

A Community Where Ideas, Innovation, Empowerment, and Opportunity are Shared



INTEGRATING CLIMATE FINANCE

Climate change poses several risks to the financial sector. If unchecked, climate change will reduce 11% to 14% of global economic output by 2050, which amounts to approximately \$23 trillion a year. In our fifth issue, we explore how financial institutions (FIs) can support women and women entrepreneurs to fight climate change through green finance and technology.

CLEANTECH

Leveraging Emerging Technologies to Manage Risk and Unlock New Lending Opportunities

As organizations and governments aim to align on climate change, sustainable investments have grown by 605% between 2016 and 2020 according to a Climate Bonds report, and sustainable debt has increased by 29% to reach \$732 billion in 2020.¹ With this, there has been an increasing focus on clean tech solutions being embedded across a variety of sectors, including supporting the financial sector to estimate/quantify climate risks in their portfolio.

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Responding to this, in November 2022, the Singapore Fintech Festival (SFF) was held. One of the main themes of the SFF was the emergence of cleantech technologies and how they could play a part in the financial services industry. The evolution of cleantech solutions allows FIs to capture new sets of alternative data created out of different infrastructure setups, such as smart grid systems and battery storage systems. Furthermore, it also helps FIs to establish a new set of reporting standards that are more focused on climate sustainability. These climate tech solutions aim to put decarbonization at the forefront by combining finance, climate, and technology.

The WFX team met various clean tech startups, including ones that aimed to capture alternative data from a 'green' standpoint and those that would aggregate various Environmental, Social and Governance (ESG) reporting standards for FIs and automate reporting processes. One of these startups aims to capture trends and reporting standards from various platforms such as Moody's to help FIs tag loans in their portfolios as climate sustainable. This would subsequently feed into their reporting models.

Other climate tech solutions provide climate risk management tools to various financial services sectors (banking, insurance, payments). These analytics tools would enable FIs to assess, predict and report on the physical assets' exposure (in FI portfolios) to impacts of climate change. For example, one such cleantech startup deploys satellite and thermal imagery to analyse plant health and water stress levels in farms. The data can flow into credit scoring models of FIs looking to lend to farmers and to risk assessment models of insurance companies providing crop insurance. Satsure, an ADB Ventures portfolio company, aggregates real-time and historical data from satellites and operations to enable access to finance for smallholder farms in India. Satsure leverages on AI-powered modelling to gauge a farm's income generating potential to help FIs assess risk more accurately.

As the world moves towards a greener future, climate tech will increasingly play a role in enabling FIs to identify new business opportunities in the climate financing space. Leveraging clean tech solutions benefits FIs by allowing them to use de-risking tools while addressing the commitments made under the Paris Agreement.

DIGITIZING THE TRADE AND SUPPLY CHAIN FINANCE PROCESSES

Reducing carbon footprint in international trade activities through greening and digitalization of trade and supply chains is crucial to tackle the challenges of climate change. A study by McKinsey [▶](#) shows that about 80% of all carbon footprint is linked back to the trade and supply chains. Consequently, large companies with international supply chains are already demanding support from FIs in incorporating reliable and measurable sustainability criteria in the supply chain finance practices, rewarding better-performing suppliers.

FIs can leverage transformative technology like blockchain, which is a decentralized ledger that enables a seamless flow of data in a secure manner, to enable more cost-efficient delivery of products in the supply chain, enhance traceability, and support access to financing; as well as to reduce costs for ESG tracking by removing intermediaries. [▶](#)

Digital processes and better data management will increase the transparency around sustainability performance and enable automated access to funding as the necessary infrastructure is built. Women-owned businesses could especially benefit from the use of blockchain technology as it improves efficiency and decreases administration costs for smaller-scale businesses.

ADB sees trade and supply chains as important elements in solving global challenges such as climate change, social responsibility, and resiliency. It has mandated its Trade and Supply Chain Finance Program [▶](#) to make global trade and supply chains green, resilient, inclusive, transparent, and socially responsible.

PROVIDING SUSTAINABLE FINANCE TO WOMEN TO FIGHT CLIMATE CHANGE

Women and girls are particularly affected by climate change, yet they do not have access to affordable green finance that can have a meaningful impact. Gender analysis of green lending shows that women are usually being loaned small amounts of money for one-off investments, thereby hindering their opportunity to make substantive investments that would make them climate resilient, while also seriously limiting their contributions to climate action. ADB's latest blog explains how FIs can help women entrepreneurs by deploying gender-responsive finance while achieving effective climate action.

[READ HERE ▶](#)

USING INNOVATIVE FINANCE SOLUTIONS TO BOLSTER CLIMATE RESILIENCE

This publication examines the role for disaster risk financing (DRF) solutions targeted at microfinance institutions (MFI), with a particular focus on building resilience of the urban poor, including women, to climate and geophysical shocks. It highlights the important role played by MFIs in recovery lending and explores the use of DRF products and structures that can ensure MFIs are able to extend credit post-disaster. The report recommends the establishment of a regional facility to manage the offer of risk transfer and contingent capital solutions to the microfinance sector.

[READ HERE ▶](#)

WEBINAR ON THE IMPACTS OF CLIMATE CHANGE

A webinar hosted by WFX on 24 November discussed the risks and opportunities posed by climate change and how they might impact the portfolios of FIs. Speakers representing organizations involved in climate action provided insights on how climate risks can be quantified, and opportunities identified. They underscored the increased pressure from stakeholders, including regulators, shareholders, and the international community to direct financial flow towards climate aware projects. Over 50 FI participants attended the by-invitation-only panel discussion.

TECHNOLOGY INNOVATION CHALLENGE LAUNCHED

WFX launched its next Technology Innovation Challenge seeking to find a gender responsive method of credit scoring for Pakistan on 2 November at the ADB-Singapore Fintech Association networking night held on the sidelines of the SFF. Pakistani women face difficulties accessing finance as they lack credit history, a crucial requirement for FIs to make lending decisions. To improve financial inclusion of women, Pakistan needs solutions that capture alternative data as a proxy for women specific payment behaviors to support the evaluation of the creditworthiness of women.

[READ HERE](#) ◀

AFFORDABLE GREEN HOUSING IN MALAYSIA

On 22 September, ADB and Malaysian mortgage corporation Cagamas signed an agreement to support the development of a sustainable and green housing finance ecosystem in Malaysia. As a first step, WFX will conduct research for a knowledge product on the challenges and constraints scaling up green residential mortgages, including for the low-income segments and, in particular, female headed households.

LINKS TO RESOURCES

Women in The Green Economy - Integrating Gender Equality in Building A Sustainable Future for All

(<https://www.adb.org/news/videos/55th-adb-annual-meeting-2nd-stage-women-green-economy-integrating-gender-equality>)

Green Financing of Eco-Innovations: Is Gender Inclusivity Taken Care of?

(<https://www.tandfonline.com/doi/full/10.1080/1331677X.2022.2029715>)

Fintech and COVID-19:

Impacts, Challenges, and Policy Priorities for Asia

(<https://www.adb.org/publications/fintech-and-covid-19-impacts-challenges-and-policy-priorities-for-asia>)

Addressing The Climate Crisis by Investing in Gender Equality and Women's Leadership

(<https://blogs.adb.org/blog/addressing-climate-crisis-investing-gender-equality-and-womens-leadership>)

Pacific Island Fiji Aims for a High-Tech Future

(<https://www.bbc.com/news/business-62830770>)

Climate Finance and Women

(<https://gggi.org/climate-finance-and-women/>)

WFX PARTICIPATES IN THE SINGAPORE FINTECH FESTIVAL

Together with ADB's Information Technology Department and ADB Ventures, the WFX team participated in the SFF from 2 to 4 November 2022. The 3-day event attracted more than 62,000 participants from over 115 countries. Aside from networking with several potential hackathon participants, the team also met with clean tech companies, several potential cofinancing partners and interested FIs during the event.



WFX Team from left to right: Apurva Jain, Technology Feasibility Expert; Akhil Hemrajani, WFX Manager; Edmond Yee, Project Analyst; Sabine Spohn, Principal Investment Specialist, ADB PSFI; Joanna Romero, Gender Finance Specialist; Lisette Cipriano, Senior Digital Technology Specialist, ADB SDSC; and Alfea Bonsol, Project Coordinator.

WFX PORTAL IS LIVE!

WFX portal is an interactive digital platform that allows registered members to collaborate in identifying innovative technology solutions, exploring capacity building opportunities, and sourcing knowledge on gender-responsive and green financing. Please visit us at www.wfx.adb.org. ▶



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