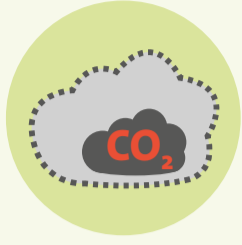




GREEN FINANCE for SMEs in AFGHANISTAN



Why GREEN FINANCE?



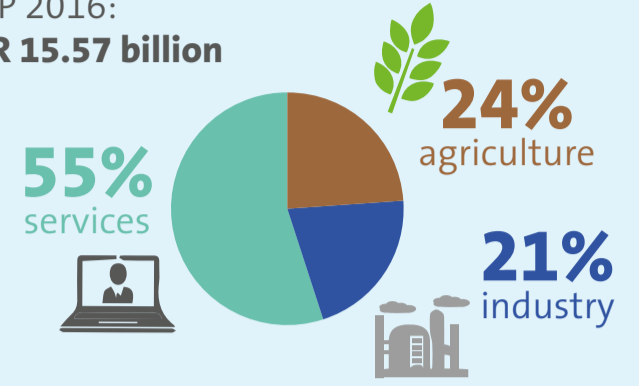
Providing financing for Afghanistan to make investments in its **► Intended Nationally Determined Contribution (INDC)** to reduce its green house gas (GHG) emissions.



Provision of means to meet its **► 2030 Agenda for Sustainable Development Goals (SDGs)**

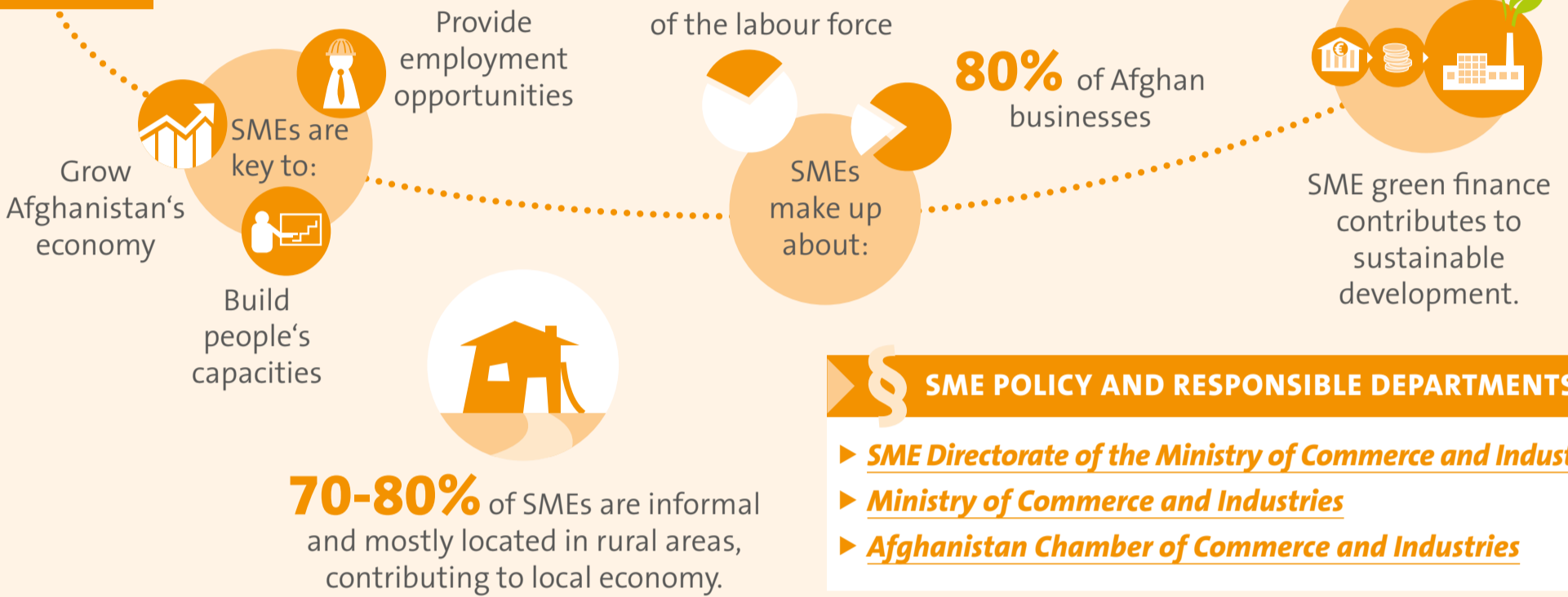
COUNTRY BACKGROUND

GDP 2016:
EUR 15.57 billion



50% of GDP is contributed by the small- and medium-sized enterprise (SME) sector.

SMEs



SME POLICY AND RESPONSIBLE DEPARTMENTS

- **SME Directorate of the Ministry of Commerce and Industry**
- **Ministry of Commerce and Industries**
- **Afghanistan Chamber of Commerce and Industries**

CHALLENGES SMEs FACE in accessing green finance

- Lack of solid financial records and collateral for applying loans to banks
- Lack of capacity in business planning
- Lack of capacity in marketing
- Limited product diversity
- Limited access to markets
- Informal status hinders access to government's financing programmes
- SMEs are still in economic recovery from years of conflict

CHALLENGES FOR FINANCIAL INSTITUTIONS to provide financing to SMEs

- High lending risk as perceived by commercial banks
- SMEs lack of good bookkeeping and collaterals required for loan applications

Green finance SOURCES

- World Bank
- Afghan International Bank
- Asian Development Bank
- Local banks

The **Aga Khan Agency for Microfinance** is the largest provider of financial services for micro and small businesses and households. **SMEs comprise 18% of the lending portfolio**, with around **EUR 11 million**

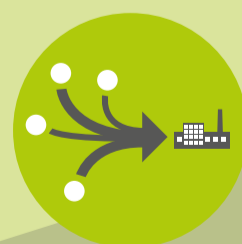
THE WAY FORWARD



Technical and financial support



Training and capacity building for financial literacy and business management for entrepreneurs



Cooperation with regional and international financial institutions to create SME funds and financial products in local banks



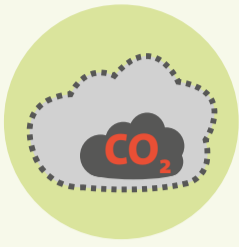
Institutional support (policy, incentives) in promoting a green finance market, both for the supply side (financial institutions) and demand side (SMEs)



GREEN FINANCE for SMEs in BANGLADESH



Why GREEN FINANCE?



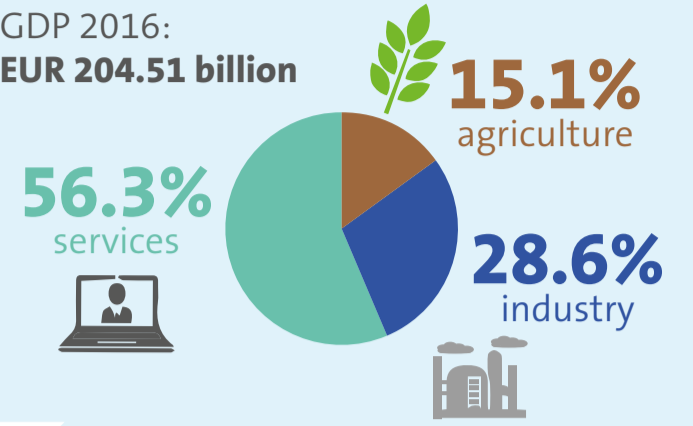
It provides financing for Bangladesh to invest in its **► Intended Nationally Determined Contribution (INDC)** to reduce its greenhouse gas (GHG) emissions.



Provision of means to meet its **► 2030 Agenda for Sustainable Development Goals (SDGs)**

COUNTRY BACKGROUND

GDP 2016: **EUR 204.51 billion**



Small and medium-sized enterprises (SMEs) generate 75% of household income

SMEs

X
6,000,000

There are 6 million in Bangladesh

Needing **access to finance investments** in sustainable consumption and production

Contributing ...

... **25%** to GDP and **40%** of gross manufacturing output

Facing a gender-related **financing gap**, only around 40% of the SMEs run by women could receive credits from financial institutions

SME POLICY AND RESPONSIBLE DEPARTMENTS

- *Micro, Small & Medium Enterprises Development (MSMED) Act, 2006*
- **Bangladesh Small and Cottage Industries Corporation (BSCIC)**
- *Green Banking Policy Guidelines issued by the central Bangladesh Bank, in 2011, instructing commercial banks to adopt green banking policy.*
- *Green lending policy guidelines for non-bank financial institutions*

CHALLENGES SMEs FACE in accessing green finance

- Lack of solid financial records and collateral for applying loans to banks
- Lack of capacity in business planning
- Lack of capacity in marketing
- Limited product diversity
- Limited access to markets
- Informal status hinders access to government's financing programmes
- Limited reaches of banks in rural areas

CHALLENGES FOR FINANCIAL INSTITUTIONS to provide financing to SMEs

- Underdeveloped legal and regulatory framework
- Limited financial products available for SMEs
- Limited interest of the private sector to invest in green finance
- Absence of / limited Credit Rating Agency (CRA)

Green finance SOURCES

- **International institutions:** Asian Development Bank (ADB), FMO - Dutch Development Bank, International Finance Corporation (IFC)
- **Central and private banks:** **Bangladesh Bank, AB Bank limited**
- **Non-banking financial institutions:** **IDLC finance limited**
- **Commercial banks:** out of 56 banks, 29 providing loans to SMEs.

THE WAY FORWARD

Financial literacy and business training for SMEs

Increased awareness of green loan opportunities

Simplification of loan application processes

Development of green loan products for SMEs

Creating loans for innovative SMEs to increase business development

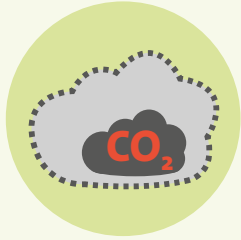
Increasing amount of loans for women entrepreneurs



GREEN FINANCE for SMEs in BHUTAN



Why GREEN FINANCE?



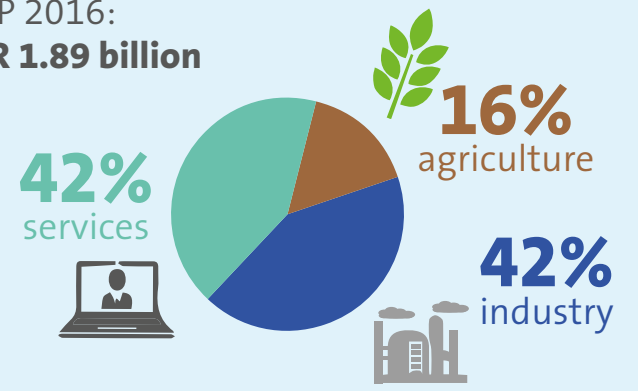
Providing financing for Bhutan to make investments to its **► Intended Nationally Determined Contribution (INDC)** to reduce its green house gas (GHG) emissions.



Provision of means to meet country's **► 2030 Agenda for Sustainable Development Goals (SDGs)**

COUNTRY BACKGROUND

GDP 2016: **EUR 1.89 billion**



Micro-, small- and medium-sized enterprises (MSMEs) make up approximately **98%** of all enterprises in Bhutan

SMEs



61% of SMEs claim that they have **limited access to finance**, thus constraining their business development.



SMEs suffer from **energy shortages** during winter.



To reduce dependence on hydropower and risk of energy shortages, the majority of green financing for SMEs is focused on:

Clean energy such as wind and solar energy.



Other alternative energies like bio-gas.



SME POLICY AND RESPONSIBLE DEPARTMENTS

- Cottage, Small and Medium Industry (CSMI) Policy of the Royal Government of Bhutan
- **Bhutan Chamber of Commerce & Industries**

CHALLENGES SMEs FACE in accessing green finance

- Lack of solid financial records for applying loans to banks
- Lack of capacity in business planning
- Lack of capacity in marketing
- Limited product diversity
- Limited access to markets
- Informal status hinders access to government's financing programmes
- High interest rates
- Very high collateral requirements for loans

CHALLENGES FOR FINANCIAL INSTITUTIONS to provide financing to SMEs

- Banks lack of diversified sources of funding
- Inadequate laws and regulatory frameworks
- Low access to equity finance (venture capital)

Green finance SOURCES

- Royal Government of Bhutan
- Asian Development Bank and the World Bank
- Government of India, as a strategic partner for green financing

THE WAY FORWARD

Assessing Bhutanese SMEs' needs for **green finance**

Building the capacity of banks/financial institutions

Building SMEs' financial and technical capacities

Supporting banks to develop green financial products

Creating more awareness of financing options

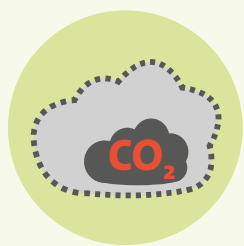
Providing business consultation for SMEs



GREEN FINANCE for SMEs in CAMBODIA



Why GREEN FINANCE?



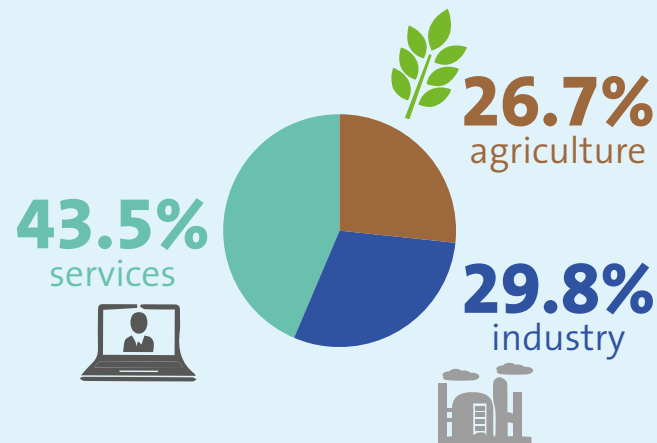
It provides financing for Cambodia to make investments to meet its **Intended Nationally Determined Contribution (INDC)** to reduce greenhouse gas (GHG) emissions



Providing means for Cambodia to finance programmes to meet its **2030 Agenda for Sustainable Development Goals (SDGs)**

COUNTRY BACKGROUND

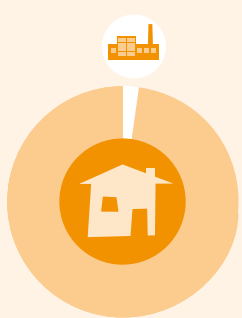
GDP 2016:
EUR 17.47 billion



SMEs



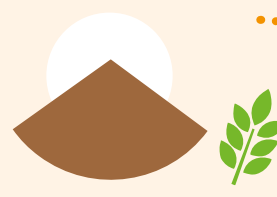
There are at least **500,000** SMEs, employing **72%** of total labour force



97% are micro enterprises. SMEs represent only 2.7%



13.1% of SMEs are in **manufacturing**



Agribusiness SMEs make up about **1/3**

of all SMEs and their financing needs amount to 50% of SME sector's total financing needs



90% of agribusiness SMEs and **60%** SMEs in manufacturing and service sectors lack access to finance

SME POLICY AND RESPONSIBLE DEPARTMENTS

- ▶ *Cambodian National Strategic Development Plan (NSDP, 2014-2018)*
- ▶ *SME Development Strategic Framework (2010-2015)*
- ▶ *SME Development Framework (2005)*
- ▶ *Cambodia Sub-committee for Small and Medium-sized Enterprises (SCSME)*

CHALLENGES SMEs FACE in accessing green finance

- Informal status hinders access to government's financing programmes
- Lack of solid financial records and collateral for applying loans to banks
- Lack of information about green financing options and business opportunities
- Bank loans tend to exceed financing needs of SMEs
- High collateral and interest rates

CHALLENGES FOR FINANCIAL INSTITUTIONS to provide financing to SMEs

- Banks reluctant to lend to (unregistered) SMEs lacking in credit history and financial management capacity
- Financial institutions offer short-term lending while SMEs need long-term lending
- Weak judicial system and legal framework

Green finance SOURCES

- ▶ **Cambodian Public Bank**
- ▶ **International donors:** International Finance Corporation, Asia Development Bank
- ▶ **Commercial banks:** ACLEDA, ANZ Cambodia
- ▶ **Microfinance institutions**

THE WAY FORWARD

Lowering registration costs for informal SMEs

Financial literacy and business training for SMEs

Trust building between SMEs and financial institutions via "trust brokers"

Development of green loan products for SMEs

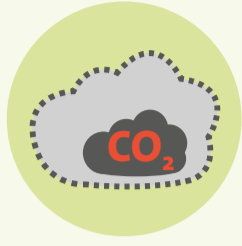
Development of more pilots for green financing schemes



GREEN FINANCE for SMEs in CHINA



Why GREEN FINANCE?



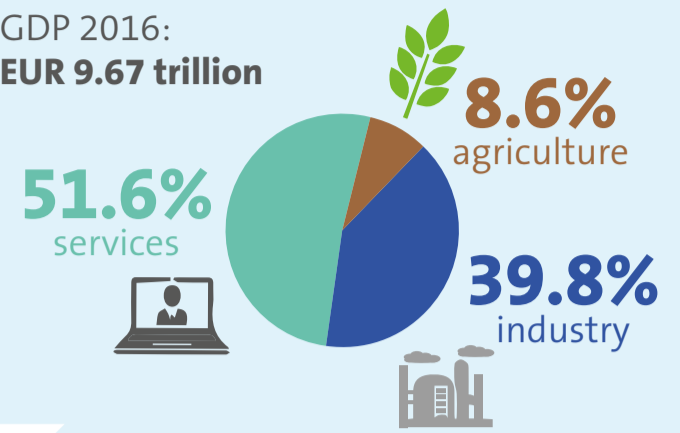
Providing financing for China to make investments to meet its
► **Intended Nationally Determined Contribution (INDC)** to reduce green house gas (GHG) emissions.



Providing means for China to finance programmes to meet its ► **2030 Agenda for Sustainable Development Goals (SDGs)**

COUNTRY BACKGROUND

GDP 2016:
EUR 9.67 trillion

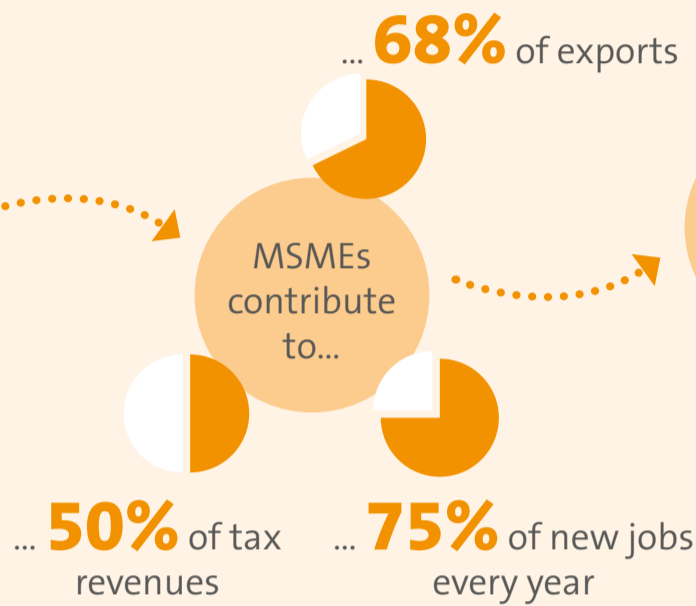


Micro-, small- and medium-sized enterprises (MSMEs) contribute to 60% of China's GDP

SMEs

X
66,000,000

There are at least 66.6 million SMEs



The number of SMEs served by loan reached 13,226 million or **19.8%** of total **SMEs**



SMEs still **lack** access to **green finance**



In 2015 the generalised **outstanding loans** of micro and small businesses reached **EUR 2.99 trillion**

SME POLICY AND RESPONSIBLE DEPARTMENTS

- *Law of Promoting Small and Medium-sized Enterprises*
- *Stipulation on Financial Support to the Development of Small and Micro-sized Enterprises*
- *During 13th five-year plan period (2016-2020) the green financing needs reach EUR 1.86 trillion covering five areas of: industrial pollution control, environmental restoration, sustainable energy, environmental infrastructure, energy and resource conservation*

CHALLENGES SMEs FACE in accessing green finance

- Lack of financial literacy and financial records
- SMEs have no access to formal financing
- Informal financing is growing
- High collateral requirements and interest rates
- Limited information of financing opportunities
- Preference of financial institutions to invest mainly in energy related projects
- Investors prefer to financing large state-owned enterprises with more technological experience

CHALLENGES FOR FINANCIAL INSTITUTIONS to provide financing to SMEs

- Lack of tools to assess SMEs' credit worthiness
- Lack of familiarity with SME green financing schemes

Green finance SOURCES

- **City commercial banks:** Bank of Beijing, Bank of Shanghai
- **Large state-owned commercial banks and policy banks:** Industrial and Commercial Bank of China, China Construction Bank, Agricultural Bank of China, Bank of China and Bank of Communications, and China Development Bank.
- **Joint-stock commercial banks:** China Industrial Bank
- **Energy service companies (ESCOs):** provide services for energy retrofitting to energy intensive companies.

THE WAY FORWARD

Recognising **SMEs' contribution to green growth**

Simplifying loan application procedures for SMEs

Building capacity of financial institutions (FIs) in SME green finance

Increasing incentives for FIs to lend to SMEs

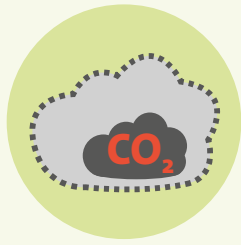
Encouraging FIs to **create green product portfolios** for SMEs



GREEN FINANCE for SMEs in INDIA



Why GREEN FINANCE?



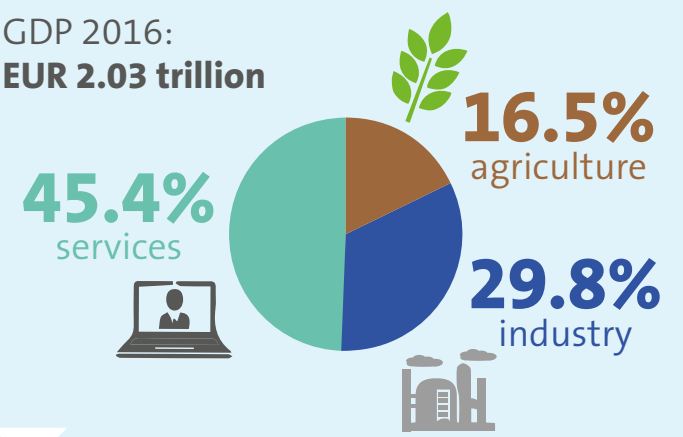
It provides financing for India to make investments to meet its **Intended Nationally Determined Contribution (INDC)** to reduce green house gas (GHG) emissions.



It provides means for **India** to finance programmes to meet its **2030 Agenda for Sustainable Development Goals (SDGs)**

COUNTRY BACKGROUND

GDP 2016: **EUR 2.03 trillion**

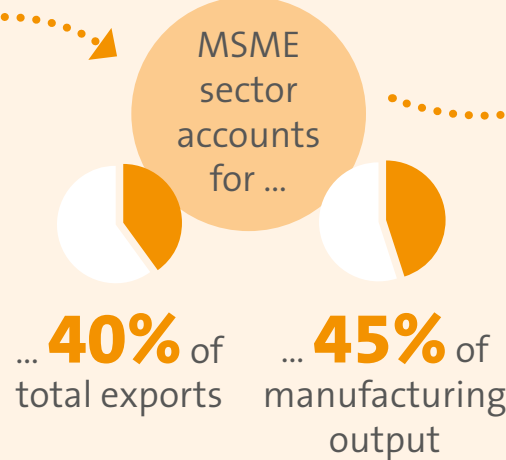


Micro-, small- and medium-sized enterprise (MSME) sector contribute 30.7% to GDP

SMEs

106,000,000

36.7 million MSMEs generate employment for about 106 million people



Estimated MSME total demand for capital is **EUR 545 billion**, out of which **EUR 165 billion** (30%) is considered viable to be met

SME POLICY AND RESPONSIBLE DEPARTMENTS

- ▶ *Micro, Small and Medium Enterprises Development (MSMED) Act 2006*
- ▶ *Micro, Small and Medium Enterprises (Amendment) Bill 2015*
- ▶ **Ministry of Micro, Small, and Medium Enterprises**
- ▶ **Small & Medium Business Development Chamber of India (SME Chamber of India)**

Through the existing 380 MSME clusters, demands for energy efficiency technology can be pooled to create **new financing schemes**

SMEs have a potential of reducing over **25%** of their energy consumption through energy efficiency measures

CHALLENGES SMEs FACE in accessing green finance

- Unaware of the benefits of green productions
- Lack of knowledge on green financing schemes and the requirements
- Often have to provide upfront finance for selling their green products
- Application procedures are cumbersome with high collateral and interest rate
- Only 6% of SMEs are registered – informality hampers SMEs to access financing

CHALLENGES FOR FINANCIAL INSTITUTIONS to provide financing to SMEs

- Risk aversion to lend to SMEs due to SMEs' lack of financial history and financial information
- Lack of familiarity with green technologies
- Non-banking financial companies (NBFCs) are restricted by rules on leasing and asset finance
- Venture capital and private equity investors lack of investment horizon required for green financing
- Most financing dedicated to green investments is still geared towards large projects and not SMEs

Green finance SOURCES

- ▶ **Government of India**
- ▶ **Public banks:** State Bank of India, Bank of Baroda, Small Industries Development Bank of India (SIDBI) – the principal financial institution for SMEs, National Bank for Agriculture and Rural (NABARD)
- ▶ **Venture capital funds:** INFUSE, Global Environment Fund and Green India Venture Fund

THE WAY FORWARD

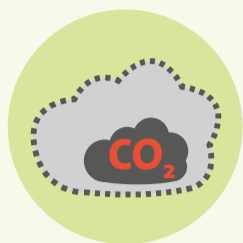




GREEN FINANCE for SMEs in INDONESIA



Why GREEN FINANCE?



It provides financing for Indonesia to invest in its **Intended Nationally Determined Contribution (INDC)** to reduce green house gas (GHG) emissions.



Provides means for Indonesia to achieve its **2030 Agenda for Sustainable Development Goals (SDGs)**

COUNTRY BACKGROUND

GDP 2016:
EUR 787 billion

46%
services



13.7%
agriculture



40.3%
industry



Small- and medium-sized enterprises (SMEs) in Indonesia contribute 60.6% to GDP

SMEs



107,600,000

Indonesia has over 56.5 million SMEs or 99% of all enterprises, creating a total of 107.6 million jobs



SME finance is growing in the country, reaching **EUR 60.68 billion** in early 2017



In 2016, SME loans accounted for **18%** or EUR 48.9 billion of a total credit portfolio of EUR 268.22 billion.



Credit market for **women**-owned SMEs has a potential demand of EUR 5.13 billion



Through *Kredit Usaha Rakyat (KUR)* scheme the government insures

70%

of loans given to SMEs, with banks taking on the remaining

30%

of the risk.



SME POLICY AND RESPONSIBLE DEPARTMENTS

- ▶ *SME Law No.20/2008*
- ▶ *National Strategy for Financial Inclusion*
- ▶ *Regulation No.14/26/PBI/2012 and No.14/22/PBI/2012 – banks are to increase productive loans and loan access for SMEs*
- ▶ **Ministry of Cooperatives and MSMEs**
- ▶ **Bank of Indonesia**

CHALLENGES SMEs FACE in accessing green finance

- Lack of management and business skills
- Lack of knowledge of credit application processes
- Limited awareness of available green financing option
- High interest rate and collateral
- Challenges in maintaining adequate cash flow

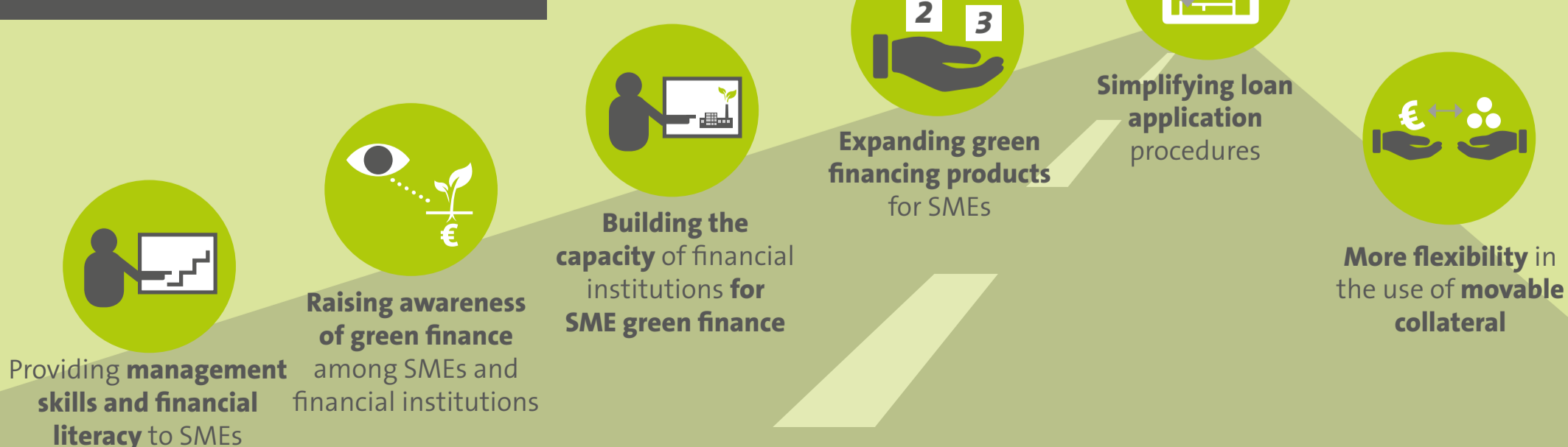
CHALLENGES FOR FINANCIAL INSTITUTIONS to provide financing to SMEs

- Lack of capacity to evaluate green investments
- Lack of differentiation for green finance products
- Perception of higher risk due of new technology application
- Higher transaction costs due to additional (environmental) assessments
- Long turnaround time due to additional (environmental) assessments
- Weak legal and regulatory framework
- Deficiencies in overall financial infrastructure

Green finance SOURCES

- ▶ **State-owned banks:** Bank Rakyat Indonesia (BRI)
- ▶ **Provincial banks:** Bank Jogja, Bank Kaltim, Bank Jabar
- ▶ **International institutions:** Agence française de développement (AFD), Kreditanstalt für Wiederaufbau (KfW)

THE WAY FORWARD

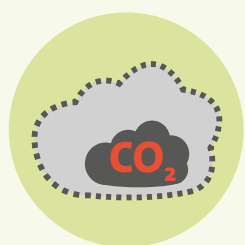




GREEN FINANCE for SMEs in LAOS



Why GREEN FINANCE?



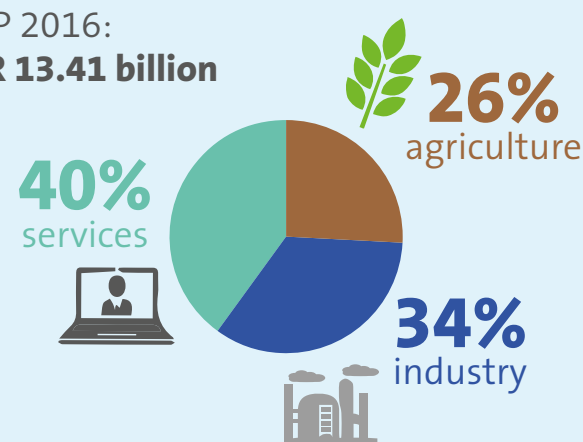
It provides financing for Laos to invest in its
► **Intended Nationally Determined Contribution (INDC)** to reduce green house gas (GHG) emissions.



Provides means for Laos to finance programmes to meet its
► **2030 Agenda for Sustainable Development Goals (SDGs)**

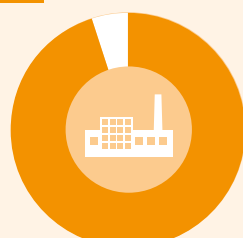
COUNTRY BACKGROUND

GDP 2016:
EUR 13.41 billion



Small- and medium-sized enterprises (SMEs) contributes **16% of GDP**

SMEs



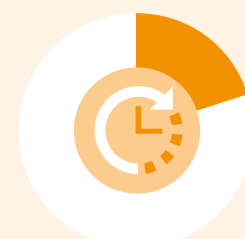
Laos has 125,000 SMEs comprising **95%** of all enterprises



SMEs employ **70%** of total labour force



Most SMEs rely on **informal financing**, e.g. friends and families



Less than **20%** of SMEs have access to long-term credit, hampering their growth



Firms owned by **women** tend to be smaller and report difficulty in accessing financing and technical skills

SME POLICY AND RESPONSIBLE DEPARTMENTS

- Law No.011/NA/2011 on Small and Medium-sized Enterprises Promotion
- Decree No.42/PM/2004
- National SME Development Plan (2011–2015)
- Ministry of Industry and Commerce (Department of SME Promotion)
- SME Promotion and Development and National Productivity Committee (SMEPDC)

CHALLENGES SMEs FACE in accessing green finance

- Limited access to long term credit
- Lack of financial knowledge and business management skills
- Most SMEs are informal due to high costs of doing business
- High costs of licenses and fees
- Lack of competition framework
- Limited marketing and market access
- Restrictive and cumbersome regulations
- Serious difficulties in executing collateral

CHALLENGES FOR FINANCIAL INSTITUTIONS to provide financing to SMEs

- SMEs do not have or keep accounting records due to cash-based transactions
- Even when firms have accounting records, banks often do not consider them reliable
- SMEs in general have parallel systems of accounting, one for banks and one for tax authorities
- Lack of regulatory and legal framework
- Limited green financing products

Green finance SOURCES

- **International institutions:** World Bank, International Finance Corporation (EUR 8.5 million to increase SME access to finance), Asian Development Bank (ADB)
- **State-Owned Commercial Banks (SOCBs):** Banque Pour Le Commerce Exterieur Lao Public (BCEL), Agriculture Promotion Bank, Lao Development Bank

THE WAY FORWARD

Building SMEs' **capacity in business management and financial literacy**

Formalising SMEs and reducing costs of doing business

With financial institutions (FIs), **identifying SME green financing products**

Reducing **information asymmetry** between FIs and SMEs

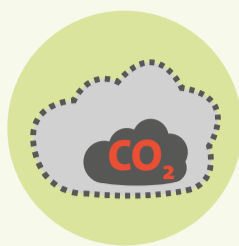
Implementation of **regulation and legal framework**



GREEN FINANCE for SMEs in MALAYSIA



Why GREEN FINANCE?



Providing financing for countries (Malaysia) to make investments to meet their **Intended Nationally Determined Contribution (INDC)** to reduce greenhouse gas (GHG) emissions, following the Paris Agreement on climate change in 2015



Providing means for Malaysia to finance programmes to meet their **2030 Agenda for Sustainable Development Goals (SDGs)**

COUNTRY BACKGROUND

GDP 2016: **EUR 272.95 billion**

8.2% agriculture

54% services

37.8% industry

Small and medium enterprises (SMEs) are a vital part of Malaysia's economy: they **contribute 36% of the GDP**

SMEs

More than **600,000** registered SMEs, responsible for nearly **36%** of GDP

90% of SMEs are in the **services sector**, 6% in **manufacturing**, and 3% in **construction**, with the remaining in **agriculture, mining, and quarrying**

52% of SMEs are funded by bank loans, **48%** are self-funded

38% of Malaysian SMEs are **underserved** by banks and financial institutions

The Malaysian government has allocated more than **RM 1.3 billion** (approx. EUR 276 million) to SMEs in 2016.

Eleventh Malaysia Plan's goals for 2020:
9.3% SME growth per annum
9.5 million jobs across all sectors
a contribution of approximately **EUR 485 billion to GDP (38.4%)**

SME POLICY AND RESPONSIBLE DEPARTMENTS

- ▶ **National SME Development Council**
- ▶ **Malaysian Industrial Development Finance Berhad (MIDF)**
- ▶ **Third Industrial Master Plan (2006-2015)**
- ▶ **The Economic Transformation Programme (2011-2020)**
- ▶ **The SME Master plan (2012-2020)**

CHALLENGES SMES FACE in accessing green finance

- ▶ Lack of solid financial records and collateral for applying loans to banks
- ▶ Lack of capacity in business planning
- ▶ Lack of capacity in marketing
- ▶ Limited product diversity
- ▶ Limited access to markets
- ▶ Limited economies of scale
- ▶ Lack of skilled workers

CHALLENGES FOR FINANCIAL INSTITUTIONS to provide financing to SMEs

- ▶ Deficiencies in overall financial infrastructure
- ▶ Weak legal and regulatory framework
- ▶ Perception of high risk
- ▶ Lack of in-country examples
- ▶ Lack of technical and policy analytical evaluation
- ▶ Higher transaction costs due to additional (environmental) assessments
- ▶ Long turnaround time due to additional (environmental) assessments

Green finance SOURCES

- ▶ **Commercial banks**
- ▶ **SME corporation Malaysia**

In 2017, SME Corporation Malaysia has allocated a total of **RM 6.7 billion** (approx. EUR 1.4 billion) for SME development, channeled to SMEs through agencies such as Malaysia Dept Ventures (MDV). MDV has established the Green Technology Financing Scheme, supporting the development of green technology.

THE WAY FORWARD

Raise SMEs' awareness on the benefits of SCP

Build SMEs' capacity in business skills and project readiness

Offer lending that is more tailored to SMEs' lifecycle needs

Offer differentiated green finance products

Increase SME lending portfolio of banks

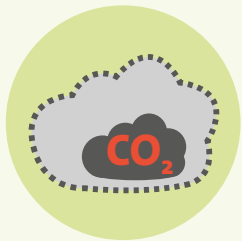
Provide varied non-financial SCP needs of SMEs so SMEs can satisfy other business requirements



GREEN FINANCE for SMEs in MONGOLIA



Why GREEN FINANCE?



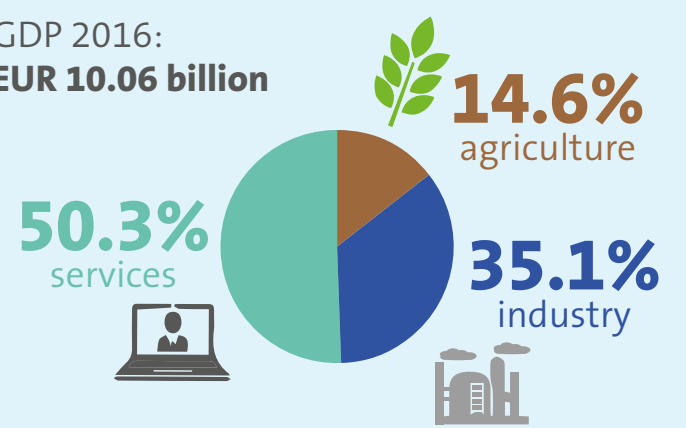
It provides financing for Mongolia to invest in its **► Intended Nationally Determined Contribution (INDC)** to reduce green house gas (GHG) emissions.



Provides means for Mongolia to finance programmes to meet its **► 2030 Agenda for Sustainable Development Goals (SDGs)**

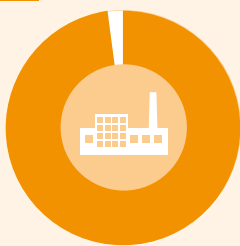
COUNTRY BACKGROUND

GDP 2016:
EUR 10.06 billion



Small- and medium-sized enterprises (SMEs) make up 98% of all enterprises and employ 52% of the workforce in Mongolia

SMEs



Make up **98%** of all enterprises and employ 52% of the workforce ...



... but contribute only **25%** to Mongolia's GDP



Strengthening them is crucial to achieve broad-based and sustainable **growth** in Mongolia



Their greatest barrier is **access to finance**



Economy's dependence on the **mining industry** impairs SMEs' economic diversification and growth

SME POLICY AND RESPONSIBLE DEPARTMENTS

- Ministry of Industry (created 2014)
- SME Development Program for 2014-2016
- **Mongolian Sustainable Finance Principles and Sector Guidelines**

CHALLENGES SMEs FACE in accessing green finance

- Lack of credit
- Lack of loan and financial literacy, especially in rural areas where most entrepreneurs borrow from their family
- Limited financial services suited to SME needs
- Insufficient or lack of collateral
- High interest rates
- Underdeveloped financial sector and lack of fully licensed foreign banks

CHALLENGES FOR FINANCIAL INSTITUTIONS to provide financing to SMEs

- Constrained financial product availability due to Mongolia's underdeveloped financial sector
- Lack of government support and regulatory framework
- Lending to SMEs is perceived as risky

Green finance SOURCES

- Commercial banks (but underdeveloped, with low capitalization)
- International institutions

THE WAY FORWARD



Improve **accountability** of financial institutions



Develop more financing products for **energy efficiency or clean energy**



Develop SME loans with **longer loan terms** and **movable collateral**



Extension of bank services into **rural areas** and organization of **information campaigns**



Incorporation of **risk-sharing mechanisms** by international finance institutions into their investment programs



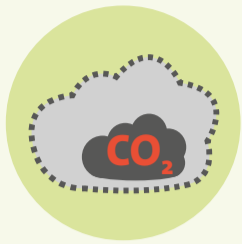
Build SME capacities in **financial literacy** and **business management**, also in rural areas



GREEN FINANCE for SMEs in MYANMAR



Why GREEN FINANCE?



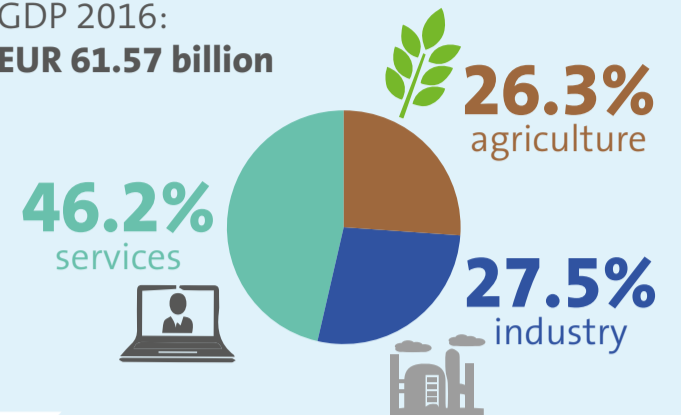
It provides financing for Myanmar to invest in its **Intended Nationally Determined Contribution (INDC)** to reduce green house gas (GHG) emissions.



Provides means for Myanmar to finance programmes to meet its **2030 Agenda for Sustainable Development Goals (SDGs)**

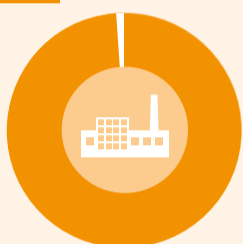
COUNTRY BACKGROUND

GDP 2016:
EUR 61.57 billion

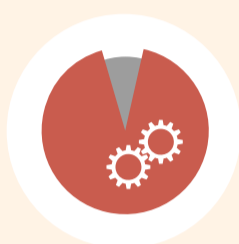


Small- and medium-sized enterprises (SMEs) account for **99% of all enterprises** and **employ 70% of the workforce** in Myanmar

SMEs



SMEs account for **99%** of all enterprises and employ 70% of total workforce



SMEs make up **92%** of the manufacturing sector



Only around **20%** of enterprises receive financial support from banks, which constricts Myanmar's SME growth



SMEs can play a key role in achieving universal **electricity access** in Myanmar

SME POLICY AND RESPONSIBLE DEPARTMENTS

► *The SME Development Law of 2015*

CHALLENGES SMEs FACE in accessing green finance

- Lack of financial literacy and knowledge of financing options
- Lack of willingness to invest in SCP practices
- Lack of skilled manpower
- Underdeveloped financial sector
- Time-consuming loan appraisal process

Green finance SOURCES

- Commercial banks
- **The Small and Medium Industrial Development Bank (SMIDB)**
- Micro Finance Institutions (MFIs)
- International development institutions

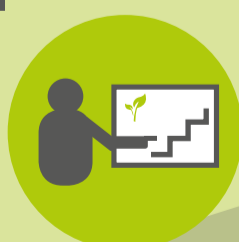
CHALLENGES FOR FINANCIAL INSTITUTIONS to provide financing to SMEs

- Inadequate infrastructure (i.e.: electrification)
- Underdeveloped financial system
- Strict funding requirements constrain the access to SME finance
- Lack of credit assessment and risk management tools
- Financial institutions do not perceive green finance as a business opportunity
- Inadequate legal framework hinders the development of financial products for SMEs

THE WAY FORWARD



More **government intervention** to support SMEs, e.g. through **interest rate caps and loan sizes** catering to SME needs



Build SMEs' **knowledge on economic and environmental benefits of SCP**, generating more interest in green finance



Develop **credit risk assessment** for SMEs and **simplify loan application procedure**



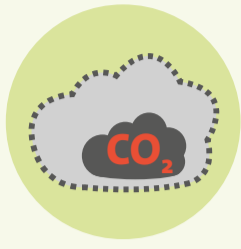
Learn and benefit from **neighboring countries' experience** on building a green economy



GREEN FINANCE for SMEs in NEPAL



Why GREEN FINANCE?



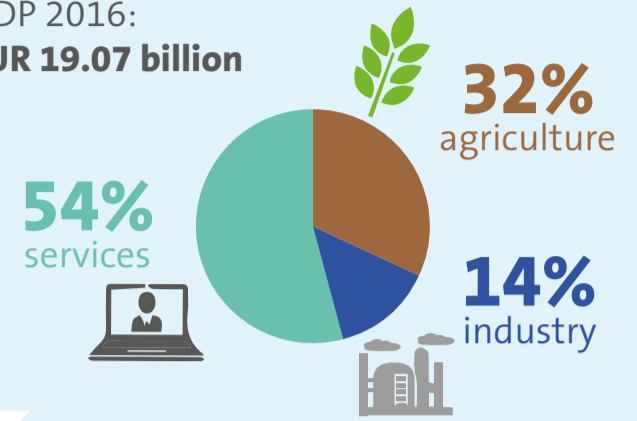
It provides financing for Nepal to invest in its **► Intended Nationally Determined Contribution (INDC)** to reduce green house gas (GHG) emissions.



Provides means for Nepal to finance programmes to meet its **► 2030 Agenda for Sustainable Development Goals (SDGs)**

COUNTRY BACKGROUND

GDP 2016:
EUR 19.07 billion



Nepalese SMEs need finance and access to clean technologies to bridge the country's energy deficits and meet renewable energy goals.

SMEs



1,750,000

SMEs in Nepal employ 1.75 million people and contribute 22% to GDP



SMEs account for more than 90% of industrial establishments and over **70%** of industrial sector's contribution to GDP



There are an estimated 111,442 operational SMEs, but only **39%** of these firms have access to finance



Since **personal and family savings** are the major sources of equity capital, credit worthiness of SMEs is low



The number of **untapped markets** for SME lending is huge

SME POLICY AND RESPONSIBLE DEPARTMENTS

- **Department of Cottage and Small Industry (DCSI)**
- **The Industrial Enterprise Development Institute (IEDI)**
- *Industrial Policy 2011*
- *Technology Transfer Development Project (TTDP)*

CHALLENGES SMEs FACE in accessing green finance

- Insufficient collateral
- Insufficient bookkeeping and financial records
- Inefficient production processes and technology
- Limited market access
- Lack of knowledge on business development
- Lines of credit are not suitable to small businesses

CHALLENGES FOR FINANCIAL INSTITUTIONS to provide financing to SMEs

- Lack of regulatory and legal framework
- Banks in rural areas perceive lending to SMEs as risky
- Financial institutions lack technical knowledge in renewable energy technologies, associated risks, and subsidy programs

Green finance SOURCES

- *International development institutions*
- *Commercial banks, such as **NMB Bank, Standard Charter Bank Nepal Limited***
- *Microfinance institutions (MFIs), such as **Biogas Credit Fund (BCF)***

THE WAY FORWARD



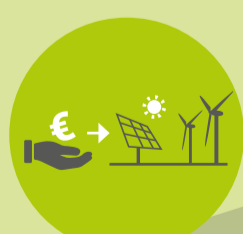
Enhance **SMEs' business management skills**



Banks need to develop **long-term loans** for SMEs



Banks need to **build capacities to educate SMEs on green loans and technology choices**



Develop **innovative financing mechanisms for renewable energy**, such as vendor financing or carbon financing



Offer platforms for SMEs to **learn about increasing market access.**



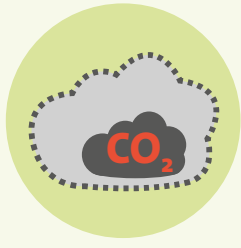
Expand financing to **rural areas**



GREEN FINANCE for SMEs in PAKISTAN



Why GREEN FINANCE?



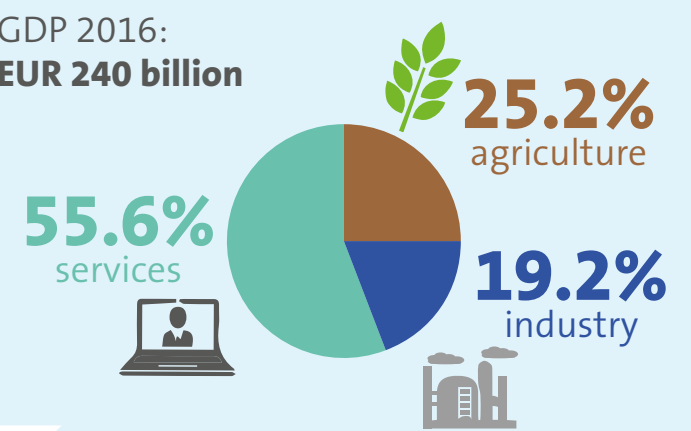
It provides financing for Pakistan to invest in its **► Intended Nationally Determined Contribution (INDC)** to reduce green house gas (GHG) emissions.



Provides means for Pakistan to finance programmes to meet its **► 2030 Agenda for Sustainable Development Goals (SDGs)**

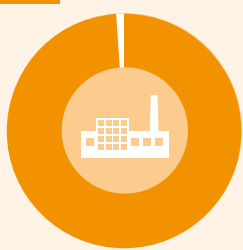
COUNTRY BACKGROUND

GDP 2016:
EUR 240 billion



Out of 3.2 million business enterprises, **99% are SMEs** and contribute **40% to Pakistan's GDP**.

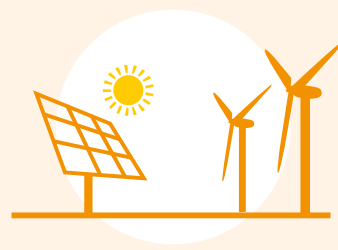
SMEs



3.2 million business enterprises, **99%** are SMEs and contribute 40% to GDP



Less than **4%** of SMEs currently avail loans despite about **40%** having a banking relationship.



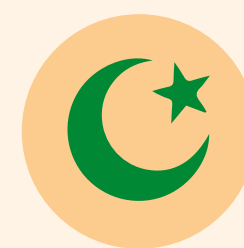
Pakistan faces an energy deficit and is rapidly industrializing. SMEs need access to finance to adopt cleaner and renewable **sources of energy** to lower GHG emissions.



The majority of SMEs are **sole proprietors** or **family owned**.

SME POLICY AND RESPONSIBLE DEPARTMENTS

- **Small and Medium Enterprises Development Authority (SMEDA)**
- *SME Policy (2007) – Ministry of Industries, Production, and Special Initiatives*
- *Currently a new policy framework is being drawn up, that will set out key priorities for reforms legal and regulatory environment conducive for the growth of SMEs.*



Many SMEs in Pakistan and the Middle East and North Africa (MENA) region have not accessed banking due to the fact that they require **Shariah-compliant** banking

CHALLENGES SMEs FACE in accessing green finance

- Islamic SME loans require long and tedious transactions and processing
- Only few banks offer Islamic products, which are required due to religious beliefs
- Very high collateral ranging from 130% to 140% of the total loan amount
- Lack of financial literacy, especially in rural areas
- Low levels of skill and training

Green finance SOURCES

- *International development institutions*
- *State owned banks – **State Bank of Pakistan** is leading on green financing*
- *Commercial banks*
- *Microfinance Institutions (MFIs)*

CHALLENGES FOR FINANCIAL INSTITUTIONS to provide financing to SMEs

- Many SMEs require Shariah-compliant banking
- Economic conditions in Pakistan as well as natural disasters have disrupted many businesses
- Lack of expertise in SME lending
- Lack of specialized financial products for SMEs
- Lack of legal and regulatory framework
- Corruption

THE WAY FORWARD



Build **financial institution's capacities in SME lending practices** and expand SME loan portfolio



Simplify the loan application process



Encourage banks to **integrate assessment of environmental risks in evaluation of credit proposals**



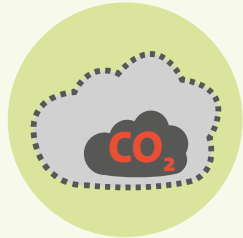
Establish a **group on sustainable energy financing with banks and Development Finance Institutions** to create **policy measures on green financing**



GREEN FINANCE for SMEs in the PHILIPPINES



Why GREEN FINANCE?



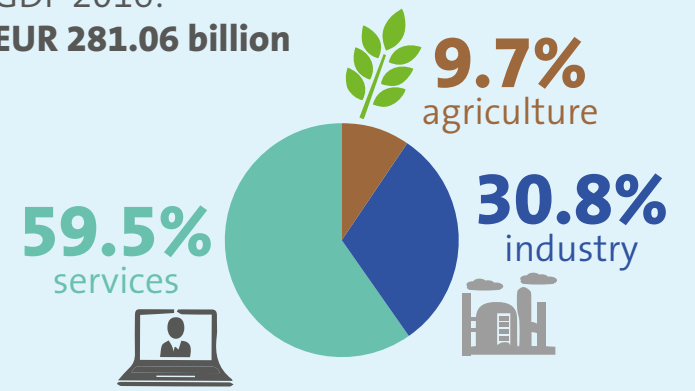
It provides financing for the Philippines to invest in its **► Intended Nationally Determined Contribution (INDC)** to reduce green house gas (GHG) emissions.



Provides means for the Philippines to finance programmes to meet its **► 2030 Agenda for Sustainable Development Goals (SDGs)**

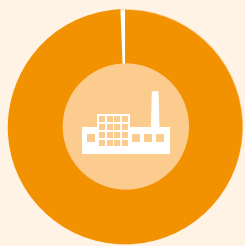
COUNTRY BACKGROUND

GDP 2016:
EUR 281.06 billion



99.5% businesses in the Philippines are SMEs and employ 61.6% of the workforce.

SMEs



99.5%

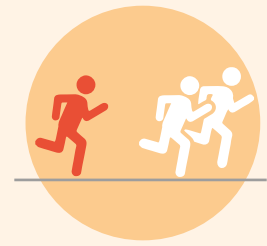
(896,839) businesses in the Philippines are SMEs and employ 61.6% of the workforce, making SME growth the key to long term economic growth for the Philippines



SMEs contribute to **35%** of GDP



SME loans make up only **12%** of total banking sector lending portfolio



Philippines' SME financing is **lagging behind** its neighbors: In 2014, total SME loan value stood at around EUR 7 billion as compared to EUR 145 billion in Thailand

SME POLICY AND RESPONSIBLE DEPARTMENTS

► Philippine Development Plan framework for 2017-2022

- Republic Act No. 10644, "Go Negosyo Act of 2013"
- Republic Act No. 9501, "Magna Carta for Micro, Small and Medium Enterprises (MSME) Act of 2008"
- Republic Act No. 9178, "Barangay Micro Business Enterprises (BMBEs) Act of 2002"

CHALLENGES SMEs FACE in accessing green finance

- Banks think SMEs have no acceptable collateral and no reasonable accounting or business systems
- Low level of awareness of the different financing options available in banks
- Some are located in areas far from banks
- Limited financial services suited to SME needs
- Insufficient or lack of collateral
- Cumbersome loan applications

CHALLENGES FOR FINANCIAL INSTITUTIONS to provide financing to SMEs

- Financial institutions are perceived to be too costly
- Lack of government support and regulatory framework
- Lending to SMEs is perceived as risky

Green finance SOURCES

- Development Bank of the Philippines
- Land Bank of the Philippines
- Bank of Philippines Islands (BPI)
- People's Credit and Finance Corporation (PCFC)
- Alalay sa Kaunlaran, Inc. (ASKI)

THE WAY FORWARD



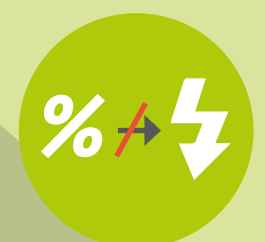
Intensify **information dissemination** to negate inaccurate perceptions about green finance



Improving **bank capacity to handle green accounts** to overcome institutional aversion to risk in new projects



Strengthen **local expertise** specifically in the **appraisal of proposals for green financing**



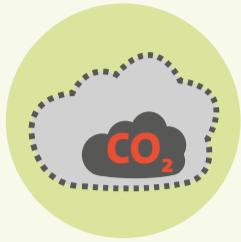
Set up a **special credit line** in the form of **Business Disaster Loans** (i.e. a risk mitigating facility) for medium-sized companies to improve SMEs' climate resilience



GREEN FINANCE for SMEs in SRI LANKA



Why GREEN FINANCE?



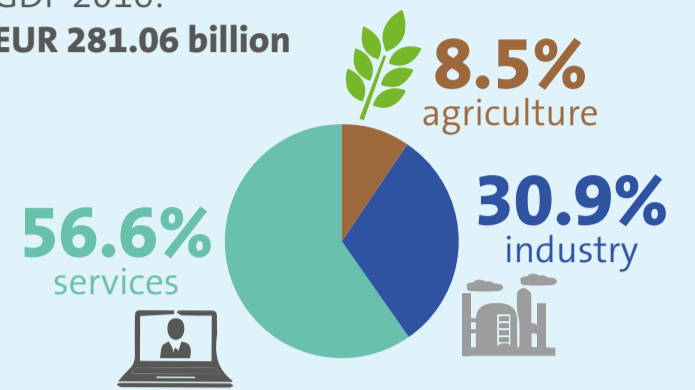
It provides financing for Sri Lanka to invest in its **Intended Nationally Determined Contribution (INDC)** to reduce green house gas (GHG) emissions.



Provides means for Sri Lanka to finance programmes to meet its **2030 Agenda for Sustainable Development Goals (SDGs)**

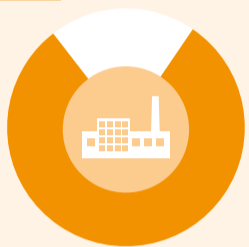
COUNTRY BACKGROUND

GDP 2016:
EUR 281.06 billion



SMEs account for 80% of all businesses in Sri Lanka.

SMEs



SMEs account for **80%** of all businesses, 45% of employment, and contribute 50% to GDP



More than **90%** of SMEs are in the service sector



Only **35%** of Sri Lankan SMEs can access a loan or a line of credit



Their ability to be a key driver of local economic growth is **hampered** by policy and bureaucratic obstacles, poor physical infrastructure, and lack of access to capital or finance.

SME POLICY AND RESPONSIBLE DEPARTMENTS

- The **National Cleaner Production (CP) Policy and Strategy of 2005**
- **Haritha (Green) Lanka Program (HL)**
- *National Action Plan of 2009*
- *National Green Reporting System introduced in June 2011 (under the HL Programme) to encourage industry and service sectors to 'go green'*

CHALLENGES SMEs FACE in accessing green finance

- Low expertise in environmental management and green finance
- Low awareness/demand of green finance
- Lack of access to business development services and markets
- Low level of technology
- Limiting funding resources
- Common perception that green projects are expensive

CHALLENGES FOR FINANCIAL INSTITUTIONS to provide financing to SMEs

- The financial services industry lacks of a pro-active role in taking into account potential opportunities from climate change
- No dedicated financing program for green projects
- Most financing activities are earmarked for housing development projects
- Banks have aversion to risk in new projects

Green finance SOURCES

- **DFCC Bank of Sri Lanka** (Development Finance Corporation of Ceylon)
- **The Housing Development Finance Corporation Bank of Sri Lanka** (HDFC Bank of Sri Lanka)
- **The Hatton National Bank Ltd.** (HNB)

THE WAY FORWARD



Information dissemination and education campaigns on benefits of green equipment, to reduce the common perception that green projects are expensive



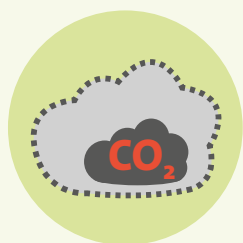
The creation of a **government unit to endorse appropriate green technologies**



GREEN FINANCE for SMEs in THAILAND



Why GREEN FINANCE?



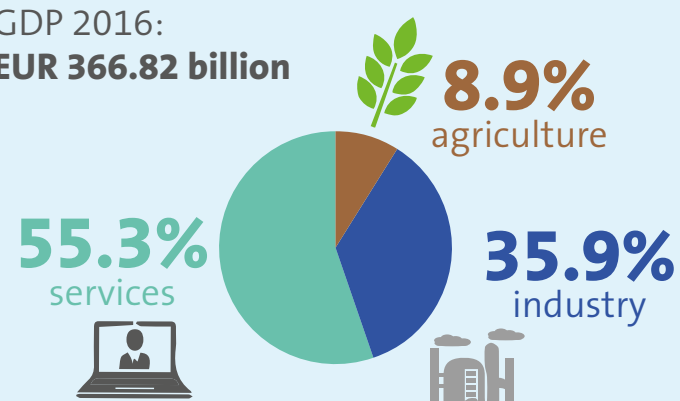
Providing financing for Thailand to make investments to meet its
► **Intended Nationally Determined Contribution (INDC)** to reduce its greenhouse gas (GHG) emissions



Providing means for Thailand to finance programmes to meet its
► **2030 Agenda for Sustainable Development Goals (SDGs)**

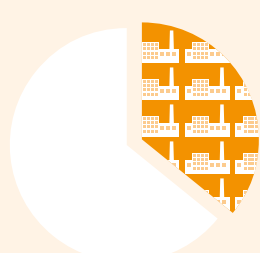
COUNTRY BACKGROUND

GDP 2016:
EUR 366.82 billion



Small- and medium-sized enterprises (SMEs) play a vital role in Thailand's economy. They contribute **37% to the GDP**.

SMEs

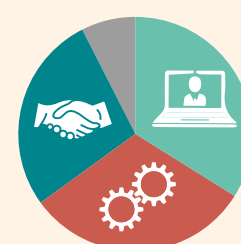


There are **3 million** SMEs in Thailand

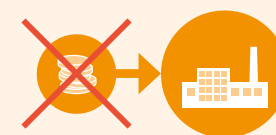
representing **98.5%** of total businesses



80% of total employment



Shares of SME sector's GDP:
services: 34.1%
manufacturing: 30.9%
trade and maintenance 27.7%
others: 7.3%



58% of SMEs have no access to external financing

SME POLICY AND RESPONSIBLE DEPARTMENTS

- *Third SME Promotion Master Plan (2012-2016)*
- **Office of Small and Medium Enterprises Promotion (OSMEP)**

CHALLENGES SMEs FACE in accessing green finance

- Lack of solid financial records and collateral for applying loans to banks
- Lack of capacity in business planning
- Lack of capacity in marketing
- Limited product diversity
- Limited access to markets
- Informal status hinders access to government's financing programmes
- High interest rates and fees
- Lack of awareness of the business case for green investments

CHALLENGES FOR FINANCIAL INSTITUTIONS to provide financing to SMEs

- Banks lack of diversified sources of funding
- Deficiencies in overall financial infrastructure
- Lack of differentiation for green finance products
- Weak legal and regulatory framework
- Perception of higher risk
- Lack of in-country examples of technology application
- Higher transaction costs due to additional (environmental) assessments
- Long turnaround time due to additional (environmental) assessments
- Longer tenor required to achieve environmental and financial savings
- Lack of SMEs' compliance with official tax schemes and audit requirements
- Political instability

Green finance SOURCES

- *Commerce International Merchant Bankers (CIMB)*
- *Thai Bank*
- *Krung Thai Bank*
- *ESCO Revolving Fund*
- *Thai ESCO*

THE WAY FORWARD

Strengthening **financial infrastructure**

Developing effective **credit risk assessments** for SMEs

Increasing **knowledge on benefits of energy efficiency and SCP measures**

Building SMEs' capacity in **project readiness for loan applications**

Clear **policies to guide financial sector** develop green finance products for SMEs

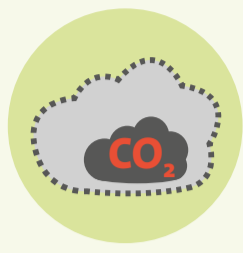
Providing **capacity building** to entrepreneurs



GREEN FINANCE for SMEs in VIETNAM



Why GREEN FINANCE?



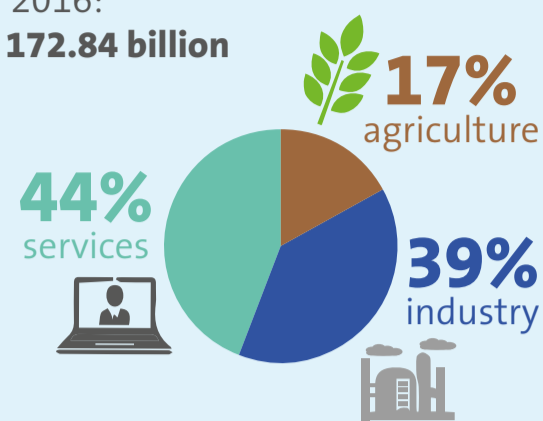
It provides financing for Vietnam to invest in its **► Intended Nationally Determined Contribution (INDC)** to reduce green house gas (GHG) emissions.



Provides means for Vietnam to finance programmes to meet its **► 2030 Agenda for Sustainable Development Goals (SDGs)**

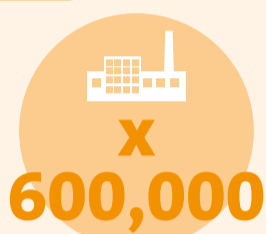
COUNTRY BACKGROUND

GDP 2016:
EUR 172.84 billion



SMEs account for 98% of businesses, providing 51% of the jobs in Vietnam.

SMEs



Over 600,000 registered SMEs and growing at over 100,000 per annum



SMEs account for 98% of businesses, provide 51% of jobs, and contribute **40%** to GDP



Bank loans make up the most important source of funding for SMEs but only about **30%** of SMEs are able to secure bank loans



SMEs contribute significantly to Vietnam's economic **growth** and social **stability**

SME POLICY AND RESPONSIBLE DEPARTMENTS

- **Decree 56/2009/ND-CP (2009) on supporting SMEs**
- *The second Five Year SME Development Plan (2011-2015)*
- *Resolution 19/NQ-CP (2014-2016) on business environment and national competitiveness*
- *Draft Law on Supporting Small and Medium Enterprises (2017)*

CHALLENGES SMEs FACE in accessing green finance

- Lack of technical capacities for minimizing environmental impacts of production
- Lack of adequate collateral
- Lack of status and adequate documents to produce convincing funding proposals
- Lack of awareness on investment potentials and funding sources
- Financial institutions offer unattractive loan conditions
- Complex and resource-intensive application procedures

CHALLENGES FOR FINANCIAL INSTITUTIONS to provide financing to SMEs

- Little demand for green finance, due to lack of pressure from government and customers
- Banks are risk averse and classify SMEs as risky customers
- Lack of knowledge on green investment concept and green technologies

Green finance SOURCES

- International development institutions
- State owned banks, e.g. **State Bank of Vietnam**
- Commercial banks, e.g. **Vietnam International Bank (VIB)**
- National SME Development Fund: EUR 164.8 million from the state budget

THE WAY FORWARD

SME demand for green finance needs to be increased

Environmental authorities and customers could increase **pressure on SMEs to implement resource efficiency measures**

Application procedures for SME green finance products should be streamlined

A **clear guidance** for financial institutions should be developed on **what constitutes green finance**

Financing institutions need **mandatory targets for green financing**

SMEs can focus on **staff training to build skills**

SMEs should **diversify funding sources** – reducing reliance on bank credit