



# Green financing instruments for SMEs

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# Where do SMEs stand?



## What are FIs limitations?

- inability to provide collateral/guarantees
- Lack of credit history
- Lack of cash-flow based financing
- lack of documentation and information

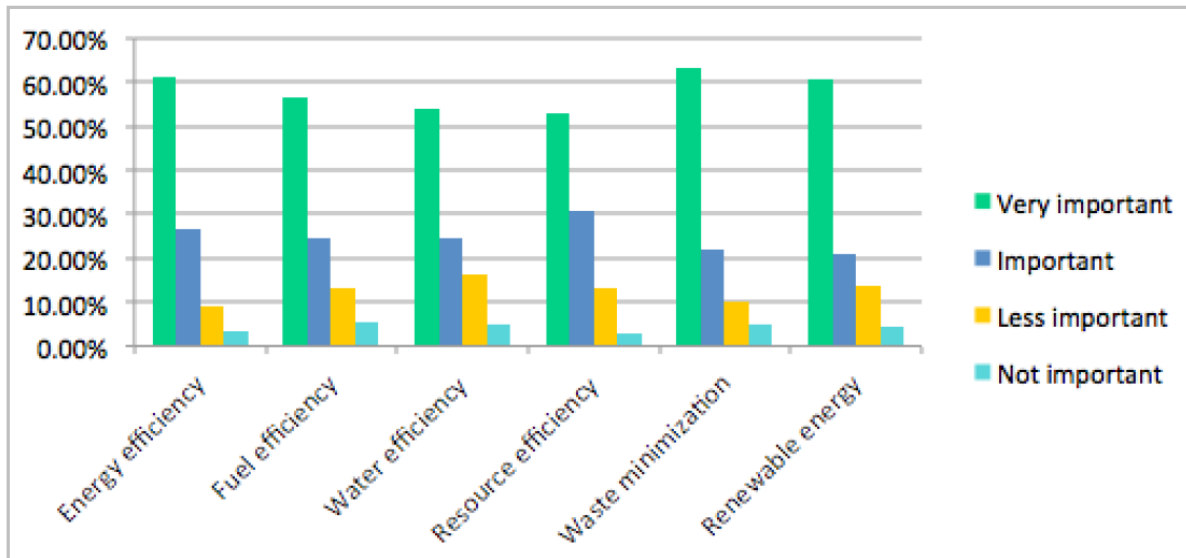
## Where to invest?

- Greenwashing is prevalent
- Lack of Investment Pipeline
- performance data is difficult
- Lack of regulatory frameworks

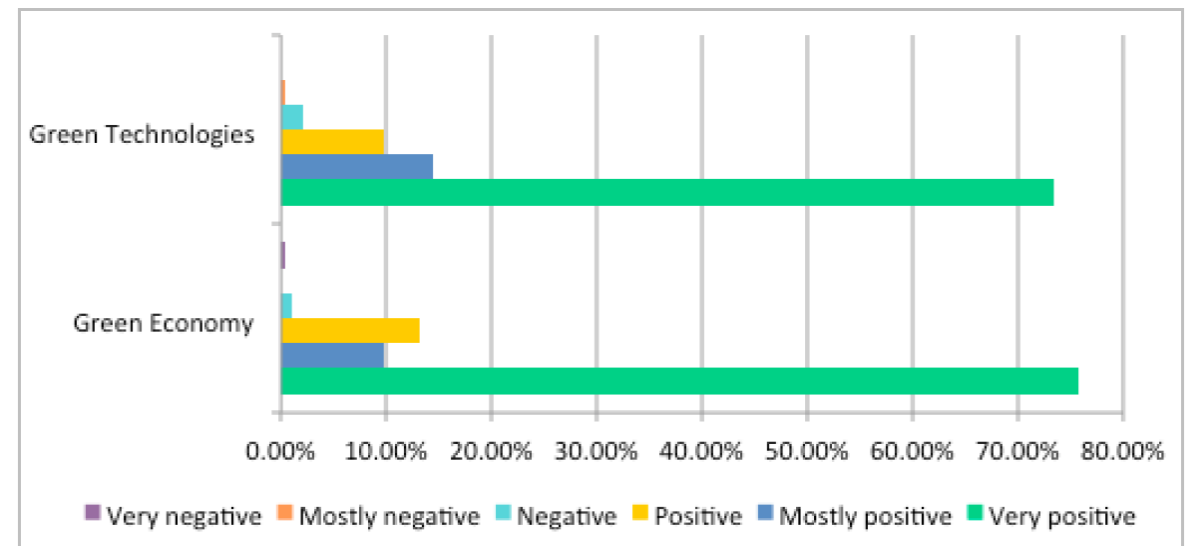


# How are the SMEs thinking?

### Importance of 'Green Measures' to the company

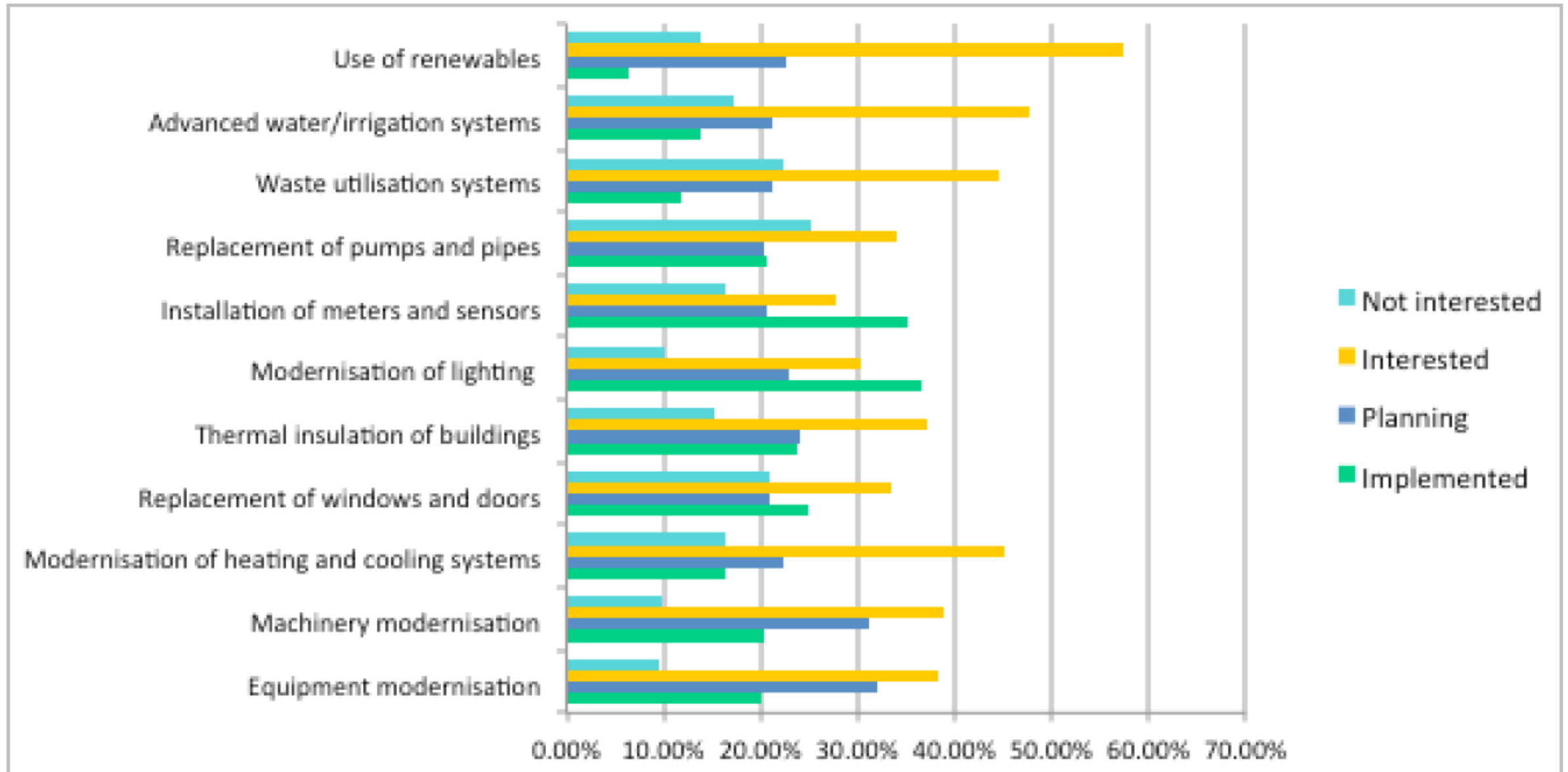


### Attitude to Green Technologies / Economy





# What are the green technologies implemented?



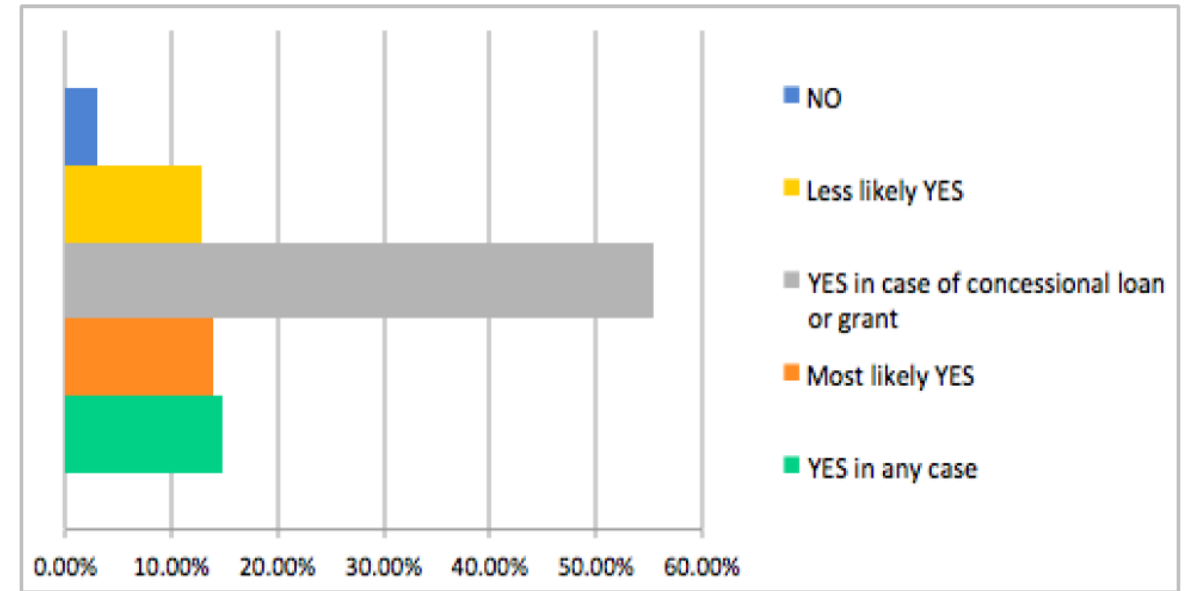


# Barriers to green technology investments?

## Barriers includes-

- **Lack of awareness** of the wide range of **benefits** of green investments
- A **lack of technical knowledge** and **skilled staff**
- **High up-front investment** costs
- **Limited** availability of **affordable finance**-**High collateral 200%**
- **Lack of Credit history**, **high interest rates**
- **Interestingly fear of dependency** on **banks**
- **Complicated and lengthy approval process**

Figure 19 Likelihood of investment in Green Technologies



Source: Online Survey conducted for Scoping Study



# Possible Approaches for a SME green transition

## Flexible and Reasonable Financing Products:

**Risk Sharing:** Provision of **portfolio level guarantees** to lenders to address specific market failures.

- Security challenge => Capped guarantee
- Market creation => low risk market entry for lenders  
Longer tenors ≈ cashflow neutral investment
- Lower interest rate => shortens payback

**Leasing:** Increase **participation from Leasing companies** as they serve market segments that banks refrain from

## Lending for more Green Investments/Assets:

- Interest rate subsidy for **Green loans**
- Interest rate subsidy and grants for energy efficiency loans and/or higher subsidy/grant for **'Very Green' investments**, such as Solar PV, Solar Water Heaters (SWH), other renewable

## Centre of Excellence green M/SMEs:

- **Facilitate access to business information** and **know-how on green transformation.**
- Capacity building efforts to support reporting, measurement and methodologies
- Making such services available in lesser developed parts of the country
- Work on both the lender and borrowers:  
Quality of technical advisory services

## Policy Push:

- **Proportionality of mandatory and voluntary reporting** and disclosure based on firm size, with flexible timelines for compliance
- **Dedicated rating** and indices methodologies to support financing for SMEs



# ADB TA Support to Kazakhstan and Central Asia

## Key objectives:

To enable the **strategic adoption of globally acceptable sustainable financing standards and practices by sovereign institutions in Kazakhstan and Central Asia**

### Develop an ESG Strategy

- ✓ **Mobilizing of ESG experts**
- ✓ **Assessing the readiness** of existing institutional systems
- ✓ **Benchmarking against global sustainability standards**
- ✓ **Assess material ESG risks**
- ✓ Developing an ESG Strategy
- ✓ Creating **investor awareness**

### Transform Business Processes

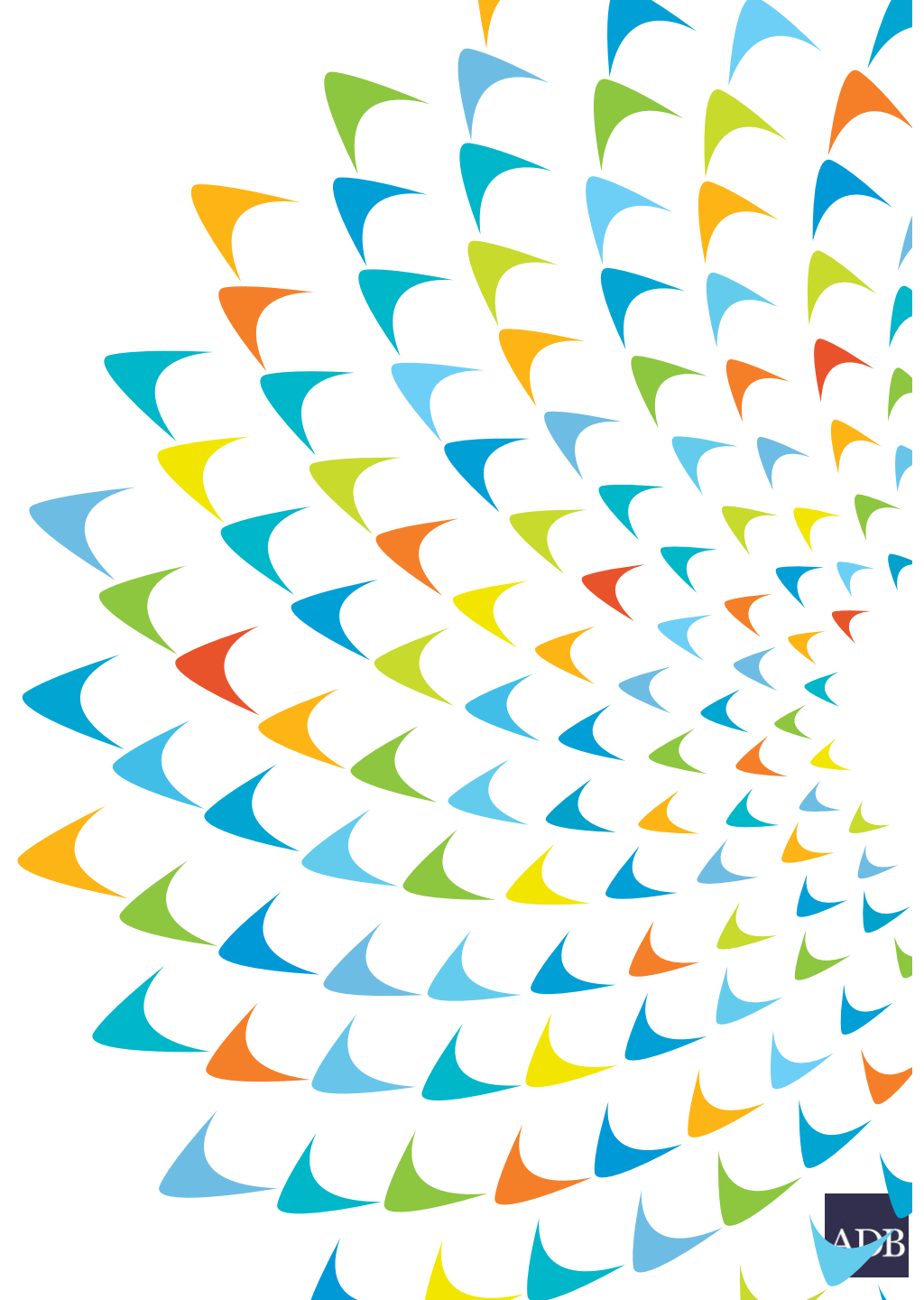
- ✓ Assistance with **integrating ESG principles**, monitoring and disclosure methodologies.
- ✓ Support for **evaluating options for issuances of sustainability-themed financial securities** and its servicing

### Create Institutional Capacity

- ✓ Curated training to **enhance knowledge** on global sustainable financing standards
- ✓ **Workshops on industry-leading practices** and case studies on sustainable financing
- ✓ **Handholding on themed bond issuances** and ESG ratings



Thank you







# ADB approach to Sustainable financing

ADB's involvement has contributed to the development of Asia's Thematic bond markets

ADB has been successfully issuing Green Bonds since 2015

In 2021, ADB issued around \$1.7 billion in green bonds, mostly in private placement format.

ADB's Treasury has been doing green bond issuances in diverse currencies such as Australian dollar; Brazilian real; Canadian dollar; Hong Kong dollar; euro; Indian rupee; Kazakhstan tenge; Mexican peso; Norwegian krone; pound sterling; Swedish krona; Turkish lira; Ukrainian hryvnia; and South African rand.

ADB's Private Sector Operations Department Support for Green Finance Development:

- ❖ 2016 - The first green bond in Asia is issued in the Philippines- \$225 million (ADB \$37.7 million)
- ❖ 2018 - The first green bond is issued in Thailand- ADB \$155 million
- ❖ 2019 - The first certified US denominated climate bond in SE Asia publicly listed in Singapore- \$325 million (ADB \$97.5 million)
- ❖ 2020 - The first green bond issued in Georgia-\$250 million (ADB \$40 million)



## Regional distribution of micro and small SME loan portfolio, end of 2018

