

OVERVIEW

Taking action to mitigate and adapt to climate change is crucial for sustainable development, economic growth, and poverty reduction in Asia and the Pacific. Developing members of the Asian Development Bank (ADB) suffer the consequences of climate change, such as sea level rise, shifting seasonal precipitation patterns, and extreme weather events. The costs of mitigating and adapting to climate change will add significantly to the region's financing needs. The use of financial risk management products can play a critical role in helping these countries scale up climate investment and meet their commitments under the Paris Agreement.

To support the scale up of climate investment, ADB established in 2017 the Asia-Pacific Climate Finance Fund (ACIiFF) with financial support from the Government of Germany's Federal Ministry of Economic Cooperation and Development (BMZ). ACIiFF supports the development and implementation of innovative, scalable, and commercially viable financial risk management products that increase investments in climate change mitigation, adaptation, and disaster risk management in ADB developing members.

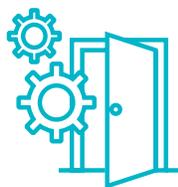
CURRENT FUND ACTIVITIES

- Build a diversified portfolio of supported projects in Asia and the Pacific
- Secure additional financing
- Engage with banks, insurers, reinsurers, and providers of private capital
- Engage with international initiatives, such as InsuResilience and NDC Partnership
- Conduct capacity development events and workshops
- Produce knowledge products



Public and private capital

with the use of



Financial risk management products

can increase



CLIMATE INVESTMENT

ACIiFF's flexible design allows it to support new and innovative financial risk management products and business models, as well as the replication and scale-up of proven approaches into new contexts. ACIiFF and its supported products engage and utilize the capacity of established constituents in the insurance, reinsurance and financial industries, to support both sovereign and nonsovereign engagements. The fund indirectly seeks to promote the market development and innovation of insurance and financial industries in Asia and the Pacific.

ACIiFF provides technical assistance, grants, and other financing modalities for financial risk management products that directly address:

Climate investment risk, and overcoming barriers for adopters and financiers of new technologies and approaches

FOR EXAMPLE

- Lack of familiarity with climate technologies
- Quality concerns regarding installation and maintenance of new climate technologies
- Performance-related uncertainties addressed with guarantees, insurance and risk sharing arrangements

Extreme weather risk, by improving resilience and reducing vulnerability to climate impacts

FOCUSING ON

- Poor and vulnerable communities, also addressing gender-sensitive vulnerabilities
- Introducing and enhancing of sovereign and non-sovereign climate and disaster risk financing solutions

ACiFF supports financial risk management products that work on achieving at least one of the following objectives:



SUPPORTING CLIMATE TECHNOLOGIES

Accelerating uptake and financing of climate technologies through products that transfer initial technology and performance-related risks, such as solar and energy shortfall insurance and guarantees for minimum performance of pre-qualified energy efficiency solutions for micro-small medium enterprises (MSMEs).

➤➤ **Possible ACiFF role:** Partner with insurance and reinsurance sector to support feasibility and market studies, product design and/or structuring, and the roll-out and implementation of technology solutions.



SCALING UP PRIVATE SECTOR CLIMATE FINANCING

Managing the risks associated with the initial deployment of new innovative financing models, such as through risk management products to unlock green lending to MSMEs, credit enhancement of off-taker payment risk in renewable energy financing structures, and bond liquidity facility protecting initial repayment risks for climate project bonds that otherwise can be too low to attract financing.

➤➤ **Possible ACiFF role:** Structure and/or implement risk management products to overcome barriers to green lending, structure and/or provide risk capital to credit enhancement facilities, and design and/or structure guarantee mechanisms for climate project bonds.



PROMOTING CLIMATE-SENSITIVE SECTOR INVESTMENT

Responding to the need to accelerate investment in climate change adaptation and in strengthening climate resilience, such as through crop insurance to protect smallholder farmers against climate-related events and grants for start-ups to pilot novel technology-enabled, climate-focused financial risk management solutions.

➤➤ **Possible ACiFF role:** Technical assistance grants to design and/or pilot new crop insurance approaches and partnership with ADB Ventures to support climate innovations in the start-up sector.



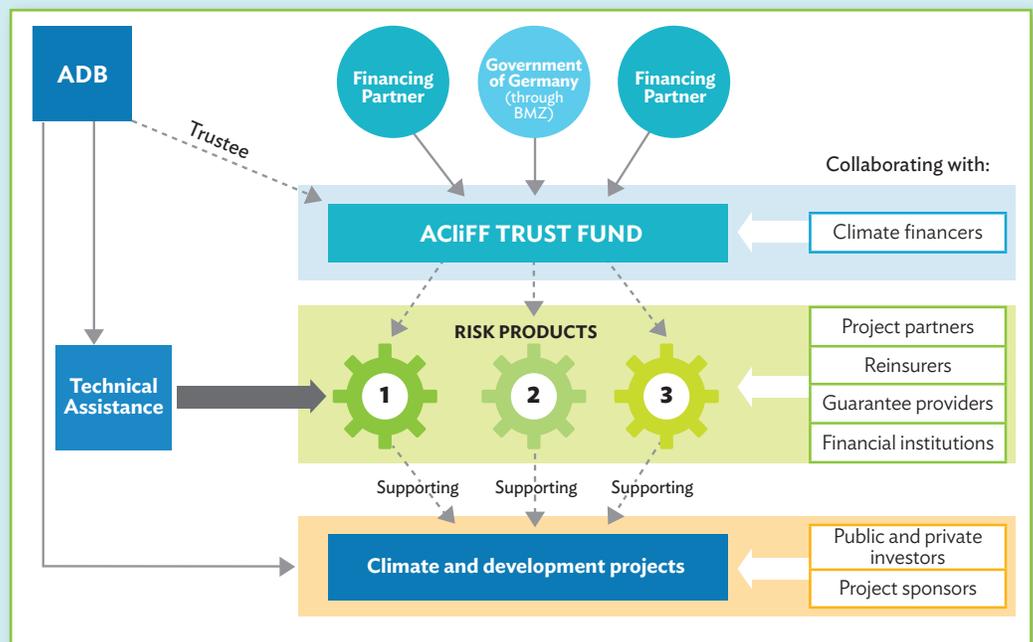
ADDRESSING EXTREME WEATHER EVENTS

Improving resilience to the impacts of climate-related disasters, particularly for vulnerable and low-income populations, such as through disaster insurance for city governments to improve financial preparedness for disaster response, and support to V20 Sustainable Insurance Facility's design of disaster insurance solutions for MSMEs.

➤➤ **Possible ACiFF role:** Technical assistance grants for capacity development of city governments for insurance implementation and expansion, and design studies and implementation of MSME climate risk insurance.

ACiFF FUND STRUCTURE

ACiFF is an ADB-managed, multi-donor trust fund established with the Government of Germany as its first financing partner. Financial risk management products supported by the fund can be implemented alongside both ADB and third-party climate and development projects. ADB's Strategy 2030 prioritizes tackling climate change, building resilience to climate change and financial industries, ACiFF will give ADB and third-party projects the leverage to accelerate the adoption and implementation of financial risk management products that scale-up climate investment.



¹ ADB. 2018. *Strategy 2030: Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific*. Manila.