



Green inclusive finance policy and regulatory frameworks in Asia

A comparative analysis



LUXEMBOURG
AID & DEVELOPMENT



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Mathilde Bauwin

Agenda

1. Background
2. Methodology
3. Key findings from policy analysis
4. Main gaps and challenges
5. Conclusions and recommendations

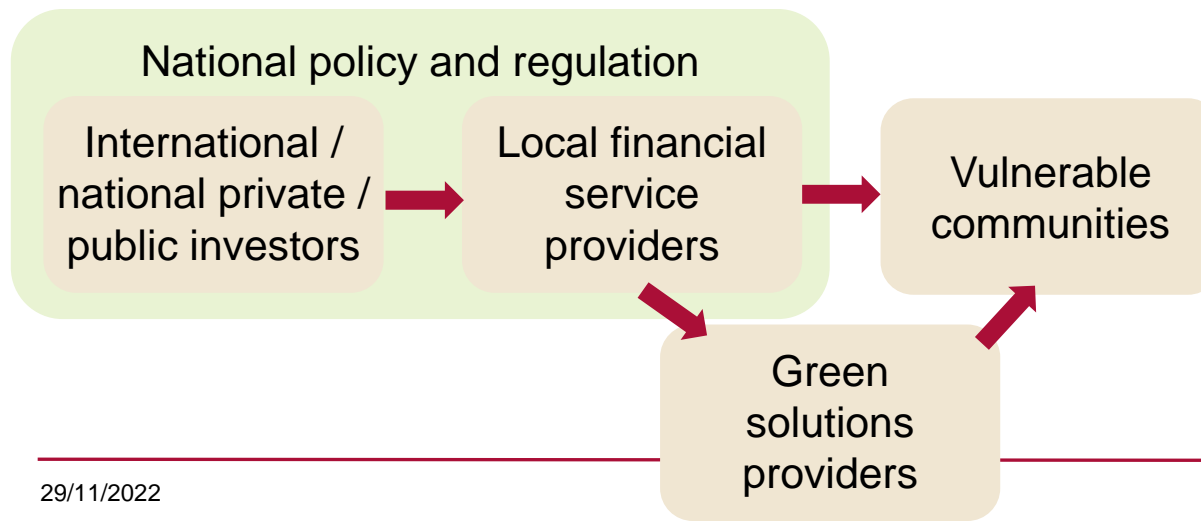
Background

The challenge


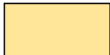

- Progress needed in many areas in developing countries, jeopardized by climate change
- Inclusive green finance (credit, insurance, savings, etc.) to improve communities' livelihoods and resilience to climate change
- Need to scale up: critical role for policies

The initiative

- 5-year programme by ADA and its partners
- Interventions at all levels of climate finance value chain, including policy and regulation
- Preparatory phase : first analysis



- **Main steps**
 - Identification of key policies in Cambodia, Bangladesh, Bhutan, Nepal and Laos
 - Policy analysis
 - Barriers, gaps and recommendations
- **Primary and secondary data collection**
 - Existing policies and regulatory framework documentation, reports, analyses, etc.
 - Interviews with key stakeholders (Ministries, Central Banks, Development banks, private banks, MFIs, NGOs, associations, etc.)
- **Five main topics covered in policy analysis:**
 - Focus on green sectors (agriculture & energy)
 - Alignment with NDCs
 - Extent of gender equality
 - Extent of social inclusion
 - Involvement of private sector

	Provides actionable and measurable targets
	Mention of parameter but no actionable and measurable targets
	No direct mention of the parameter

Key findings from policy analysis

Country	Key policies	Green sectors	NDCs	Gender	Social inclusion	Private sector
Bangladesh	National Financial Inclusion Strategy (2021- 2026)	Agri No energy	SDGs only			
	The Sustainable Finance Policy for Banks and FIs (with Green Taxonomy)					
	Guidelines on Environmental & Social Risk Management (ESRM) for Banks and FIs					No MSMEs & corporates
	Bangladesh climate change strategy and action plan					
Cambodia	National Financial Inclusion Strategy		SDGs only			
	Cambodia Sustainable Finance Principles Implementation Guideline		GHG only			
	Cambodia's National Adaptation Plan Financing Framework					
Nepal	MAP Nepal financial inclusion action plan	Agri No energy	SDGs only			
	Guidelines on Environmental & Social Risk Management (ESRM) for Banks and FIs	Energy No agri				
	National Climate Change Policy, 2019					
Bhutan	Financial Inclusion National Action plan (FINAP), 2019-2023	Agri No energy				
	Priority Sector Lending Guidelines, 2021	Agri No energy				
	Climate Change Policy, 2020					
Laos	8th Lao PDR Financial Inclusion Roadmap (2018 – 2025)	Agri No energy				
	National Green Growth Strategy of the Lao PDR till 2030					

Main gaps and barriers

Gaps related to policy formulation:

- No alignment between climate change and financial inclusion policies
- Insufficient participation and representation in policy design
- Lack of (common) green taxonomy (except for Bangladesh, ASEAN region)

Gaps related to policy implementation:

- Unclear implementation pathways: objectives set but no roadmap, lack of adequate incentives
- Gap in skills and capacities in Fis at subnational level leading to poor implementation of policies
- Lack of financing models which reduce riskiness of projects
- Poor credit profiles of vulnerable communities : need for new credit appraisal methods
- Poor infrastructure leading to underserved rural areas

Conclusions

Main recommendations:

- Align green and inclusive finance policies
- Develop green taxonomies (on the basis of EU and/or ASEAN)
- Provide adequate fiscal or monetary incentives such as tax breaks for the private banking sector
- Develop blended finance structures
- Capacity building for Fis

Next steps

- Final proposal to the donor, based on results and recommendations
 - Advocacy
 - Facilitating the dialogue between policy makers, regulators and financial institutions
 - Capacity building for Financial institutions
- Launch of the programme S1 2023

THANK YOU FOR YOUR ATTENTION



39 rue Glesener
L-1631 Luxembourg
Tél: +352 45 68 68 1

www.ada-microfinance.org

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