Project Pipeline Development: A Prerequisite for Effective NDC Implementation

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Highlights

- The development of project pipelines is the prerequisite for effective NDC implementation.
- A robust and scalable project pipeline should be developed at the preparatory stage of NDC planning.
- The project pipeline can help identify bankable projects and build trust in the private sector on the government’s commitment to climate action.
- Financial strategies like sustainable finance roadmaps and environmental assessment are both essential elements in developing a robust climate project pipeline to meet a country’s NDC.

Next Steps

- This event served as a launch of ESCAP’s Climate Invest multicounty initiative, which will be taken forward through 2025. This panel session provided key insights and actions which must be considered in the establishment of bankable NDC-linked project pipelines. These insights will be taken forward into the inception phase of Climate Invest project’s research and has helped frame key bankability issues which will be further explored.

Discussion Overview

Project pipeline of sustainable finance climate adaptation and mitigation in Sir Lanka

- Dr. Ananda Mallawatrantri, Advisor, Presidential Secretariate of Sri Lanka, noted that Sir Lanka has undertaken steps to ensure that the project pipelines of sustainable finance for climate adaptation and mitigation align with the government’s long-term strategy.
- Sir Lank introduced a concrete environmental and scientific plan to locate environmental projects in which sustainable finance can provide funding.
- Emphasizing the importance of environmental monitoring and protection, governments need robust information and data management. This includes the collection of data in various areas, such as climate finance and its impacts.
- To ensure efficient project development and identify areas requiring government involvement, there is an annual review of project development and pipelines. This process aims to prioritize projects and align them with the government’s strategic objectives.

Cambodia’s strategy and pipeline

- Mr. Youraden Seng, Director of Banking Supervision Department II of the National Bank of Cambodia, explained Cambodia’s sustainable finance roadmap and pipeline strategy.
• A sustainable finance roadmap serves as a crucial tool for outlining expectations, identifying stakeholders, and establishing a clear definition of sustainable finance within the context of Cambodia's development. Developed collaboratively by Ministries and the Central Bank, this roadmap plays a pivotal role in extending financial products and services to the private sector.

• The roadmap facilitates a dynamic interplay between the demand and supply sides of sustainable finance. By signaling demand, stakeholders guide the supply side in identifying and offering sustainable financial products.

• Ensuring coherence with national objectives, both the project pipeline and financial strategy must align seamlessly with Cambodia's NDC. This alignment is instrumental in advancing sustainable development goals.

• A robust project pipeline helps identify bankable projects and enables a country to achieve more than its NDC targets.

Bhutan's strategy on aligning financing policies with climate goals

• Mr. Yeshi Lhendup from Ministry of Finance of Bhutan explained Bhutan’s approach to aligning financing policies with national climate goals.

• The board of Bhutan's Royal Monetary Authority has approved the Green Taxonomy Framework. This framework stands as a foundational element in the Green Finance Roadmap to identify financial products and economic activities that qualify as green investments. This approval empowers financial institutions to introduce new products and services aligned with existing ones based on the criteria for green finance conditions.

• The implementation of the Green Taxonomy Framework contributes significantly to promoting clarity and transparency within Bhutan's financial landscape. By fostering a collective understanding of green activities, it serves as a valuable tool for financial market participants, thereby supporting climate mitigation and adaptation efforts.

• Bhutan is actively exploring the development of thematic bond frameworks to facilitate the issuance of sovereign thematic bonds. This initiative underscores the commitment to supporting specific themes aligned with national priorities.

• In Bhutan’s approach to developing project pipelines, the focus extends beyond sector identification to include a comprehensive assessment of the cost of investment. This holistic perspective ensures a thorough understanding of the financial aspects associated with each project, fostering strategic decision-making in sustainable development endeavors.

Barriers to project pipeline development

• Dr. Achala Abeysinghe, Asia Regional Director of the Global Green Growth Institute, underscored certain barriers to project pipeline development, drawing from GGGI's experience.

• The establishment of a robust project pipeline is essential for the successful implementation of Nationally Determined Contributions (NDC). This critical element
should be formulated during the preparatory stages of NDC development, to ensure effectiveness in addressing climate goals.

- Long-term development strategies, such as NDCs, necessitate careful consideration of scale. The development of a comprehensive and scalable project pipeline is integral to the success of long-term development initiatives.
- Despite available funding for climate projects, the lack of a well-defined project pipeline and market trust poses a significant barrier to finance. Identifying bankable projects becomes challenging in the absence of a clear pipeline.
- The government should play a robust role in the development of the project pipeline, ensuring policy alignment. Different government agencies must collaborate to create project pipelines that identify bankable projects, thereby supporting NDC objectives and attracting private sector participation.

Integration of environmental and scientific assessment in pipeline development

- Dr. Wang Can, Council Chair of School of Environment from Tsinghua University noted the integration of environmental assessment in the project pipeline development.
- Environmental assessments play a pivotal role in pinpointing key areas for a country's climate actions. Given the unique climate situations of different countries, conducting these assessments is crucial to understanding the specific requirements for climate finance.
- Environmental assessments contribute to operationalizing the project pipeline by prioritizing knowledge and projects. This strategic approach ensures that financial institutions comprehend the benefits of various projects, facilitating informed decision-making.
- The assessment process contributes significantly to enhancing transparency and reducing the risk of greenwashing. By providing a comprehensive evaluation of projects, it ensures authenticity in climate-related initiatives and fosters credibility and trust.
- Environmental assessments serve as a catalyst for the creation of innovative climate finance projects and services. Through a thorough understanding of environmental needs, these assessments lay the foundation for developing initiatives that align with broader climate goals.