



SAARCFINANCE Symposium – May 3, 2023 Islamabad



Climate Change and Green Financing: Initiatives & Outlook in South Asia

Country Paper

BHUTAN



Presentation Outline

1. Brief Background on Green Finance Journey

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1.3 – Objectives of the revised Green Finance Roadmap

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2.1 – Criteria for developing the revised Roadmap

2.2 – Proposed amendments under the revised Roadmap

1.1 A Quick Snapshot of Green Finance Journey

Key Stakeholders Engagement

Main Partners:

1. Inclusive Green Finance Working Group of AFI
2. Asian Development Bank

Secondary Supporters

1. UNDP resident office
2. Debt Management Division, Ministry of Finance
3. Climate Change Division, National Environment Commission Secretariat
4. Gross National Commission Secretariat
5. FSPs in Bhutan (BDBL, BNBL, BoBL, RENEW MFI)
6. Bhutan Ecological Society
7. International agencies such as European Microfinance Platform (Green Index 3.0), Global Green Growth Institute, Luxembourg Green Exchange, etc.

Oct, 2019



Concept Note on Green Finance

In October 2019, the first concept note on Green Finance was developed. The concept note emphasized the rationale and significance of developing a green finance for Bhutan

Jan, 2020



JLP organized by AFI in Bhutan

From 20th to 22nd Jan 2020, Joint Learning Program on IGF was co-hosted by AFI and RMA

July, 2020



Green Finance Roadmap Version 1.0 presented to EC

The DFRS submitted the Version 1.0 of Roadmap to EC on 1st July 2020. The roadmap was drafted in May 2020

Nov, 2021



Green Finance Taxonomy Version 1.0

The DFRS submitted the Version 1.0 of the Green Taxonomy to EC on 12th Nov 2021. The draft was drafted in August 2021.

2022



Green Finance Roadmap Version 2.0

The DFRS to plans to submit to EC the endorsement for the proposed revised Green Finance Roadmap

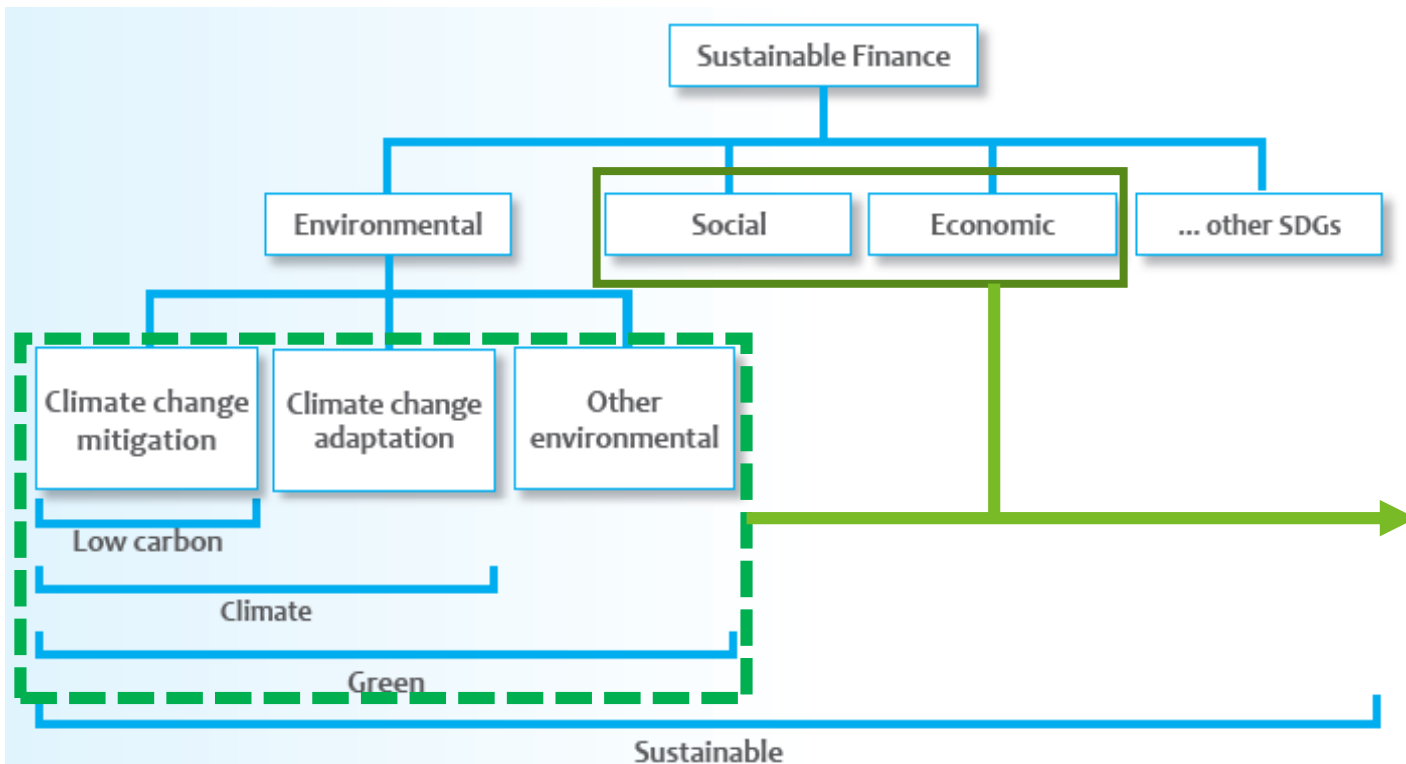
1.2 Overview of Green Finance in the context of Sustainable finance

Sustainable Finance Overview

The ICMA published the *Sustainable Finance: High-level Definitions Paper* in May 2020. This document aims to provide a common language and clarity to all market participants and stakeholders. ICMA defined sustainable finance as follows:

“Sustainable Finance incorporates climate, green and social finance while also adding wider considerations concerning the longer-term economic sustainability of the organizations that are being funded, as well as the role and stability of the overall financial system in which they operate”

Under this revised roadmap – the definition of ‘Green Finance’ is the flow of funds towards green economic activities and climate change mitigation and adaptation projects in any form of financial product or service which also integrates the social and governance criteria into business decisions that supports economic growth and provides lasting benefit for both clients and society while reducing pressures on the environment.

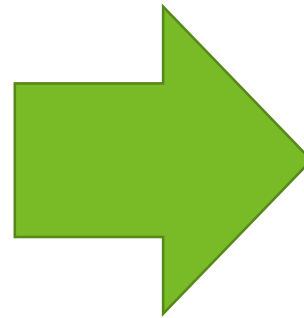


1.2 Objectives of the revised Green Finance Roadmap

Given Bhutan's strong commitment to preservation and conservation of environment, the development of the green finance roadmap aims to foster the development of policies and initiatives in the green finance landscape in order to support Bhutan's long-term climate goals, ambitions and commitments at international, regional, and local levels. The revised 'Green Finance Roadmap' sets out a comprehensive approach that will serve as the foundation for effective strategies to facilitate the mainstreaming of green finance in Bhutan.

The five objectives of the Green Finance Roadmap (Version 1.0) was as follows:

1. To make the financial system more robust and resilient to external vulnerabilities in the wake of Covid19 pandemic.
2. To channel lending towards products and services that can deliver both investable returns and environmentally positive outcomes.
3. To ensure that green investments are prioritized over business-as-usual investments.
4. Mobilizing additional investments in Bhutan's green sectors.
5. To accelerate the financial sector's contribution to transitioning to a low carbon economy by leveraging on modern technology and innovations.

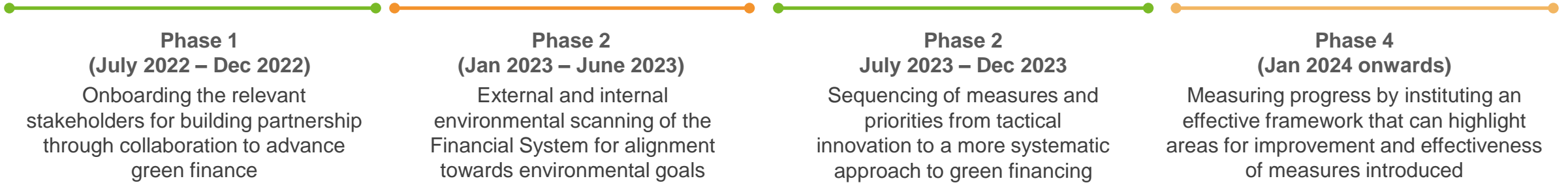


The revised roadmap is designed to outlay the strategic action plan of the RMA's 2030 roadmap to promote green finance in the financial system of Bhutan and to address climate change and other environmental and social risks.

The 3 objectives of the revised roadmap are as follows;

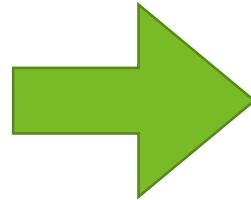
1. Design the goals/actions/areas that will support the current and planned future initiatives and policies towards creation of an enabling environment for the widespread adoption of green finance in the financial ecosystem.
2. Determine priority and focus areas for improvements relating to green finance.
3. Provide strategic direction and recommendations to accelerate green finance and to support the transition to a sustainable and green economy

2.1 Criteria for developing the revised Roadmap



3.1.a Summary of proposed actions under the revised roadmap

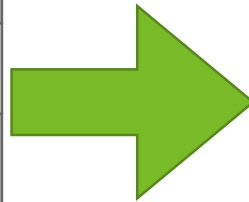
Strategic Pillar I: Governance and Coordination			
	Activities	Timeline	Potential Partners
Sustainable Finance Committee	Formation of National Sustainable Finance Committee	Short-term	UN Environment, NEC, GNHC
	Develop and approve action plan budget	Short-term	UN Environment, NEC, GNHC, AFI
	Collaborate with other countries	Medium-term	AFI, UN Environment, GCF
	Capacity building of the committee and Secretariat	Short-term	AFI, UN Environment
Capacity Development	Capacity development of financial institutions	Medium-term	FITI, AFI, UN Environment, GNHC
	Capacity development of regulatory & policymakers	Medium-term	FITI, AFI, UN Environment, GNHC
	General awareness raising	Medium-term	FITI, AFI, UN Environment, GNHC
Research & Monitoring	Support green fiancé & technology research	Long-term	RUB, UN Environment, GNHC
	Develop measurement framework	Long-term	GNHC, NEC, FIs
	Conduct review & update of the roadmap	Long-term	UN Environment, NEC, GNHC, AFI



Pillar I: Policy – Creating a Conducive Environment			
	Activities	Timeline	Potential Partners
Policy Gap Analysis	Support and develop E&S risk management policy for FSPs (reporting, supervision and KPIs)	Phase 2 to 3	RMA & FSPs
	Integrate and embed sustainability (green) considerations into existing financial sector policies and regulations, directives	Phase 2	RMA in consultation with all key stakeholders
	Develop green finance strategic investment plan	Phase 3	RMA

3.1.b Summary of proposed actions under the revised roadmap

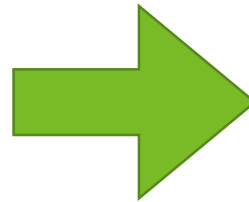
Pillar II: Environment & Social Risk Management			
	Activities	Timeline	Potential Partners
Banking and NBFIs	Develop ESRM guidelines and framework by banks including reporting and supervision	Medium-term	UN Environment, NEC, GNHC
	Embed Sustainability consideration into existing financial sector policies, legislation and directives	Medium-term	UN Environment, NEC, GNHC, AFI
	Report publicly statistical information and data on aggregate sustainable and green finance flows in the financial sector	Long-term	AFI, UN Environment, GCF
	Build capacity and awareness and provide technical implementation support and guidance	Medium-term	AFI, UN Environment
Insurance	Conduct baseline research to understand needs and strategies	Medium-term	FITI, AFI, UN Environment, GNHC
	Develop and approve green insurance guideline	Medium-term	FITI, AFI, UN Environment, GNHC
	Build capacity and awareness and provide technical implementation support and guidance	Medium-term	FITI, AFI, UN Environment, GNHC
Green Exchange	Develop a concept paper on listing of global companies in Bhutan based on the parameters of SDG goals and GNH Business Screening tools.	Long-term	RSEBL, RUB, UN Environment, GNHC
	Formulate green exchange guideline and certification criteria for domestic companies to list on Green Exchange	Long-term	RSEBL, GNHC, NEC, FIs
	Build capacity and awareness and provide technical implementation support and guidance	Long-term	RSEBL, UN Environment, NEC, GNHC, AFI



Pillar II: Financing – Mainstreaming the Green Finance			
	Activities	Timeline	Potential Partners
Financing Gap Analysis	To review and assess the need for measures to promote green financial products	Continuous process	RMA in consultation with all key stakeholders
	To ensure alignment with the recommendations in the RMA's 2030 Roadmap & National Climate initiatives and commitment	Continuous process	RMA in consultation with all key stakeholders
	Develop environmental and climate-related stress testing guidelines and tools	Phase 3	RMA with FSPs (TA support required)

3.1.c Summary of proposed actions under the revised roadmap

Pillar III: Green Finance Flows			
	Activities	Timeline	Potential Partners
Green Finance Instruments	Green Bond: Conduct study and identify strategy to develop green bond market; Introduce green bond guidelines, green bond catalogue, reporting guidance and incentive mechanisms; Build capacity and awareness	Medium-term	RSEBL, UN Environment, MoF, NEC, GNHC, ADB, World Bank
	Guarantees/Refinance schemes: Issue guidelines/ framework for guarantee/refinance schemes; Build capacity	Medium-term	MoF, RSEBL, UN Environment, NEC, GNHC, AFI
	Impact Investment: Issue regulations for Impact Investment; Build capacity and awareness,	Medium-term	AFI, UN Environment, GCF, GIZ, World Bank, ADB
Monetary Incentives	Provide green finance incentive mechanisms	Long-term	RMA, FIs
	Introduce differentiated prudential requirements to promote green finance	Long-term	RMA, FIs
Fiscal Incentives	Allocate resources to green activities through targeted refinance schemes, guarantees and other risk sharing instruments.	Long-term	MoF
	Develop green taxation regulation and framework	Long-term	MoF
	Assist financial institutions to tap globally available green funding sources	Medium-term	GNHC



Pillar III: Measurement – Ongoing Analysis & Engagement			
	Activities	Timeline	Potential Partners
Driving Green Investment	Explore and learn from the other countries net zero target and the opportunities it provides to drive sustainable/green finance.	Continuous process	RMA in consultation with all key stakeholders
	Explore and support the mechanism to tap access to international climate/green funds	Continuous process	RMA with relevant stakeholders (national & international)

3.2 Next Steps for advancing green finance

This Roadmap presents a guide to align the financial system with green finance goals. In order to start the implementation of the roadmap, the following immediate next steps could be taken:

1. Establishment of Green Finance Committee and set up of thematic working group within RMA.
2. Development of detailed Action Plan to support the implementation of the roadmap including clear timelines, responsibilities and expected outcomes.
3. Organizing of stakeholder and public consultation to ensure alignment of the roadmap with other sector initiatives
4. Development of budget and identification of funding sources
5. Launch and kick-off of implementation phase



THANK YOU