Building Back Better: Sustainable Finance for Green Industrialization and Inclusive Structural Transformation

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The 2020’s pose a triple challenge of:

➢ Recovery from pandemic;
➢ Effective climate action; and
➢ Finding answers to the long-standing challenge of industrialization.

Finance plays a critical role in realizing solutions to all three.
### Malaysia's Government-linked Investment Companies

<table>
<thead>
<tr>
<th>Sovereign Wealth Funds (SWFs)</th>
<th>Institutional Investors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Khazanah Nasional Bhd</td>
<td>Employees Provident Fund (EPF)</td>
</tr>
<tr>
<td>Kumpulan Wang Persaraan (KWAP)</td>
<td>Permodalan Nasional Bhd (PNB)</td>
</tr>
<tr>
<td>National Trust Fund (KWAN)</td>
<td>Lembaga Tabung Haji (LTH)</td>
</tr>
<tr>
<td>Ministry of Finance Inc (MoF Inc)</td>
<td>Lembaga Tabung Angkatan Tentera (LTAT)</td>
</tr>
</tbody>
</table>

RM1.7 trillion (~US$410 billion) in assets under management. One fourth of the market capitalization of Malaysia’s stock exchange.
Khazanah Nasional & National Trust Fund (KWAN)

Khazanah Nasional (fund size RM120 billion; US$28.6 billion) focuses on investment to deliver long-term risk adjusted returns and is able to undertake catalytic investments and other activities to create impactful economic and social benefits.

The National Trust Fund, KWAN (RM15 billion; US$3.6 billion) is derived primarily from natural resource payments from Malaysia’s national oil company PETRONAS.
RM6 billion
(US$1.4 billion)
Nature-based Climate Adaptation Programme for the Urban Areas of Penang Island

The main goal of the programme is to enhance urban resilience and reduce human and ecosystem health vulnerability to climate change impacts and extreme weather events by implementing nature-based solutions (NBS) to reduce surface temperatures and storm water runoff, as well as to increase social resilience and build institutional capacity.

George Town and Bayan Lepas, the two sub-districts or munis in Penang have been selected based on a combination of their likely climate change impacts, land use and community

<table>
<thead>
<tr>
<th>Project Component</th>
<th>Description</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project Component 1: Adaptation to the urban heat island effect through urban greening</td>
<td></td>
<td>US$ 3,175,000</td>
</tr>
<tr>
<td>Project Component 2: Built projects for storm water and flood management</td>
<td></td>
<td>US$ 2,725,000</td>
</tr>
<tr>
<td>Project Component 3: Comprehensive vulnerability / baseline assessment and action plans in targeted communities</td>
<td></td>
<td>US$ 160,000</td>
</tr>
<tr>
<td>Project Component 4: Strengthening social resilience</td>
<td></td>
<td>US$ 975,000</td>
</tr>
<tr>
<td>Project Component 5: Institutional capacity and knowledge transfer platform</td>
<td></td>
<td>US$ 1,381,977</td>
</tr>
<tr>
<td>Project execution cost</td>
<td></td>
<td>US$ 799,613</td>
</tr>
<tr>
<td>Total project cost</td>
<td></td>
<td>US$ 9,216,590</td>
</tr>
<tr>
<td>UN-Habitat Project Cycle Management Fee</td>
<td></td>
<td>US$ 783,410</td>
</tr>
<tr>
<td>Grant Amount</td>
<td></td>
<td>US$ 10,000,000</td>
</tr>
</tbody>
</table>
Strategy and Climate Finance

- Development finance is limited. Climate finance more so.
- Climate finance is skewed towards mitigation. Adaptation is only a quarter.

*Developing countries need to sift through competing priorities based on national needs and objectives. Avoid excessive mitigation burdens and tackle adaptation challenges.*

- Adaptation is highly local and context-specific. Local and national partners for climate funding.
- International cooperation and knowledge sharing.
- Industry adaptation lacking. Protect the gains of industrialisation.
- Policy should avoid false solutions, e.g. carbon markets & carbon capture and storage.
- Solutions from distinctive features of developing economies: indigenous knowledge, state-owned enterprises/SWFs
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