Fund (AF)

Financing Green Investment of SMEs
- SWITCH-Asia Programme
- Private Financing Advisory Network–Asia (PFAN-Asia)
- Green financing credit lines for SMEs implemented by private banks

Photo: USAID LEAD Program 2014

3. THURSDAY, MARCH 13

FINANCE CLINIC: TABLE DISCUSSIONS

This session of the workshop was very interactive, and designed to enable open, in-depth discussion. During the first half of this session, participants representing a country formed "country tables". Resource persons from the region and globally filled the remaining seats at the country table. The primary objective of this session was to allow country representatives to ask questions tailored to their context, and for resource persons to offer their perspective in response.

In the second half of this session, organizers selected eight questions most commonly asked by attendees (based on pre-workshop communication), to form "topic tables". Participants selected which topic they wanted to explore and joined that table. The primary objective was to allow all participants to ask questions of country peers and resource experts, with focus on sharing experiences, challenges, and possible ways forward. Views shared by participants at each table are highlighted below.

THAILAND: At the Thailand table, the key question raised by representatives was whether international support for green growth is available for local communities, and how local entities can access international funds to support mitigation actions. Thailand is also exploring a "Low Carbon City Fund" and is seeking seed funding, which would support small-scale mitigation actions such as building energy efficiency upgrades.

Resource persons highlighted many available instruments. For example, IFC's Municipal Fund and related mechanisms enable independent access to finance (lending or guarantees) by sub-national entities. Additional instruments include domestic (public and private) and international financing targeted to SMEs – many of which have been shared during this workshop. Finance options will differ based on size and scale of the intended mitigation action, but options are available.

Table Topic	Highlights from Table Discussions
Table 1: How can national governments improve readiness to access and use climate finance to further green growth implementation? (Group A)	
Examples and Experiences	Table discussants noted that national budget tagging is an important part of the readiness agenda in order to demonstrate that countries are taking action in increasing national climate finance and making a case for international funds. Experience with international funds has largely been through intermediaries (and not through direct access).
Challenges and Barriers	Capacity to understand funds that are available, and particularly to formulate bankable investment proposals for international funds, must be strengthened.
Ideas, Approaches, and Possible Ways Forward	Many countries have not started the process of identifying national designated authorities and national implementing entities for the GCF to allow direct access once the GCF is operational, and may need support in preparing local institutions for this task.

Table 2: How can national governments improve readiness to access and use climate finance to further green growth implementation? (Group B)	
Examples and Experiences	**Cambodia:** Climate change is being mainstreamed into national development strategies and the CCCA Trust Fund has been established. **Philippines:** The national government is mainstreaming climate change action plans into sectoral strategies. The Development Bank of the Philippines and Land Bank have investment profiles for energy efficiency and renewable energy. **Vietnam:** A Climate Finance Task Force is assessing financial architecture in the country to report to the Prime Minister with recommendations. Government is removing energy subsidies and is developing feed-in tariffs for financing renewable energy programs. To develop capital markets, issuance of green bonds is in process as well as engagement with the stock market. Long-term incentives are in place to support SMEs, which often are not able to develop a sound business plan. Indicators support implementation.
Challenges and Barriers	• Integration of climate change and green growth considerations into initiatives is a continuing challenge, despite mainstreaming efforts. • Local banks often lack experience and are hesitant to takes risks for funding new products. High rates of private banks that do lend to SMEs make offerings inaccessible; intermediate banks may be needed.
Ideas, Approaches, and Possible Ways Forward	• Share success stories and scale up successes. • Develop and strengthen capacity of SMEs via long term policies and institutional support. Explore clustering and applying for funding or loans as an SME consortium.

Table 3: How can subnational governments improve readiness to access and use climate finance to further city/provincial green growth projects?	
Examples and Experiences	**Iskandar, Malaysia:** Iskandar region has a comprehensive development plan and a target of reducing emissions by 50% by 2025. The regional development authority has a staff of 180 persons, and is funded by the national government. Some project financing has been secured from Japan, to fund energy audits and changes in manufacturing processes. **"Low Carbon Cities," Thailand:** Through the World Bank Partnership for Market Readiness program, Thailand is embarking on low carbon programs in 32 cities. Work will include readiness to access carbon finance and carbon credit streams. **Ben Tre, Vietnam:** Ben Tre Province has five-year plans to guide development. The climate-related priority is addressing salinity intrusion that will harm the rice sector. Sixty percent of budget is from the national government, with the remaining share as self-funded; most donor projects must filter through the national government. Techniques to attract private investment include free land and duty exemptions.
Challenges and Barriers	• The time to coordinate with donors through the national government can be lengthy. • Low capacity for reading and writing English–needed for interacting with and preparing proposals for international funders–limits participation in donor training programs. • When public-private partnerships are employed, subnational governments are at a disadvantage to private companies in reviewing proposals, negotiating agreements, and overseeing implementation.
Ideas, Approaches, and Possible Ways Forward	• Need for donor-funded support to build capacity to write proposals for funding low carbon programs (and good sample proposals). • New modalities are needed to support small-scale subnational projects, and mechanisms are needed for funding and disbursements to subnational governments to avoid delays of working through national governments. • Any approach should take into account diversity and scale.

Table 4: How can SMEs improve readiness to access climate finance to improve their operations, invest in green technology, and enter new business areas?	
Examples and Experiences	**Malaysia:** GreenTech Malaysia's Smart Partnership program **Philippines:** Bank of the Philippine Island's SME tailored programming **Regional**: EU's SWITCH-Asia programme, World Bank Group's "Scaling up crowdfunding for sustainable business"
Challenges and Barriers	• SMEs are not aware of opportunities which are available for them, which can result in the lack of lending or investment pipeline. • SMEs lack capacity to fulfill the requirements outlined by commercial banks or other institutional investors. And, banks lack capacity to translate green opportunities into bank offerings to SMEs. • SME related lending or investment is with higher risk than other investment opportunities. SMEs which are able to access finance from banks often must pay high interest rates which become a barrier for them to survive or scale-up. • SMEs lack capacity to provide data in the format which is required by donors or banks. Due to lack of harmonization of requirements, capacity built by one program will not reduce learning costs for another program for the same SME.
Ideas, Approaches, and Possible Ways Forward	• Partnership is a critical element to translate challenges into opportunities. • Consider undertaking a study on SME engagement best practices to help identify gaps and solutions which have been tested by others. • Crowdfunding and other innovative financing mechanism may help to remove several key barriers. Further study and/or pilot innovative mechanisms that can be scaled up.

Table 5: Promising domestic policy instruments to leverage private climate finance	
Examples and Experiences	**Canada:** Carbon subsidy reductions, politically enabled by tax shifts **Germany:** Feed in tariffs, in combination with credit lines for consumers via KfW
Challenges and Barriers	• How do we get the private sector on board to support implementation? • How can we make ODA and climate finance available to the private sector? • How do we ensure credibility of auditing programmes?
Ideas, Approaches, and Possible Ways Forward	• Consider credit lines that are issued by state-owned banks and marketed by partnering commercial banks (e.g., KfW's energy efficiency and renewable energy credit lines in Germany). • Engage sector associations in cooperation. • Promote cooperation between ministries, associations, and private sector certification companies to introduce standards (e.g., Sustainable Building Interior Renovation and Decoration Initiative in China).

Table 6: NAMAs: Development and financing options	
Examples and Experiences	The table observed that NAMAs must be ambitious and transformational, have a sectoral approach, include innovative financing ideas, and be inclusive.
Challenges and Barriers	Discussants from Vietnam noted that in Vietnam, the main challenge is a relative lack of ambition in the NAMA ideas being discussed by stakeholders. A second challenge is lack of cooperation among ministries – or even departments within a ministry.
Ideas, Approaches, and Possible Ways Forward	For a NAMA to work there must be a local champion who will help push the idea forward. This can be anyone, but the person must have sufficient institutional influence.

Table 7: Financing sources and/or strategies for energy-related low-emission programs/ projects (e.g., energy efficiency, renewable energy, product labeling)	
Examples and Experiences	**Malaysia**: The national government currently funds green technology pilot projects, and is working to shift this leadership role to local authorities. **Philippines**: Development banks are active in this space, such as through offering loans to 14 accredited ESCOs, aligning with the national mitigation roadmap under development.
Challenges and Barriers	• Cost considerations often trump energy efficiency goals (e.g., Vietnam often imports second hand equipment which may be economical but inefficient) • Lack of research and development on green technology options • Need for follow-on financing after a pilot project's success • Lack of harmonization in the region as energy efficiency laws do not exist in all countries and ISO does not have an energy efficiency standard, among other factors • Lack of funding and capacity for advocacy on the above issues
Ideas, Approaches, and Possible Ways Forward	• Regional energy efficiency labeling program • Minimum energy performance standard • ASEAN as a forum to progress ideas

Table 8: Financing sources and/or strategies for agriculture and forestry-related low-emission programs/projects	
Examples and Experiences	**Indonesia**: The Trust Fund for REDD+ in Indonesia (FREDDI) is a fund that invests in other funds. The funds underneath FREDDI (i.e., subsidiary funds) can be special-purpose vehicle companies, fund managers, or collective investment agreements. These subsidiary funds can form joint ventures with other funds or other companies to use it as disbursement vehicles and as leverage to mobilize other funds.
Challenges and Barriers	• Diversity of funding sources and difficulty in identifying partners is a challenge. • Funding for agriculture and forestry related low-emission projects is not sufficient for what is required. • Project-based approaches are often unsatisfactory, as activities that are needed to reduce emissions in this sector relate to enabling policies, or because projects do not have revenue streams (e.g., sale of electricity in renewable energy projects) other than carbon revenues.
Ideas, Approaches, and Possible Ways Forward	Practitioners should identify potential funding sources with focus on those capable of delivering finance at scale and which are consistent with national strategies. Then, analyze characteristics and expectations of those sources to create proper fundraising and disbursing mechanisms at the national level (e.g., budgets, national funds, markets).

DESIGNING NATIONAL CLIMATE FUNDS

Key questions: *What are country experiences with trust funds and other dedicated mechanisms for climate financing, and under what conditions do these work?*

Summary of Presentations

Ms. Syamsidar Thamrin, BAPPENAS, Indonesia

The Indonesia Climate Change Trust Fund (ICCTF) pools and aligns public and private domestic resources to support a portfolio of programs, and will act as a financial portal to receive and distribute international funds. It has successfully funded strategic pilot projects resulting in significant improvements in addressing mitigation and adaptation. ICCTF is now transitioning to become a self-managed national trust fund with full accreditation and in compliance with international fiduciary standards, towards becoming a National Funding Entity for direct access. One of the most important factors for readiness is an Enterprise Resource Planning software system to facilitate tracking and reporting. Future goals include involving more stakeholders in project implementation and co-financing.

Mr. Ari Huhtala, CDKN

Rwanda's National Environment and Climate Change Fund (FONERWA) facilitates direct access to climate finance and streamlines external aid and domestic finance. FONERWA's structure and fiduciary mechanisms are aligned with the requirements of international investors, winning donor confidence. Challenges include insufficient number of high impact projects, higher than expected volume of proposals received, and ensuring sustainability of funded projects. South Africa's National Green Fund offers another example on fund design.

Ms. Berta Pesti, UNDP UN-REDD

A South-South knowledge exchange on national REDD+ fund design offers opportunity to learn from experiences of Indonesia, Vietnam, and countries in Latin America and Africa. Early lessons include use of results based payments, funding diverse activities (not only project level crediting or accounting), and leveraging multi-stakeholder decision making for funding allocation and implementation. The UN-REDD Programme offers assistance in designing national REDD+ fund management arrangements and supports fund operation.

Highlights from Discussion

All questions during this session were directed at Ms. Thamrin, showing strong interest from country peers in learning from Indonesia's experience on this topic.

How does ICCTF evaluate a project and who are its target beneficiaries?

Ms. Thamrin: For mitigation projects, the main evaluation criterion is emission reductions. For adaptation projects, it is more challenging to develop criteria for evaluation as the threshold for success is subjective. ICCTF is open to receiving proposals from government, communities, private sector, and other stakeholders. No proposals from the private sector have yet been submitted, though some projects do benefit the private sector. ICCTF is striving to show transparency and fairness in its review processes. An independent consultant serves as the first level reviewer of a proposal (by technical area) and a panel serves as second level reviewer to confirm findings from the first level review.

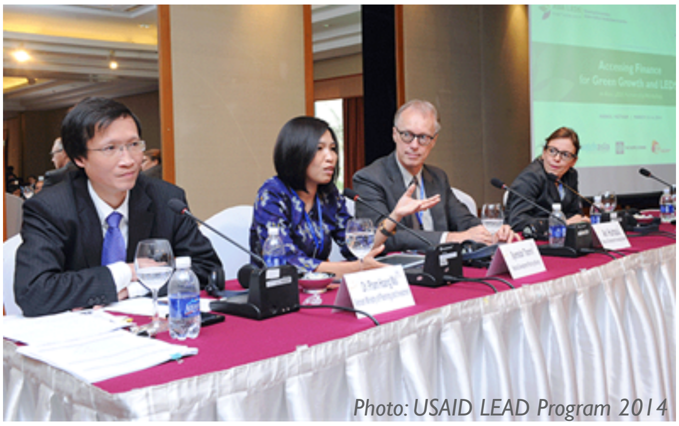


Photo: USAID LEAD Program 2014

Ms. Thamrin responded to questions on establishing the ICCTF. "We hope to continue to have a forum for South-South exchange, much like this discussion," said Dr. Mai who was moderating the session. "Many countries in this region envision creating national funds similar to ICCTF, and would benefit from more exchanges like this."

What is the relationship of the ICCTF and GEF in Indonesia?

Ms. Thamrin: The Ministry of Environment serves as the GEF focal point, and GEF funding is primarily directed at preparing National Communications and other environmental issues. The main purpose of the ICCTF is to coordinate all climate finance and facilitate direct access. There is synergy, but not overlap, between GEF-funded projects and those funded by ICCTF.

Can you elaborate more on Indonesia's pilot projects on peat lands?

Ms. Thamrin: Indonesia has used peat land for farming for hundreds of years, but frequent forest fires have emerged only in the last decade. Our pilot projects are 5 hectares each, and we have introduced simple technologies to maintain water levels and discourage owners from using chemical fertilizers. Pilot areas are better protected from forest fires, compared to surrounding areas. We hope these pilots will prove that these approaches are working, so that measures may be rolled out nationwide as policy, under the Ministry of Agriculture.

LEVERAGING PRIVATE SECTOR FINANCING : RISK MITIGATION INSTRUMENTS TO MOBILIZE PRIVATE FINANCE

Summary of Presentations

Dr. Romel M. Carlos, IFC
IFC mobilizes and catalyzes private sector finance through its advisory services and investment involvement in climate change mitigation projects in Asia.

Mr. Syed Ahmad Syed Mustafa, GreenTech Malaysia
Malaysia's Green Technology Financing Scheme (GTFS) promotes green investment by providing easier access to financing and at lower costs. GreenTech Malaysia reviews and certifies project proposals, which then seek financing from among the 22 participating commercial and Islamic banks and DFIs. The Credit Guarantee Corporation administers guarantees and rebates on financing interest rate to participating financial institutions. GTFS has catalyzed RM 3.45 billion in green investments, created over 1,800 green jobs, and resulted in an emission reduction of 1.97 MTCO2e annually, as of February 2014.

Ms. Jessica Robinson, ASrIA
Governments can take many approaches to incentivize the investment industry to rapidly expand and scale-up investment in green growth opportunities. Through financial market reform, policymakers and regulators have the opportunity to create domestic enabling conditions that can incentivize private sector participation in financing transition to climate-resilient, resource-efficient economies. Financial market reform is underway in many Asian countries and policymakers are seeking tools and mechanisms to support this.

Mr. Dan Potash, USAID PFAN-Asia
Proponents of clean energy recommend that countries adopt favorable policies that create a positive enabling environment. Statistical analysis of 12 countries in South Asia and South East Asia shows that such policies have led to measurable achievement in clean energy projects built.

Highlights from Discussion

Predictability is needed. Projects, investors, and financing are available, but do not flow due to uncertainly. Rules are needed, and the rules must not change. Predictability and long term security for investment are among factors that governments can help to provide to attract the private sector. This is required for transformational change.

Make the business case. The group noted that key success factors to involve the private sector include clear expected returns to the investor, and a clear business case which must have a commercial structure that makes the proposition replicable.

Streamline processes. In areas such as renewable energy, an obstacle oft noted by the private sector is that many agencies require their attention. These agencies have conflicting guidelines and policies that a prospect investor must navigate. Governments can streamline processes to enable greater ease of investment and promote transparency.

Trends towards greater transparency. Research shows that companies with environmental social governance (ESG) reporting are better financial performers in the stock market, demonstrating tangible financial returns. The Carbon Disclosure Project (CDP) is a voluntary reporting mechanism intended to introduce transparency and influence investor decisions. But CDP is one of many such schemes, and intended effects may be limited as the investment industry may see participation as a "check box" exercise rather than to control risk. Drivers for greater change include mandatory disclosure via policy or via involvement of stock exchanges. Teams working on ESG within companies are small and focused on compliance, and do not always transfer these ideas down the supply chain.

LEVERAGING PRIVATE SECTOR FINANCING: NEW GREEN INVESTMENT OPPORTUNITIES: A FOCUS ON SMEs

Summary of Presentations

Dr. Uwe Weber, SWITCH-Asia Network Facility
Green financing programs should aim at greening existing SME investment funds and credit lines instead of launching new, parallel green credit lines. SMEs are the backbone of Asian economies and would rather invest in operations, new machinery, buildings and vehicles. Investment to improve environmental compliance currently plays a very minor role.

Ms. Corazon Conde, SMART Cebu Project
A platform for networking among SMEs, financial institutions and other stakeholders is needed to connect ready projects with financing. The SMART Cebu project aims to facilitate the production of eco-friendly home and lifestyle products, and has engaged local banks to develop green finance credit lines for SMEs. One useful approach was to hold deal flow/matchmaking sessions where SMEs presented their proposals and loan requirements to banks for possible financial closure.

Mr. Xiaochen Zhang, The World Bank
Potential to leverage alternative finance from crowdfunding for climate actions is significant. SMEs have high potential to foster green economy development in urban informal and rural sectors, but discussion on direct access by SMEs has received little attention. Crowdfunding is spreading, with market potential of up to USD 96 billion per year by 2025 in developing countries. It can help fill the gap where public agencies lack business models to scale-up micro-level impact with public resources.

Ms. Aneta Nikolova, UNESCAP
There are innovative means of financing SMEs to support resource and carbon efficiency measures, while engaging private investors through capital market mechanisms. These include environmental tax reform, environmental fiscal reform (e.g., removing harmful subsidies), as well as green financing trends such as responsible investment and sustainability indices.

Highlights from Discussion

Financing for SMEs. Panelists agreed that financing options to green SMEs are available but require better coordination and innovative approaches from all actors so that their potential can be fully harvested. For example, crowdfunding is an option, but the cap is USD 1 million and project owners or developers must meet many specific criteria and requirements.

Guidelines for accessing funds for SMEs. Audience members noted that developing countries (national and local government entities as well as enterprises) need guidelines for developing projects and accessing funds. Panelists noted that in reality, each fund has different requirements. So while there are guidelines for specific funds, it is difficult to create guidelines that apply to all funds. There was agreement that the international community must simplify procedures for various international climate funds.

MONITORING AND EVALUATION OF CLIMATE FINANCE

This final session clarified fundamentals of monitoring and evaluation (M&E) in climate finance. Session leader Dr. Christine Wörlen of Arepo Consult highlighted the motivations for M&E (i.e., accountability, managing for results, learning) and noted particularities of climate finance M&E, including the challenge of feeding into the M&E policies of various co-financing agencies, complex mixed projects, and the need to measure GHG emission reductions. Dr. Wörlen explained the new trend toward measurement, reporting, and verification (MRV), which will lead to more standardization of indicators.

Photo: USAID LEAD Program 2014

Members of one group share the results from an exercise on clarifying project objective and logic, a needed first step in developing an M&E framework.

Dr. Wörlen introduced the concept of a "results chain," which forces a policy or program designer to formulate clear objectives and intermediate objectives of the intervention, and link them to the actual elements of the intervention. Participants formed groups to complete a hands-on exercise on preparing M&E frameworks while designing green growth finance projects, programs, or policies. All groups formulated a results chain, and some groups began the next step of developing possible indicators. Dr. Wörlen then shared typical indicators of climate finance projects (e.g., GHG emission reduction, mitigation related indicators, non-climate related indicators), noting best practice and the most common pitfalls of indicators using case study examples.

4. NEXT STEPS

CLOSING REMARKS

The Co-Chairs of the Asia LEDS Partnership, Dr. Doddy Sukadri and Mr. Orestes Anastasia, thanked the hosts, sponsors, and participants for actively engaging throughout the workshop. *The Co-Chairs hoped that participants, as a community, can help identify ways to continue this exchange, whether through in-person or virtual mechanisms to enable more frequent interactions.*

Ms. Nguyen Thi Dieu Trinh of MPI, Vietnam's representative on the Asia LEDS Partnership Steering Committee, observed that more individuals from ministries of planning, finance, and sectoral ministries have become engaged in the Asia LEDS Partnership since its launch in September 2012, signaling higher awareness and focus on green growth and LEDS. *Ms. Trinh encouraged all to engage even more stakeholders – from companies to stock exchanges to SMEs – to help bridge the gaps in demand and supply with actions to improve the enabling environment needed for green growth.*

Mr. Ari Huhtala of CDKN, who is one of the leaders of the Finance Working Group of the LEDS Global Partnership, commended participants for taking discussions beyond basic awareness during the workshop. *The Finance Working Group is looking for a "champion" from Asia to help guide its actions, and interested individuals can contact Mr. Huhtala.* He has also shared this workshop's content with peers in Latin America in Africa to encourage them to pursue a similar course as this group has done.

Dr. Pham Hoang Mai of MPI stated that each country has unique challenges and may be at a different stage of pursuing green growth, but that all can learn from each other. Workshops such as this enable sharing of experiences – which benefits not only developing country peers but also donors, who can better understand the context and supply more targeted services as a result. *Dr. Mai urged participants from each country to return home from this workshop and develop an action plan on what must be done in their context, as well as what learning and sharing can help to achieve those targets.* Dr. Mai hoped that this community can meet periodically to update each other on progress, review how much and what sources of climate finance that each member has accessed, learn as a region, and strengthen practical skills that will benefit the group in the near and far future.

POTENTIAL FOLLOW-UP ACTIVITIES

Based on discussions and dialogue among participants, and responses in the workshop evaluations, possible follow up activities to be undertaken by the Asia LEDS Partnership may include:

- Organizing a series of web-based sessions to offer guidance or best practices on preparing project proposals for specific funding sources, based on proposals of approved/funded projects.
- Hosting training on practical approaches and skills related to climate finance, such as on M&E frameworks or other cross-cutting topics.
- Developing case studies or briefs on how country climate-related funds are structured, successes in private sector engagement, or other topics.
- Considering virtual mechanisms to enable regular peer knowledge sharing on financing implementation of green growth strategies and LEDS.
- Holding follow-up, in-person meeting to update the community on progress, innovations, and lessons learned.

Please submit additional suggestions and ideas to the Asia LEDS Partnership Secretariat via email at secretariat@asialeds.org. The Asia LEDS Partnership Steering Committee will draw from the above observations and other inputs received to formulate plans to continue to respond to member interests related to finance for green growth and LEDS in Asia.

RESOURCE: The LEDS Global Partnership Finance Working Group

This working group provides financing technical assistance and matchmaking, training on readiness and financing strategies, and case studies of financing approaches. A virtual, no-cost **LEDS Expert Assistance for Finance** service is available to all developing country representatives who have questions related to financing LEDS plans and implementation.

Learn more at http://ledsgp.org/Finance/Work-Space

5. SIDE SESSIONS ON FRIDAY, MARCH 14

SWITCH-ASIA NETWORKING MEETING
CLIMATE AND GREEN GROWTH FINANCE FOR SMEs

The SWITCH-Asia Network Facility hosted a networking meeting for SWITCH-Asia projects from Vietnam, Cambodia, Laos, and the Philippines to exchange experiences on green financing. Obstacles in SME access to green finance identified were: low market pull for sustainable products combined with strong price pressure on SMEs through unsustainable low-cost products; low level of trust of SMEs in business associations; and lack of bankability of SMEs and low capacity to deal with loan applications. Discussions focused on cross-cutting issues that influence successful project implementation and sustainability.

More information: http://www.switch-asia.eu/news/switch-asia-networking-event-in-vietnam/

WORLD BANK DEEP DIVE
LOW EMISSIONS DEVELOPMENT AND GREEN GROWTH IN SOUTH EAST ASIA: FROM INVESTMENT PLANNING TO POLICY IMPLEMENTATION

Following the main workshop, the World Bank team delivered a one- day training session on "Investment Planning and Policy Instruments for Low Carbon Growth". The workshop served as a platform for an in-depth discussion and analysis of policy instruments that can help countries to advance their low carbon growth strategies. Participants identified the opportunities and challenges of different policy instruments in their specific country contexts. Although best practices exist, the choice of a policy instrument (e.g.. voluntary approaches, performance standards, taxes/fees, subsidies, trading) should take into consideration **country specific circumstances.** A complementary mix of instruments is often the most suitable option for a country to pursue.

6. WORKSHOP EVALUATION RESULTS

Forty-five (45) participants completed the evaluation form for this workshop (March 12-13 only). A summary of responses is categorized in this section.

Was the workshop title accurate, and were your expectations met in terms of technical content shared?

Eighty-four percent (84 percent) of respondents felt that the workshop title was accurate, and met their expectations in terms of content shared. Of the remaining respondents, the most frequent comment was that content could have focused more on "how to access resources" in practice.

How useful were sessions for your work?

A majority of respondents felt that all sessions at the workshop were "very useful" for their work.

Session	Not at All	Somewhat	Very
Topic 1: Climate finance and national climate finance strategies	0	13	32
Topic 2: Assessing financing needs to support green growth/LEDS	2	17	26
Topic 3: Mobilizing climate finance for Southeast Asia	0	14	31
Topic 4: In-depth review of selected climate finance options	0	11	31
Finance clinic: Table discussions	0	10	31
Topic 5: Designing national climate funds	0	16	24
Topic 6: Leveraging private sector financing	3	11	26
Topic 7: Monitoring and evaluation of climate finance	0	17	27

Photo: USAID LEAD Program 2014

What learning format did you find was the most effective?

While participants found most sessions "very useful" for their work, respondents favored the "table discussion" format used on March 13, with seventy-four percent (74 percent) of respondents indicating that this learning format was the most or one of the most effective techniques used. Other formats leveraged included: plenary sessions, open networking time, and concurrent sessions.

How do you plan to apply lessons you learned and new resources and services that you became aware of during this event to support green growth and LEDS finance in your country?

The next steps in application most frequently indicated by respondents were to:

- Share information gained and lessons learned with peers and other agencies involved in climate finance, green growth, and LEDS
- Inform stakeholders (including own organization) on sources of funding presented, and encourage them to formulate and submit project funding proposals
- Consider in future programming and/or incorporate learnings in upcoming work

What are two ways in which the workshop could have been improved?

Nearly half of the suggestions received were related to enhancing interactive elements of the workshop, such as through allocating more time to table discussions, having shorter presentations and more discussion time, and emphasizing "exchange" over "information sharing".

Photo: USAID LEAD Program 2014

Other suggestions included: distributing presentation files in advance to allow attendees to become familiar with content, narrowing the range of topics in the program to enable deeper discussions, and focusing more on "how to access" financing.

Name two topics related to green growth and LEDS finance that the Asia LEDS Partnership should address in the next year. What is the preferred method to address these topics?

Topic suggestions submitted by respondents are shown in the table below. Approximately one-third of the ideas related to holding in-depth training on targeted topics and another one-third related to facilitating direct peer knowledge sharing.

Topics suggested	In-depth training	Knowledge sharing	(Method not specified)
Engaging policymakers/mainstreaming green growth in planning and policy			•
National climate finance strategies			•
Navigating budgetary bureaucracy		•	
National climate change funds		•	
Preparing proposals to access funds (#1 request)	•	•	
GCF preparedness	•		
Funding sources for local government and communities		•	
Accessing finance for SMEs			•
Leveraging the private sector/mainstreaming LEDS in business		•	
Quantifying emissions of projects	•		
MRV at the subnational level	•		
Monitoring and evaluation of climate finance	•		
Additional topics include: Technology selection criteria, green innovation, environmental governance, and inclusive growth			•

Advancing low-emission,
climate-resilient development across Asia

A regional platform of the LEDS Global Partnership

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