Executive Summary

The Centre for Finance for Sustainability, Bangkok (CFSB) aims to reorient the financial sector in the region to align more closely with the global goals of the Paris Agreement, the UN Sustainable Development Goals (SDGs) and the country’s Nationally Determined Contribution (NDC). Based in Thailand, CFSB will act as a regional hub to connect policymakers, the private sector, impact investors, NGOs, and stakeholders by building capacity, providing scientific research, and providing a platform to enable sustainable finance.

Setting the Scene

The East Asia & Pacific region is the largest regional economy with a GDP (Gross Domestic Product) of US$27 097 trillion. The ASEAN economic zone is at the heart of the East Asia & Pacific region and is the fifth-largest economy in the world, with a gross domestic product (GDP) of around $3 trillion in 2019. The region’s trade totalled $2.8 trillion and attracted $154.7 billion worth of foreign direct investment (FDI).

The ASEAN region is highly vulnerable to climate change. A considerable proportion of its population and economic activity is concentrated along coastlines and the region is heavily reliant on agriculture for livelihoods and dependent on natural resources and forestry. Gender inequities and levels of extreme poverty persist in the region, which undermines wellbeing and progress towards the SDGs, and are further exacerbated by climate change.

According to the Global Climate Risk Index 2020, Thailand ranks in the top 10 globally for vulnerability and exposure to climate risks. Thailand is a key member of ASEAN and Bangkok has gradually become a financial hub with many local and international financial institutions present in the city. The city has advanced debt/equity markets, and its financial centre serves neighbouring ASEAN countries, including Laos, Cambodia, and Myanmar.

Finance is a key driver toward a climate smart and socially sustainable, inclusive, equitable, and resilient environment and economy. SEI’s new Centre for Finance for Sustainability encompasses the knowledge, tools and policy strategies that have been specifically developed and deployed to support this transition. Finance for sustainability requires additional instruments, novel skills and competencies, changes to the mindset, people with different and additional training, and a novel financial infrastructure to meet the climate challenge and to do so inclusively and equitably. Transitioning to this model is not feasible overnight and private enterprises and communities alike may struggle to engineer these changes. Supporting vulnerable communities and small and medium sized enterprises, who account more than 99% of business in the region, is of primary importance. Yet, to date, finance for sustainability flow still represents a fraction of the overall flows, and often cannot reach those who need it, when they need it. There are institutional, capacity and policy barriers to adoption.
CFSB’s role is to unlock private sector investments into sustainability and climate change mitigation and adaptation. It creates an enabling financial environment that supports the implementation of the NDC and SDGs. It develops, exchanges, and manages knowledge to drive the policy agenda and policy actions in-country on finance for sustainability. The overall objective of CFSB is to become the reference competence centre on finance for sustainability, for financial institutions and corporates in Southeast Asia. CFSB works through six focus areas:

1. **Market Integrity**: Contributing to a fairer and more transparent financial market by bringing clarity and convergence on key definitions, classifications, and green taxonomies, as well as endorsing international standards. The focus is on accessible research and knowledge on safeguards, environmental, social and governance (ESG) standards, impact measurement frameworks (IMF) and green taxonomies.

2. **Private Sector Capacity**: Strengthening in-house capacity in the financial sector and among the private market actors: corporate investors, financial sector service providers, banks, investment funds and asset managers, family offices and wealth management, insurers, impact funds and micro-finance providers. CFSB does so through research, peer-learning opportunities by training market actors on the adoption of internal governance mechanisms, impact reporting, sustainable finance instruments, and the integration of environmental and social sustainability criteria in existing operations.
3. **Public Sector Capacity:** Providing policy makers and regulators with state-of-the-art research, information, and knowledge about policy instruments for sustainable finance. CFSB will hold policy dialogues, training sessions and engagement actions to build the capacity of policy makers to deploy policy measures to lower the barriers and enable the adoption and the upscaling of finance for sustainability solutions, ensuring they contribute to the improvement of livelihoods of all people. It will create a safe space for policy makers, communities, and private market actors to interact and offer feedback on policy measures.

4. **Enabling Finance to Flow, Incubation and Acceleration:** Reducing barriers and implementing enablers to the flow of finance for climate and sustainability towards “those who need it, when they need it,” including innovative start-ups, small and medium size enterprises, large enterprises and cities, with a special attention to inclusion and vulnerable communities. CFSB uses a participatory approach and acts as honest broker creating collaborative spaces for policy makers, communities, and private market actors to co-develop sustainable finance solutions.

5. **Strategic Research and Data:** Developing accessible research outputs, including factsheets and databases of case studies on core topics to target policy makers, private market actors and communities. CFSB develops and builds on its existing record of research accomplishments on finance for adaptation, finance for mitigation and low carbon development strategies, finance for disaster risk reduction and resilience, and finance for nature-based solutions, at different scales, from communities to private enterprises, cities, national and regional government. CFSB offers partners research-on-demand services to cover additional topics.

6. **Monitoring, Reporting and Evaluation:** Developing frameworks and tools to monitor, report and evaluate the delivery of finance from providers to beneficiaries, to learn from success and failure, and the corresponding intelligence and robust decision support systems that can be used by the stakeholders in the finance value chain.

**Positioning and Partnerships**

Hosted as a programme by SEI Asia in Bangkok, CFSB works with the private sector and the financial hubs in the region, in particular the Bangkok financial hub.

SEI is well positioned to host and play a key role in CFSB due to its established reputation as honest broker between private and public actors. CFSB can utilise SEI’s expertise and research on finance for sustainability and climate, on monitoring environmental, social and governance performances and impacts, its engagement with relevant private sector stakeholders, with public sector policymakers and world leading training providers, as well as its wide-ranging network of partners, which include other financial centres for sustainability.

CFSB was recently awarded its first large scale programme on inclusive sustainable and climate finance in the APAC region.
CFSB is now focusing on consolidating its partner and membership base and raising further funding for projects and capacity building activities. The Asian Venture Philanthropy Network (AVPN), Fair Finance Asia (FFA) and the Stockholm Sustainable Finance Centre (SSFC) are key partners. CFSB networks with other similar experiences in Asia and globally. These relationships provide the opportunity to access an existing wealth of knowledge, skills, competences, and information. To develop training and capacity building initiatives, CFSB works in collaboration with knowledge partners, universities and training institutions, including Chulalongkorn University and the Asian Institute of Technology.

Platforms for knowledge sharing are an important enabler to leverage innovative, sustainable, financial mechanisms to introduce fintech, the exchange of knowledge on adoption of green innovation, avoidance of pitfalls and the reduction of hidden costs. To support its strategic objectives, CFSB is developing and partnering with providers of platforms and is hosting its first platform on finance for development and official development assistance, the Aid Atlas.