



Climate Change & EFI Clinic



Integrating climate considerations into EFI project design

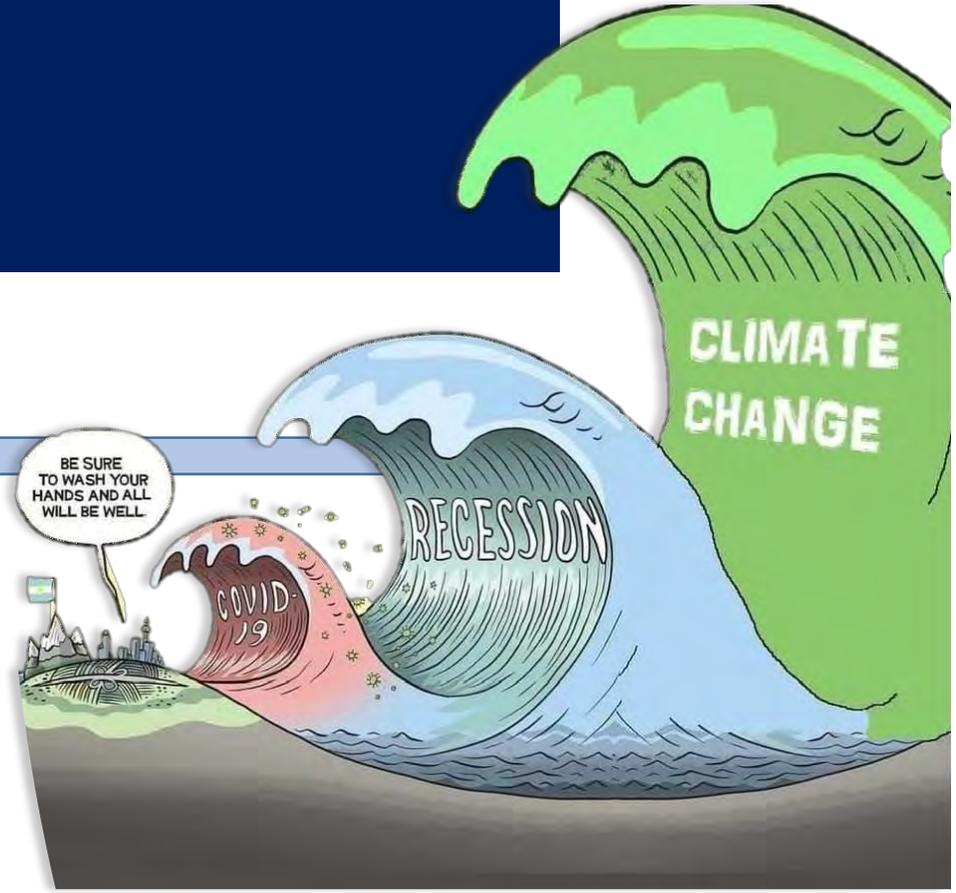
Finance, Competitiveness & Innovation Breakout Session

Climate Change & EFI Clinic: FCI

February 18, 2021



WORLD BANK GROUP
Finance, Competitiveness & Innovation



FCI Climate Action Offering

Climate Risk Finance

Climate resilient financial instruments, policies and systems to support financial resilience of governments, businesses and households

Green Investment

Capital market instruments to support the real economy transition toward a sustainable economy

How can the financial sector foster investments for the transition to green and resilient growth?

Green Financial Systems

Environment and climate regulatory frameworks for supervisors and investors to support sustainable investments

Financial Sector

FCI Offering:
Climate Change
Mitigation,
Adaptation and
Resilience

Green Competitiveness

Productivity improvements through circular economy and sustainability, eco-industrial parks and resilient measures.

Green Trade

Trade policies and regulatory approaches to decarbonize global value chains. Exploiting carbon competitiveness.

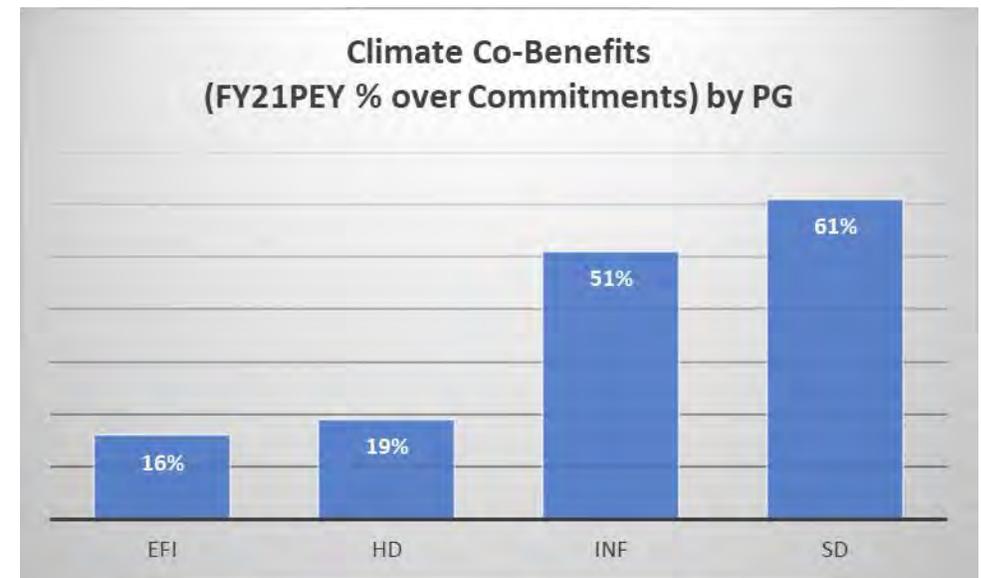
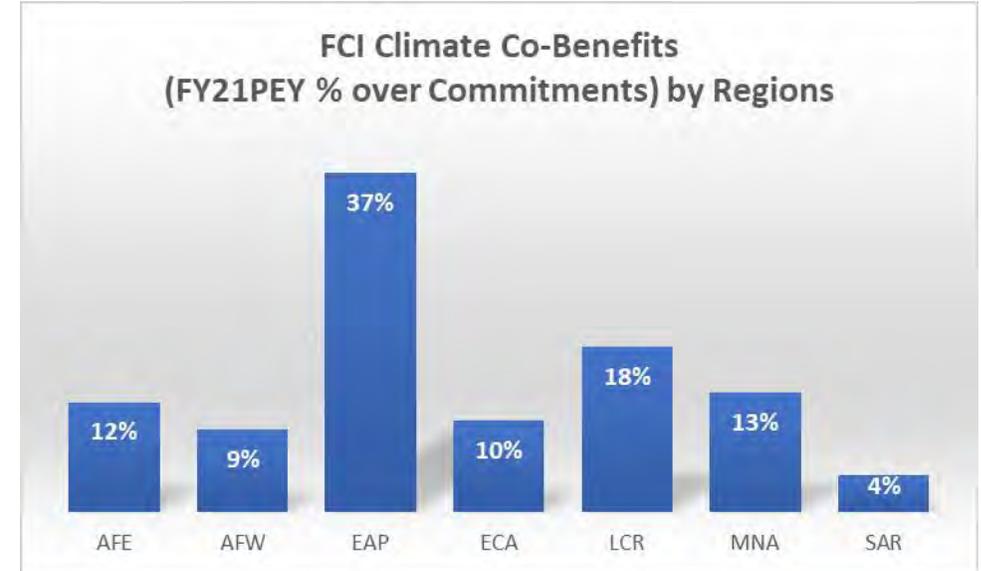
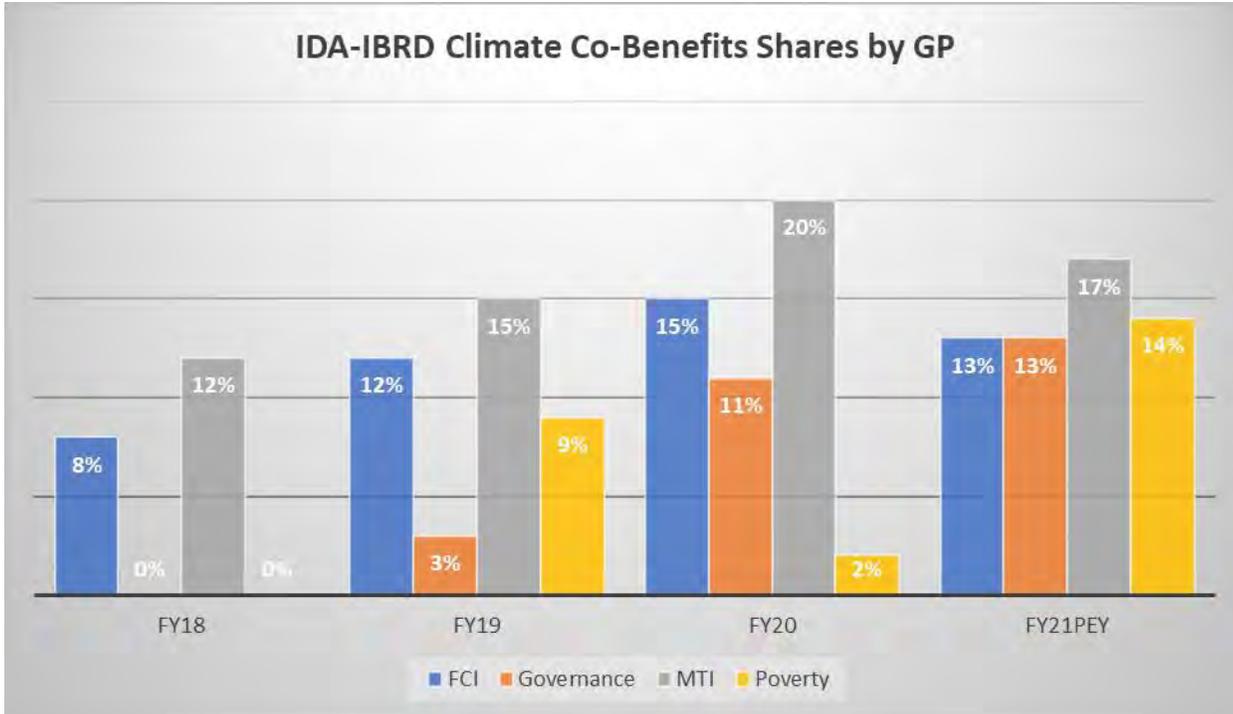
How can private sector actions promote competitiveness, innovation and trade for green and resilient growth?

Green Investment and Innovation

FDI and domestic entrepreneurship investments for sustainable projects, access to clean technologies and management practices

Private Sector

FCI Climate Co-Benefits



PYE: Project-Year-End
 Source: Climate co-benefit dashboard

Greening the Financial Sector

Greening the Private Sector

Diagnostic and Analytics

- Climate and disaster risk finance diagnostics
 - Climate and environment risk and opportunity (CERO) component in FSAP
 - Green Financial System diagnostics and roadmaps
 - Integration of climate risk into macro-financial modeling
- CPSD climate and circular economy analytics
 - Resilient industries risk assessment
 - Trade and climate change diagnostic and analytics

Technical Assistance

- Climate risk analytics and catastrophe risk modeling (including compound impact of COVID-19 and disasters)
 - Climate resilient financial products and strategies (sovereign insurance, agriculture insurance)
 - Integration of climate risk into regulations, reporting and supervisory practice
 - Capital market instruments for green finance (e.g., green bonds)
- Green value chains and circular economy gap analysis
 - Eco-industrial parks assessment
 - Do's and don'ts toolkit for environmentally sustainable investment climate reforms
 - Green FDI sector analysis
 - Establishing Climate Venture Facility (early-stage investment mechanisms for climate entrepreneurs)

Global Knowledge and Capacity Building

- Climate and disaster risk finance executive education program
 - Sustainable finance capacity building for supervisors and institutional investors
 - ESG Sovereign Bond Data Portal + 'Sovereign ESG 2.0' market leading research
- Circular economy and private sector development learning series
 - Strengthening the effectiveness of local intermediaries that support climate entrepreneurs and contribute to entrepreneurial ecosystems

Greening the Financial Sector

Greening the Private Sector

Investment Project Financing

- Establishment and capitalization of regional/national risk pools [Pacific, Indonesia, East-Asia]
- Insurance premium financing [East Asia, Pacific, Mozambique]
- Green infrastructure investments and eco-industrial parks [Turkey, China, Bangladesh]
- Resilience and sustainability in tourism destinations [Senegal, Indonesia, Ghana]
- Trade and transportation processes efficiency [Western Balkans, Southern Africa]
- SME Entrepreneurship [Egypt, Tajikistan, Serbia, Jordan]
- Digitalization of industries [Somalia]

Development Policy Financing

- Budget tracking introduced [Indonesia, Serbia]
- DRF strategies developed/adopted [Kenya, Philippines]
- Risk retention/transfer vehicles/instruments enabled [Indonesia, Madagascar, Morocco]
- Public asset management guidelines/policies introduced [Philippines]
- Climate risk management and stress testing guidance in the banking sector [Philippines, Egypt]
- Issuance of sovereign green bond [Egypt]
- Green bond guidelines [Egypt]
- ESG reporting institutional investors [Philippines]
- Industrial energy efficiency regulations and standards [Egypt]
- Circular economy policies [Colombia, Sierra Leone, Indonesia]

Country Examples

Greening the Private Sector- Bangladesh

- Bangladesh Private Investment and Digital Entrepreneurship (PRIDE)
- \$500m IPF (2020) – 46% CCB
- Program Development Objective (PDO)
 - To promote private investment, job creation, and environmental sustainability in participating economic zones and software technology parks in Bangladesh.
- PDO level indicators
 - Direct private investment in economic zones
 - Number of direct (full-time equivalent) new jobs facilitated by the Project;
 - Number of companies using green and resilient services and facilities;
 - Greenhouse gas emissions avoided.
- Components
 - Creating an enabling environment for private investment and sustainability
 - Developing a greener and climate resilient BSMSN
 - Creating a dynamic private market for serviced industrial land
 - Strengthening the digital entrepreneurship and innovation ecosystem

Greening the Financial Sector - Philippines

- Philippines First Financial Sector Reform Development Policy Financing (under preparation)
- \$200m DPF (Series of 2)
- Program Development Objective (DPO)
 - Support financial sector reforms that will support the Government of the Philippines in achieving a resilient, inclusive and sustainable financial sector
 - Relevant prior actions:
 - Issuing a sustainable finance framework, covering sustainable and climate risk management, governance and strategy (DPL 1)
 - Actions related to expanding financial instruments for disaster risk finance (DPL 1 and 2)
 - Issuing follow-up guidelines for climate risk management and stress testing (DPL 2)
 - Issuance of a green finance taxonomy (DPL 2)

Looking Forward

Available Grant Support

- Risk Finance Umbrella TF
 - Global Risk Financing Facility
- Finance for Development Umbrella TF
- Competitiveness for Jobs and Economic Transformation
- ProCLEAN
- Umbrella Facility for Trade

Focal points on climate change in FCI global teams

- **Crisis and Disaster Risk Finance** – Olivier Mahul
- **Financial Stability and Integrity** - Martijn Gert Jan Regelink
- **Long-Term Finance** – Fiona Stewart
- **Financial Inclusion, Infrastructure and Access** - Karol Karpinski
- **Trade & Regional Integration** - Paul Brenton and Vicky Chemutai
- **Investment Climate** - Abhishek Saurav
- **Markets & Technology** – Etienne Raffi Kechichian
- **Firms, Entrepreneurship, and Innovation** - Sophia Muradyan

Questions for Discussion

- **What types of projects have you already worked on with climate components?**
- **Are there any FCI climate-related areas for which clients have requested specific support in the future (pipeline)?**
- **Are there resources you have tapped outside of those discussed today that you felt were beneficial to your work?**

Annex

Greening the Financial Sector - Morocco

ASA - Supporting Bank-Al Maghrib with a climate risk assessment and the integration of climate risks into the regulatory and supervisory framework

- **Assessing climate-related risks in the financial system:** Report identifying and assessing physical and transition risks; including measurement exposures, vulnerability assessment, identifying risk management practices and green finance trends.
- **Supervisory guidance and integration of climate risk in monitoring practices:** Guidelines for scenario building and risk quantification (e.g., stress testing); and a reporting framework
- **Training and awareness program:** Providing support to build supervisory capacity, including development of training materials for supervisors and the sector
- **Developing a taxonomy of green economic activities** – Create a taxonomy for green or sustainable economic activities which will allow financial sector participants (supervisors, government, market participants) to categorize, label and monitor green investments.

Greening the Financial Sector - Indonesia

- Indonesia Disaster Risk Financing and Insurance
- \$500m IPF with PBC + \$10m GRIF grant (2021) - 46% CCB
- Program Development Objective (PDO)
 - strengthen the financial and fiscal resilience of GoI to natural disasters and health related shocks
- PDO level indicators
 - Pre-arranged resources available for response and recovery increased
 - Financial disbursements are made by the Pooling Fund with agreed timelines
 - Institutional capacity for efficient financing of disaster related expenditures increased
- Components
 - Establishing and capitalizing the Pooling Fund (PFB)
 - Improving preparedness of more effective disaster response across government agencies
 - Strengthening PFB capacity and systems to support risk finance and disaster response

Climate Action is relevant for FCI programs



Financial Sector Resilience

- Financial stability and integrity
- Financial inclusion infrastructure and access
- Capital markets and long-term finance
- Climate and disaster risk finance



Fiscal policy and debt

- Debt transparency (portal, DSSI, SDFP), sustainability (DSA), fiscal risk assessments, and management
- Fiscal policy, expenditure quality (PER)
- Tax policy and Domestic Revenue Mobilization (DRM)



Jobs and Economic Transformation

- Entrepreneurship and innovation, markets and technologies
- Business environment and competition
- Firm performance (high frequency monitoring)
- Trade, trade facilitation, and foreign direct investment
- Inclusive JET focusing on MSMEs, spatial transformation and integration of rural and urban economic spaces



Sustainable Growth

- Inclusive and sustainable (green) growth, climate-informed fiscal and macro policies
- Global surveillance of macroeconomy, and financial and commodity markets
- Structural reforms
- Connecting the poor and vulnerable to the drivers of green growth



Poverty and Equity

- Poverty and equity data and analysis
- Poverty and equity informed policies and programs
- Real-time monitoring of impacts on poverty and equity
- Modernization of country statistical and data systems



Governance and Institutions

- Public institutions and SOE reform
- Digital transformation and anticorruption
- Public procurement and financial management safeguards and reforms
- M&E systems for effectiveness
- Decentralization and subnational governance

Greening the Private Sector - Colombia

- Second Fiscal Sustainability, Competitiveness, and Migration DPF
- \$718.5m DPF (2020) – 20% CCB
- Program Development Objective (PDO)
 - To support Colombia's efforts to maintain fiscal sustainability and enable the basis to accelerate productivity growth, particularly for the non-extractive sector, in the context of a less favorable external environment.
- PDO level indicators
 - Help maintain fiscal sustainability through fiscal consolidation measures and improved contingent liabilities management; and,
 - Foster productivity in non-extractives sectors by strengthening the policy framework for trade facilitation, investment, competition, business regulation, innovation.
- Components
 - Carbon pricing mechanism
 - Ban on single use plastics bags
 - Environmental guidelines for industries

Greening the Private Sector - Southern Africa

- Southern Africa Trade and Connectivity Project (Formerly Nacala Corridor)
- \$380m IPF (2021) – 29% CCB
- Program Development Objective (PDO)
 - To support Malawi and Mozambique in increasing regional trade coordination, reducing trade costs and time, developing regional value chains, and improving access to infrastructure.
- PDO level indicators
 - Increase regional trade coordination
 - Reduce trade costs
 - Strengthen value chains for regional integration
 - Strengthen transport infrastructure to improve market access

Greening the Financial Sector - Jamaica

- Jamaica First Economic Resilience (FCI is co-TTL)
- \$70m DPF (2019) – 39% CCB
- Program Development Objective (PDO)
 - Support Fiscal Sustainability and Inclusion; Enhance Fiscal and Financial Resilience against Natural Disaster Risks; and Improve the Investment Climate for Sustainable Growth
- PDO level indicators
 - The Public Financial Management Policy Framework for Natural Disaster Risk Financing adopted
 - The ceiling of the Contingencies Fund raised from J\$100 million to J\$10 billion
 - MoF issued binding guidelines governing the process for budgetary allocation and reallocation, procurement and disbursement of public funds in post-disaster situations

Greening the Private Sector - Western Balkans

- Western Balkans Trade and Transport Facilitation
- \$140m IPF (2020) - 17% CCB
- Program Development Objective (PDO)
 - Reduce trade costs and increase transport efficiency in Albania, North Macedonia and Serbia.
- PDO level indicators
 - Facilitating movement of goods across the Western Balkans
 - Enhancing transport efficiency and predictability
 - Implementation of commitments to improve market access in services and foster regional investments
 - Support project Implementation Units (PIU) and provide additional technical support, including for policy coordination, operating costs, and monitoring and evaluation of the program
- Components
 - Reducing GHG emissions through lower truck idling times at BCP and CP and energy efficiency improvements in existing building, including with the installation of solar panels and the planting of trees in these areas

Internal collaboration

- MTI: PER for disasters, fiscal risk management of disasters, macro-financial modeling, sovereign bonds
- WB TRE: sustainable products
- Climate Group: CSF
- IFC: green markets, CPSD, Creating Markets Advisory
- ENB: GPS programs, ProClean, circular economy
- PURL: disaster risk management and disaster risk finance
- SP&J: adaptive social protection
- AG: agriculture insurance
- EEX: Industrial decarbonization; energy efficiency

Partnerships

- Greening the financial sector
 - Coalition of Finance Ministers
 - FSAP: Partnering with the IMF
 - PFM: Partnering with OECD, UNDP and IDB
 - Regulators & supervisors: Central Banks and Supervisors Network for Greening the Financial System (NGFS), Sustainable Banking Network, Financial Stability Board, G20 Sustainable Finance Study Group
 - InsuResilience Global Partnership - Global Risk Financing Facility (GRiF):
 - Insurance Development Forum
 - Disaster Risk Finance working groups at: G7, G20, COP, ASEAN, APEC
- Greening the private sector
 - Global Framework for Eco-Industrial Parks
 - Circular Economy Learning Series
 - Green Growth Working Group for the Donor Committee For Enterprise Development (DCED).

Greening the Financial Sector - Mozambique

- Mozambique Disaster Risk Management and Resilience (FCI is co-TTL)
- \$90m P4R (2019) + US\$6m GRIF grant – 100% CCB
- Program Development Objective (PDO)
 - Strengthen the Government of Mozambique's program to finance and prepare for disaster response and to increase the climate resilience of vulnerable education infrastructure in risk prone areas.
- PDO level indicators
 - Improved financial protection against disasters
 - Amount of ex-ante resources immediately available annually for disaster preparedness and response
 - Sovereign catastrophe insurance coverage for at least one peril (cyclone and/or drought) placed with capital or insurance market, in accordance with National Disaster Risk Finance Strategy
 - Strengthened capacity for disaster preparedness and response
 - Improved climate resilience of vulnerable education infrastructure