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 rising sea levels, 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, mitigate the impacts of climate change, and meet their commitments under the Paris Agreement.

ACliff has approved financial support for seven ADB projects through eight allocations amounting to $10.675 million

- Supported projects cover the entire Asia and Pacific region, including India, Kazakhstan, the Philippines, Tonga, and Uzbekistan
- ACliff is supporting the implementation of the first project under the V20 Sustainable Insurance Facility, under which climate risk insurance is being developed for micro, small and medium enterprises (MSMEs)

ACliff is seeking financial support to boost the fund and scale up its impact.

HIGHLIGHTS OF ACliff OPERATIONS

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AClIFF supports financial risk management products that contribute to one or more of the following objectives:

**SUPPORTING CLIMATE TECHNOLOGIES**
Accelerating the uptake and financing of climate technologies through products that transfer initial technology and performance-related risks

**SCALING UP PRIVATE SECTOR CLIMATE FINANCING**
Managing the risks associated with the initial deployment of new and innovative financing models

**PROMOTING CLIMATE-SENSITIVE SECTOR INVESTMENT**
Responding to the need to accelerate investment in climate change adaptation, and in the strengthening of resilience in response to slow-onset climate-related risks

**ADDRESSING EXTREME WEATHER EVENTS**
Improving resilience to the impact of climate-related disasters, particularly among vulnerable and low-income populations

**Supporting innovation and replication**
AClIFF’s flexible design allows it to fund new and innovative financial risk management products and business models, as well as the replication and scale-up of proven approaches in new contexts. AClIFF and its supported products engage and use the capacity of established constituents in the insurance, reinsurance, and financial industries, in both sovereign and nonsovereign operations. The fund indirectly seeks to promote the market development and innovation in the insurance and financial industries.

**AClIFF FUND STRUCTURE**
AClIFF is a multi-donor trust fund established by ADB in 2017 with the Government of Germany as its first financing partner, managed by ADB. 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 disasters, and enhancing environmental sustainability. Working with project partners and the insurance and financial industries, AClIFF 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.

OVERVIEW OF SUPPORTED PROJECTS

Renewable energy in the Pacific and Uzbekistan

ACliff is funding the structuring and implementation of letters of credit through ADB’s Pacific Renewable Energy Program and the Uzbekistan Solar Public-Private Partnership Program.

The Tonga Solar project is expected to provide electricity to over 70,000 individuals, contributing to their energy security.

Under Uzbekistan’s Sherabad Solar project, $165 million in third-party funding will be mobilized, to benefit one million people.

Both programs are foreseen to expand and include additional renewable energy projects.

Support to the V20 Sustainable Insurance Facility

ACliff support for the first project under the V20’s Sustainable Insurance Facility involves analyzing the potential business models and insurance product design options to help MSMEs manage climate risk better.

A solution will be developed for the Philippines before a pipeline of countries that could support its replication is built.

The aims is to reach at least 10,000 MSMEs in the Philippines in the implementation phase.

MSMEs and green investment in Kazakhstan

An ACliff-funded scoping study in Kazakhstan will identify financial risk management products that can unlock green lending for MSMEs.

The subsequent implementation plan is expected to mobilize at least $30 million in third-party funds and benefit 3,800 MSMEs in Kazakhstan.

Climate risk insurance for microfinance borrowers in India

ACliff is supporting the design and pilot testing of a climate risk insurance product for microfinance borrowers in India, together with Indian Microfinance Institutions Network. The index insurance product, to be made available through five microfinance institutions, is expected to provide climate risk protection to over 850,000 low-income borrowers, at least 80% of whom are women.

Pilot testing of innovative climate solutions by early-stage companies

With ACliff support, ADB Ventures is providing seed grants to early-stage companies for the pilot-testing of new technology-enabled solutions and business models that promote climate change mitigation and resilience, and the deployment of financial risk management products.

Three Wheels United is funding the use and ownership of electric three-wheelers (e-auto-rickshaws) in India. The emissions avoided each year by 500 e-rickshaws, at 18,500 metric tons of carbon dioxide emissions (tCO2e), translate into 15.2 million tCO2e of emissions avoided over 10 years.

At least six seed grants will be funded across the region.

Disaster insurance for city governments in the Philippines

ACliff is providing funding assistance for the development and implementation of a disaster insurance scheme for city governments in the Philippines.

Coverage is focused on earthquakes and typhoons. Insurance will provide indirect protection to nine million people.

2021 project pipeline

ACliff has identified further opportunities to support

- disaster risk insurance for MSMEs in V20 countries,
- insurance for nature-based solutions in four countries across Asia and the Pacific,
- structuring and issuance of a blue bond to finance projects linked with the ocean economy,
- financial mechanisms for the transition away from fossil fuel energy generation, and
- incentives for microfinance lending to finance home improvements that strengthen climate resilience.

For more information contact ADB Climate Change Specialist and ACliff Fund Manager Josh Ling via jling@adb.org. Also visit http://www.adb.org/acliff.