



Completion Report

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Strengthening the Capacity of Public Financial Institutions for Low Carbon, Climate Resilient Infrastructure and Technology Investment

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TA No., Country and Name		Amount Approved: \$200,000.00	
TA 8629-REG: Strengthening the Capacity of Public Financial Institutions for Low Carbon, Climate Resilient Infrastructure and Technology Investment		Revised Amount: N/A	
Executing Agency: ADB	Source of Funding: Financial Sector Development Partnership Fund	Amount Undisbursed: 54,162.00	Amount Utilized: 145,838.00
TA Approval Date: 31 March 2014	TA Signing Not applicable	Fielding of First Consultants: 20 April 2014	TA Completion Date Original: 31 Aug 2015 Actual: 31 Aug 2015 Account Closing Date Original: 31 Aug 2015 Actual: 16 Dec 2015
<p>Description</p> <p>The TA was developed to enhance the understanding and capacity of public financing institutions, including National Development Finance Institutions (NDFIs) in Asia-Pacific to design investment strategies for low-carbon, climate resilient infrastructure and technology projects. The TA was implemented with the collaboration of the Association of Development Financing Institutions of Asia-Pacific (ADFIAP). ADFIAP, of which ADB is a founding member, has been promoting knowledge exchange and dissemination of best practice, and providing training on approaches to green and climate friendly investment among its 115 member institutions in over 40 countries in the region.</p> <p>Expected Impact, Outcome, and Outputs</p> <p>The expected impact of the TA was increased willingness on the part of public financial institutions to invest in low-carbon, climate resilient infrastructure and technology in the Asia and the Pacific region supported by international climate finance. The expected outcome of the TA was enhanced capacity of public financial institutions in DMCs to devise investment strategies for low-carbon, climate resilient infrastructure and technology that could be supported through international climate finance mechanisms and the private sector. The TA was expected to deliver the following outputs: (i) extended information basis on ongoing climate investment by public financial institutions and (ii) heightened awareness on the challenges, opportunities, and global best practice for public financial institutions seeking to scale up climate finance investment.</p> <p>Delivery of Inputs and Conduct of Activities ADB was the executing agency for the TA and the Climate Change and Disaster Risk Management Division (SDCD) was the implementing agency for the TA.</p> <p>Regarding Output 1 – database and summary report – in October–November 2014, an email and telephone survey, complemented by personal interviews, was conducted among members of ADFIAP to compile information on the types of financial instruments that National Development Finance Institutions (NDFIs) are using for investments in climate relevant sectors, the experiences (if any) they have had with intermediation of climate finance, what kind of safeguards (if any) they have in place to ensure that investments in infrastructure are low-carbon and climate-resilient, and how they assess climate-related, environmental and social impacts of investments. Survey questions also focused on how institutions have been mainstreaming the issue of climate change in their policies, processes, and institutional frameworks and set-ups. Lastly, institutions were requested to provide information on regulatory, financial, legal, commercial, or other issues which may help or hinder their involvement in low-carbon, climate resilient infrastructure finance. For the survey, a total of 70 ADFIAP member banks with investments in infrastructure were selected for participation. This represents 62% of ADFIAP’s total membership. Of the 70 respondent banks, 16 completed the survey (23% response rate), of which 12 were DMC institutions. The project team made efforts to improve survey response rates, including follow up through telephone and in-person interviews. Survey results were logged in an Excel database and included in an annex to the workshop report produced under Output 2. Survey insights were used to design the training material for the workshop carried out under Output 2.</p> <p>Regarding Output 2 – training materials and regional workshop – the TA supported the organization of a workshop on <i>Climate Finance and Development Finance Institutions in Asia and the Pacific: Catalyzing Investment in Climate Friendly Infrastructure</i> which was held on January 19–20, 2015, at ADB Headquarters. The workshop provided an overview of the current developments in international climate finance and showcased the experience of NDFIs in Asia and Latin America that are successfully accessing sources of finance such as the GEF, the Adaptation Fund, bilateral mechanisms, and the Climate Investment Funds to support investment in low-carbon, climate resilient infrastructure. The workshop also featured several sessions with representatives from the Green Climate Fund (GCF), who outlined access modalities for NDFIs. The workshop was the first opportunity for direct interaction between the GCF and NDFIs. The workshop also presented the findings of the survey on climate investment by ADFIAP member institutions in Asia and the Pacific (see Output 1), and discussed opportunities for these institutions</p>			

to become more effective intermediaries of international climate finance. Training material used by the consultants during the workshop was designed in response to capacity gaps identified through the survey and included PowerPoint presentations, handouts, and group exercises based on case studies. The workshop was attended by over 60 representatives from NDFIs from Asia and the Pacific and other regions, including ADFIAP member institutions, climate funds, development agencies, NGOs, and the private sector.

The TA utilized approximately 9.5 person-months of consultancy inputs provided by five individual consultants engaged in accordance with ADB's Guidelines on the Use of Consultants. The performance of all the consultants was satisfactory. Inputs were generally delivered as planned, however, more time than anticipated had to be spent on the survey generated under Output 1 in order to improve the response rate. The TA had savings of \$54,162, mainly from unused seminar and consultant budget. The performance of ADB as an executing agency was satisfactory.

Evaluation of Outputs and Achievement of Outcome

Output 1 – The output has been finalized into a summary report containing a synthesis of the training materials developed for the workshop, the proceedings of the workshop, research done by consultants, and the survey results extracted from the database. The summary report shows that NDFIs generally anticipate that climate change will have an impact on their operations, both as a threat and, occasionally, as an investment opportunity, but that most institutions have not internalized this on the strategic or operational level. As a consequence, investment in climate relevant sectors and engagement with international climate finance sources is generally low. However, most institutions expressed interest in learning more about climate investment and how to access international climate finance. The summary report can help to identify capacity gaps in NDFIs and opportunities for NDFI engagement on climate investment through ADB financing and technical assistance. All outputs of the TA were shared with the Finance SG for further use by ADB operations departments.

Output 2 - In pre- and post-workshop surveys, which assessed the effectiveness of the workshop in equipping participants with new skills and information on climate finance, the majority of participants (65%) stated their learning expectations were highly fulfilled while the rest (35%) were moderately fulfilled. About 85% of participants believed their organizations are highly likely to increase their activities in climate friendly infrastructure in the future and expressed an interest in developing their personal knowledge and skill level in climate finance. Through the TA, a knowledge product was developed to that underscores the existing gaps in climate finance and NDFI capacity and aims to enhance public understanding on the role of NDFIs in stimulating demand for, and catalyzing supply of, climate finance.

The TA has enhanced the capacity of participating NDFIs to identify opportunities for investment that are supported by international climate finance sources. For example, the National Bank for Agriculture and Rural Development of India, which participated at the workshop and expressed interest in submitting an application for accreditation with the GCF, has since become accredited and can access concessional finance for climate investment. However, targeted capacity building TA tailored to each NDFI will be necessary in order for these institutions to develop full-fledged climate investment strategies.

Overall Assessment and Rating

Overall, TA implementation has been successful and was completed by the original TA completion date. Through the TA, ADB was able to gain a network of financing institutions willing to work on creating a pipeline of investments that leads to a low carbon and climate resilient outcome. Members who attended the workshop are able to impart the knowledge they have gained from the workshop to colleagues.

Major Lessons

Addressing the challenge of financing climate friendly infrastructure investment requires effective use of public sector interventions to share and manage associated risks. Policy and regulatory incentives are essential for creating an effective enabling investment framework. The use of financial instruments provided and applied by NDFIs that can be targeted to overcome specific barriers and risks is also recognized as necessary for delivering the scale and pace of investment that is required to avoid dangerous levels of climate change. NDFIs can greatly help to promote investment in low-carbon and climate-resilient infrastructure, if they are given the mandate from government, have a voice at the national policy table, foster product development skills within their organization, proactively engage in outreach and awareness building, and build readiness to access the substantial international funds available to intermediaries of climate finance.

Recommendations and Follow-Up Actions

1. NDFIs can be effective channels for climate finance, but capacity building to improve the coordination and implementation role of NDFIs for climate finance is needed. NDFIs require readiness support to increase absorptive capacity for climate finance and to improve fiduciary capacity, risk management, project management and implementation capacity, and Monitoring, Reporting, and Verification (MRV) standards.
2. Plans and frameworks to mainstream national climate change development strategies are needed. NDFI programming decisions must reflect priorities articulated in National Adaptation Plans (NAPs), sectoral Nationally Appropriate Mitigation Actions (NAMAs), climate change strategies, Sustainable Development Goals and Intended Nationally Determined Contributions (INDCs).
3. NDFIs must implement corporate and project level approaches to climate risk screening and assessment. This could be achieved through targeted training, tailor-made toolkits and knowledge sharing portals for project developers to share best practices across sectors and geographies. This is especially important for scaling up adaptation finance.

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