

# WEBINAR REPORT

## 2024

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### ADFIM – AIFC GREEN FINANCING WEBINAR

#### The Green Money Wave: Mastering the Art of Environmentally-Focused Financing



**MARCH 13, 2024**

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**Association of Development Finance  
Institutions of Malaysia**

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ADFIM Secretariat

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# ADFIM – AIFC GREEN FINANCING WEBINAR

## INTRODUCTION

The ADFIM-AIFC Green Financing Webinar is a significant event that brings together professionals predominantly from Financial Institutions and the Civil Service to explore and discuss green financing. This initiative is a joint effort by the Association of Development Finance Institutions Malaysia (ADFIM) and the Astana International Financial Centre (AIFC).

In recent years, the global perspective on green financing has seen tremendous growth, with average annual climate finance flows nearly doubling from 2019/2020 levels to reach nearly USD 1.3 trillion in 2021/2022. This increase is primarily driven by a significant acceleration in mitigation finance, with the largest growth observed in the renewable energy and transport sectors. Despite the increase in adaptation finance reaching an all-time high of USD 63 billion, it still falls short of the estimated needs of USD 212 billion per year by 2030 for developing countries.

Kazakhstan, through its ambitious Green Economy Concept, requires an investment of about USD 119.9 billion between 2014 and 2049 for its green transition, focusing on energy supply and demand, water, air pollution, waste management, and efficient agriculture practices. The investment accounts for approximately 1.8% of the country's GDP between 2020-24.

## OBJECTIVES

The objectives of this webinar include providing insights into the latest trends and data in global green financing, facilitating a panel discussion among experts from ADFIM and AIFC, and enabling participants to engage and exchange ideas. The webinar will cover various sectors and discuss regional challenges and policy frameworks. With two speakers from ADFIM and two from AIFC, the session will be moderated by ADFIM, featuring polls throughout to engage the audience.

## ORGANIZERS:

### **Association of Development Finance Institutions of Malaysia (ADFIM)**

ADFIM, established on January 12, 1981, currently has a membership of 19 organizations, comprising 13 Development Finance Institutions (DFIs) and 6 Entrepreneur Development Organizations (EDO). These organizations manage assets worth over RM200 billion and have a workforce of over 30,000. ADFIM's objective is to promote the strengthening of institutional structure and good practices in the development finance and banking industry in Malaysia. It is also charged with the mandate to enhance knowledge, expertise, and effectiveness in development and research funding among its members.

### **Astana International Financial Centre (AIFC)**

The AIFC, officially launched on July 5, 2018, is a financial hub in Astana, Kazakhstan. It was established as part of the "100 Concrete Steps" Plan of the Nation, announced by the President of the Republic of Kazakhstan to provide a strong national platform needed to achieve the country's ambition of joining the top 30 developed countries by 2050. The AIFC plays a critical role in attracting financial resources and is positioned as a financial hub for countries of Central Asia, the Caucasus, the Eurasian Economic Union, the Middle East, Western China, Mongolia, and Europe. As of 2022, it hosts 1046 companies from more than 35 countries.

## THE PROGRAM

Time	Agenda
3.00 pm – 3.10 pm	Participant joining Zoom
3.10 pm – 3.15 pm	Welcoming Remarks by emcee
3.15 pm – 3.25 pm	Opening Remarks by AIFC
3.25 pm – 4.25 pm	<p>Panel Discussion: The Green Money Wave: Mastering the Art of Environmentally - Focused Financing</p> <p>Panelists:</p> <ul style="list-style-type: none"> <li>• <b>Temirlan Mukhanbetzhanov</b>, CFA, Acting Chairman of the Management Board of the Astana International Financial Centre Authority, Kazakhstan</li> <li>• <b>Aigul Kussaliyeva</b>, Director of Sustainable Development, AIFC Authority, Kazakhstan</li> <li>• <b>Zakiah Mat Esa</b>, Chief Sustainability Officer, SME Bank, Malaysia</li> <li>• <b>Carmen Ng Jia Wen</b>, Head, Sustainability &amp; Corporate Responsibility Department, Agrobank, Malaysia</li> </ul> <p>Moderator: <b>Mohd Prasad Hanif</b>, Secretary General of ADFIM</p>
4.25 pm – 4.30 pm	Closing Remark

**ADFIM** **AIFC**

13 March 2024 (MYT) 3:00-5.15 PM  
Zoom (ALMT) 12.00-2.15 PM

# ADFIM-AIFC Green Financing Webinar

**The Green Money Wave:** Mastering the Art of Environmentally- Focused Financing

**Speakers**

**Temirlan Mukhanbetzhanov, CFA**  
Acting Chairman of the Management Board  
Astana International Financial Centre Authority

**Aigul Kussaliyeva**  
Director of Sustainable Development  
AIFC Authority

**Carmen Ng**  
Head, Sustainability & Corporate Responsibility Department  
Agrobank

**Zakiah Mat Esa**  
Chief Sustainability Officer,  
SME Bank Malaysia

**Moderator**  
**Mohd Prasad Hanif**  
Secretary General, ADFIM

Registration link:  
<http://tinyurl.com/the-greenwavewebinar>

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## **OPENING REMARK:**

**Temirlan Mukhanbetzhanov, CFA**

Acting Chairman of the Management Board

Astana International Financial Centre Authority

Good morning and *Ramadhan Kareem*,

Before we start the panel session, let me introduce you to the Astana International Financial Centre Authority (AIFC). AIFC is a free economic zone with its own physical boundary and separate law system based on English Common Law. Some of you might have heard of the Dubai International Financial Centre (DIFC) and in terms of legal setup, it is a quite similar concept to AIFC. We have established our international court which features a panel of international judges with vast judicial experience in common law jurisdiction. We have also created a separate regulatory framework for companies providing financial services.

The major feature of this regime is the fact that it is based on a risk-based approach, contrary to national Kazakh legislation for financial services which is quite prescriptive and rule-based, the regulation of AIFC is very much principle-based and in the context of supervision enforcement is revised on risk-oriented approach, which means that every individual case is assessed on its own separately, depending on the extend and the nature of every single instance.

On top of that, we also launched our stock exchange, Astana International Exchange jointly with NASDAQ and Shanghai Stock Exchange. This is platform currently serves as the main exchange for placement of green bonds. Around half of the volume of the green bonds was placed through our stock exchange.

Coming back to the question of green finance, from the outset, we have identified green finance and sustainable finance, in a broader sense, as our main priorities. In 2018, we have set up our subsidiary, called Green Finance Centre which was tasked with promoting the green finance agenda in AIFC. The Green Finance Centre is the major body behind the adoption of green taxonomy in Kazakhstan. Thanks to the work carried out by the Green Finance Centre for the adoption of green taxonomy in Kazakhstan.

Speaking about green finance in Kazakhstan, overall, it is quite small compared to a more mature economy. The volume of green bonds or green finance instruments is valued at around US\$300 million as of November last year. It is small but had zero volume five years ago and has had a positive dynamic over the past few years. The real transaction of green finance took place in Kazakhstan is when the first green bond was issued in 2020, where the Green Finance Centre of AIFC played a vital role in kick-starting this market.

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## PANEL DISCUSSION:

### The Green Money Wave: Mastering the Art of Environmentally-Focused Financing

#### Panelists:

- Temirlan Mukhanbetzhanov, CFA  
Acting Chairman of the Management Board of the Astana International Financial Centre Authority, Kazakhstan
- Aigul Kussaliyeva  
Director of Sustainable Development, AIFC Authority, Kazakhstan
- Zakiah Mat Esa  
Chief Sustainability Officer, SME Bank, Malaysia
- Carmen Ng Jia Wen  
Head, Sustainability & Corporate Responsibility Department, Agrobank, Malaysia

Moderator: Mohd Prasad Hanif, Secretary General of ADFIM

#### Opening Remark by Moderator:

The moderator started the session with a background of the issue itself. The concept of green finance has rapidly ascended the global agenda, driven by the urgent need to address climate change and promote sustainable development. For us in ADFIM, this has become one of our main priorities as well. It compasses a wide range of financial services and products aimed at supporting projects that have a positive environmental impact, such as renewable energy, sustainable agriculture and conservation efforts.

The global green finance market has seen exponential growth with the issuance of green bonds and loans increasing significantly over the last few years. This surge in green financing is a response to the growing recognition of the environmental risks posed by traditional investment practices, as well as the potential for green investments to generate substantial economic returns.

The UN environment program estimates that transitioning towards a green economy requires substantial financial investments ranging up to trillion dollars, highlighting the critical roles of the finance sector in achieving these sustainable development goals. So, Malaysia and Kazakhstan, both nations with rich natural resources and commitment to sustainable development, are uniquely positioned to lead this transition in our respective regions and beyond.

The collaboration between ADFIM and AIFC for this webinar underscores the shared vision for a sustainable financial system that supports economic growth without compromising environmental integrity. That is why our team from AIFC and our team in ADFIM have been working for the last few months to organize this webinar today. Now, it is a call to action for financial professionals especially those who are attending this webinar today, as well as investors to be at the forefront of this transformative journey, leveraging green finance as a tool for positive change.

#### Round 1:

***Can you share some insights into how AIFC has influenced the growth of green financing within your region, either within your country or Central Asia, and with your experience, what are the key milestones in green finance at AIFC that you are most proud of? Why would that be?***

The panelist started his presentation by highlighting that AIFC's primary goal is to promote the country's long-term economic growth which includes a transition to a low-carbon economy, which is enabled through attracting long-term investments, credit support and financial assistance.

In 2018, as an institution, AIFC has decided to establish its dedicated subsidiary which is called Green Finance Centre, which is its primary goal is to accelerate Central Asian countries' transition to a low-carbon

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and stable economy, by way of establishing a well-functioning market in the region and providing a regulatory requirement for issuance of green bond and loan etc. So, the Green Finance Centre of AIFC is there to ensure the development of sustainable finance policies and mechanisms.

On the key milestones, the panelist pointed out that there is only one company in the Central Asia region that has been accredited by the Climate Bond Initiative (CBI) for its sustainable finance instrument and also included in the external review service mapping by the International Capital Market Association (ICMA). This showcases the commitment that AIFC has in terms of developing the green finance market. In addition to that, the centre also serves as the regional office for green investment principles for Belt Road in Central Asia. So, we position ourselves as the major hub in Central Asia for promoting green investment principles with a focus on investment across the Belt Road initiative.

Number-wise, more than 60% of green bonds and loans to Kazakhstan were issued with the support of the AIFC Green Finance Centre. The center offers assistance to companies offering green bonds and loans by way of developing policies in the field of sustainable finance such as sustainable finance policy, reporting, impact reporting, etc.

One of the most important contributions of AIFC was the adoption of green taxonomy in Kazakhstan, which was passed on by a resolution by the government of Kazakhstan. This basically has laid the groundwork for the issuance and development of sustainable green finance overall. Since the adoption of this taxonomy, there is a clear classification of what is a green finance or green project. Hence, the access of companies working in the direction of transition to a low-carbon to finance.

***Could you highlight a project, product or initiative that you believe has had the most impact on your work? How have your efforts integrating green finance policies within Kazakhstan's banking sector progress and what outcomes have you observed so far?***

The panelist started her presentation with a slide showing the regulatory framework of Kazakhstan and AIFC for sustainable finance. She highlighted that when we look at the development of the market in general, we look at the perspective of the main 4 pillars which are important for comprehensive development. We don't talk about only the development of the products and disclosure; we need to come to the market and support it from every angle to make sure that we have the whole system in place that can support the transition.

Basically, we look at the perspective of the standards which are important to clarify what is green and what is not. It is also important to provide the market participants with the instrument which would help them, incentivize them, or to use the instrument to go green. When we talk about the incentives, we need to understand the amount of green loans in the market as of now, and where we are heading. In case the number is quite small, what can we do in terms of incentives to support the market. AIFC provides incentives for the whole market of Kazakhstan. There are a lot of initiatives that have been done since 2016.

One of the most important things that the panelist would like to highlight is the development of the concept of a green financial system in Kazakhstan. It was adopted in 2017 and we provided an overview on how we want to develop the market. The concept has identified green bonds as the main instrument to be introduced in the AIFC market. It also provided a road map for every 3 - 4 years on how the market should be developed. Even the low-carbon market in Kazakhstan is identified as one of their priorities to be taken care of down the road.

On the green taxonomy, the panelist mentioned that it is important since it provides clarity where it avoids greenwashing. It also provides a common language for all market players, market participants, regulators, and investors since it is important for all of them to be on the same page if they want to develop a comprehensive market. She further mentioned that they started working on the standards back in 2019 with several methodological approaches used to develop the taxonomy.

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She further iterates that the economy of Kazakhstan has been relying on fossil fuel and therefore we need more clarity in terms of what is green and what is not. That is why we chose the wide list methodology for our taxonomy. In Kazakhstan, we do need to transition those brown assets into green, for that reason we are working on an amendment to our current green taxonomy to have the transition projects included in the standards so that those brown assets in the economy will have the opportunity to transition.

For the banking sector, basically, AIFC is working on the development of the capital market, but we are in a unique position where we are promoting green finance not only within the financial sector but also within the whole jurisdiction of the country. We are also working with the banking sector and in fact, we need to admit here that the taxonomy is more relevant to the banking sector to be used because when the green bonds go to the market, the banking sector needs to clarify the projects which they provide the loans.

***Could you share some notable success stories from Agrobank's journey toward sustainability, perhaps with the taxonomy that we have here in Malaysia? How has Agrobank's sustainability agenda made a tangible impact on the economy, social empowerment and environmental development?***

The panelist started her presentation with a greeting for those who are observing the holy month of Ramadhan.

In terms of where Agrobank's journey toward sustainability and success story, she thinks that it is a bit unfair for her to just name one success story, because it may not do justice to her colleagues who have been on the ground working so hard to uphold the developmental mandate for Agrobank. She further said that perhaps, in the past, Agrobank only knew green financing as providing financing to only sustainability-certified companies and this would therefore mean companies with the Malaysian Sustainable Palm Oil (MSPO) certificate or Malaysian Certificate for Good Agriculture Practices (MyGAP).

She further reiterated that sustainable financing is much more than just providing financing to such an exclusive list of companies. In this sense, Agrobank being a DFI solely looks at the development of the agriculture industry, they found their niche, whereby providing technology and modernization financing to support the development of this sector. This is an important area because with food security at the forefront in a lot of discussions today, they saw that there is a pressing need for the industry to not just maintain where things are but also have a fine balance with pushing for improvement and modernization.

In Agrobank, they still focus on providing financing to micro, small and medium enterprises (MSMEs) where they want to highlight the importance of the unique nature of the agriculture sector in Malaysia whereby a lot of their key players are smallholders. This will remain Agrobank's key mandate to the Malaysian sector. On the flip side, however, advocacy for the industry and bringing their voice to the table was the key highlight in the last few years. Agrobank, of late has not been in the news these days but they do try to lift their voice and footprint in a lot of conversations, for example, Agrobank was the project manager for one of the sectoral guides under value-based intermediation (VBI) assessment and financing framework, where they wanted to develop a unique environmental, social and governance approach to assist banks to evaluate the agro-food sector companies. Currently, there are a few guidelines for livestock, fishing, forestry as well as plantation sector. Unfortunately, the guidelines are still in progress and they hope to see them published soon.

***SME Bank's issuance of sustainable sukuk is a significant achievement. Could you elaborate on how this initiative aligns with the SME Bank's overall sustainability goal? How does it impact the SMEs and what impact has sustainability sukuk had on SME Bank, its clients and the broader market perception of sustainable investment options?***

Talking about the green money wave the key ingredient here is money. There are various ways of raising money or funds, one of which is from financing from the banking sector and the other one is from the capital market where sukuk and bond exist. Talking about bonds or sukuk, yes, we have successfully

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established our RM3 billion sustainability Sukuk program in 2021, which is a non-government guarantee sukuk program with an AAA credit rating by Malaysian Rating Corporation Berhad (MARC).

Being a DFI, the issuance of this sustainability sukuk has positively impacted the bank from our capital management perspective as well as the capital market players and investors where we provide opportunities for them to have Shariah-compliant instruments. The ultimate beneficiaries of this sukuk issuance are certainly the SMEs because the funds raised from this issuance are channelled to finance eligible SMEs based on our classification and assessment. In fact, our medium sustainability sukuk issuance of RM500 million in August 2021 marked the first sustainability sukuk issuance by DFI in Malaysia. So far, we have issued RM2 billion sustainability sukuk of which the proceeds have been fully allocated for financing the eligible SMEs.

Talking about the eligible customers, how do we assess it? The panelist mentioned that basically, SME Bank has their own sustainability sukuk framework which is available on their website for those who want to know more about the framework. This sustainability sukuk framework is aligned with the sustainable and responsible investment sukuk framework issued by the Securities Commission Malaysia, as well as it is aligned with Asian Sustainability, Green, Social Bonds Standards issued by Asian Capital Market Forum.

To see how it is aligned with us, actually, the issuance of the sustainability sukuk and the proceeds we raised enable us to mobilize funds for our sustainability financing. The panelist also shared the sweet part of the sustainability sukuk issuance where she mentioned that all of the issuances are overly subscribed, for example, their second issuance saw an oversubscribed of RM200 million when initially they wanted to issue only RM300 million. Another sweet part of this sukuk issuance is that SME Bank has received 6 awards including The Best Asian Green SRI Sukuk from Alpha Southeast Asia and the latest award received was The Best Sustainability Sukuk Award for SME Category by The Asset Triple A Islamic Finance Awards 2023. Because all of their sustainability sukuk issuances experienced oversubscription, we can say that the market perception of sustainable investment options is awesome and is growing.

## **Round 2**

***Looking ahead, what are the strategic priorities for AIFC in further embedding green finance principles within either Kazakhstan or Central Asia's financial sector? Do you see certain aspects that you need to focus on? How does AIFC plan to leverage the international partnership to advance the green finance agenda?***

Speaking about long-term plans in the context of green finance within AIFC, the panelist mentioned that they are focusing primarily on the Kazakhstan market itself and they are now working on reaching Central Asian countries. For example, the Green Finance Centre (GFC) has supported a few green finance issues in Kyrgyzstan and Uzbekistan was the pioneer in these two countries.

As we know, Kazakhstan is a Turkish-speaking country that has set its own Council of Turkish States which includes Kazakhstan, Uzbekistan, Kyrgyzstan, Türkiye and Azerbaijan. Last year, the President of Kazakhstan put a proposal to establish a headquarters in AIFC for green finance for Turkish states.

In terms of products, the panelist mentioned that there will be a focus on conventional instruments such as green bonds and green loans. They also have been looking into transition finance instruments such as sustainability-linked bonds which were issued in Kazakhstan last year, and they will see more issuance of these bonds in the future. AIFC will be very much involved in promoting this mechanism to see more companies going green. The panelist reiterated that they will see many more success stories since Kazakhstan and other Central Asian countries are quite resourceful of coal to power electricity generation and they would like to switch to a more sustainable form of energy and AIFC will pay a lot of attention to make this thing happen.



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***What are essentially the next steps for Kazakhstan in enhancing its green finance framework? How do you have in your plan to contribute further to the development of this? In terms of policy and legislation, what future initiatives do you think we can expect to see that would further boost green projects, subsidies and investments?***

The panelist mentioned that we need to help companies transition in the sense of providing them with a framework that they can rely on. The companies who wish to issue a sustainable-linked bond or get those financial instruments can rely on the standards as a provision of adherence to the standards to ensure that it is in line with the national vision.

The panelist further highlighted that the country is committed to becoming a carbon neutral by 2060. The strategy was adopted last year and they estimated that they need more than USD600 billion to make this transition happen until 2060. That amount of investment they need for new investment in technology and others; therefore, they need a regulation framework in place that provides clarity.

The panelist also mentioned incentives, where they have subsidy programs for SMEs. Along with the green taxonomy in 2021 and 2022, they developed programs that provide subsidies for future projects in line with the green taxonomy in which the interest rate for those projects is 6% for 5 years. There are a study shows that reducing the capital requirements for green assets is not a direct injection of funding but still, a way of incentivizing and providing cheaper funding for green projects can be used. Capital requirement plays a central role in financial regulation but its current existing form fails to capture the environmental financial risk.

The panelist also highlighted the current project that they are working on currently which is the sovereign green bonds which provide certain pushes in the market. The government of Kazakhstan is working with the Ministry of Finance of Germany, the national legislation, to ensure that the government has a framework and legislation to issue sovereign bonds and to boost the market.

***What are Agrobank's future plans for integrating sustainability more deeply into its operation and financial products? How does Agrobank position itself to address the evolving sustainability needs of its stakeholders in the agriculture sector?***

The panelist mentioned that at Agrobank, sustainability is the cornerstone of their corporate strategy and is already part and parcel of their day-to-day operation. They have developed a sustainability approach to appeal to their stakeholders to deliver their message. Going forward in 2024, at Agrobank, they want to do things with the most strategic focus and intent. This means that they are currently exploring if it is feasible to adopt an internal climate target. This is an area where Bank Negara Malaysia has highly encouraged all financial institutions including DFIs to consider adopting an internal climate target. When Agrobank has determined if it is possible to develop its own internal climate target, they have its own initiatives and plans that would help them to arrive at the climate target. This means that they are currently relooking on how they provide financing to their existing customers by integrating climate and broader sustainability considerations into our products and services. This may come in the form of carving out certain niches in our existing products and services or even coming up with a brand-new solution that may fit the market because their customer base is SME entities.

While there is a large segment of MSMEs, the broader trend of the agriculture sector is such that the larger players calling the shot when it comes to sustainability so they are the ones at the forefront when it comes to adopting sustainability certification. They are also the ones at the forefront who are looking at research and development (R&D) to ensure better production, process, better use and lower input material required for the plantation upstream as well as for the mix downstream. So internally, when they have determined their best foot forward when it comes to the climate lands, that way they can adopt a barbell strategy, to appeal to larger stakeholders, those anchor companies, and to appeal to their supply base as well as continuing their core focus in supporting their SMEs by nurturing their potential customers through their technical and business related training programs for potential customers who may not qualify for financing

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but through this intervention programs, they eventually gain the skill set to be able to run their own business and therefore qualified for financing.

The panelist also mentioned that internally, they have also seen the greater importance of sustainability data and at this point, they are trying to get their footing right and they are internally exploring what is the best ways forward, which means data collection in terms of sustainability-related data to be collated systematically and reported internally or perhaps even externally as well as making use of the data for decision making. This would perhaps translate into better financial products and services that meet the needs of customers.

***What are the next strategic steps for SME Bank in its journey toward sustainability, particularly in the context of SMEs development? How is SME Bank planning to innovate or expand its green financing options to support more sustainable projects under its portfolio?***

The panelist mentioned that SME Bank has completed its 3-year sustainability roadmap which covers 2021 until 2023, which they call Sustainability Roadmap 1.0. Since the completion of the roadmap, they have achieved a lot and the progress is quite well but they record it as a long journey that demands countless efforts.

The panelist then shared Sustainability Roadmap 1.0 which has 3 phases. The first phase was the initiation phase whereby they came up with the roadmap, the framework, the policies, the working committee as well as their sustainability sukuk framework and their sustainability sukuk program. This is the foundation stage for the roadmap. The second phase is the implementation phase whereby they focus more on their internal staff. They institutionalize the ESG among their staff because in order for us to go out and educate the SME customers, they need to be more understanding on this matter first. Whereas the third phase is the adoption phase whereby they start to focus on the customers and bring the customers on board in the ESG journey so that SME Bank can assist the customers in coming out with their transition plan.

The panelist mentioned that moving forward, they will be introducing their Sustainability Roadmap 2.0, which will be a continuation of the previous roadmap and from there, they will lay down their strategy plans and necessary steps in meeting their sustainability goals which have been set earlier. The four broad sustainability goals are:

1. Mobilizing funds for sustainable financing
2. To be carbon neutral operation by 2030
3. To be net zero by 2050
4. Employee voluntary hours

The panelist also shared that SME Bank established its comprehensive sustainability scorecard end of last year which will take effect this year onwards. This sustainability scorecard shall be an effective tool for them to track their sustainability progress and performance in a structured manner. Their key focus area shall be the material matters based on the identified matters that they gauge from key stakeholders' engagement earlier and their key focus areas rely on their 3 sustainability pillars which are responsible banking, responsible business practices and creating social impact.

The panelist also reiterated that SME Bank will continue developing and innovating its products and programs to further support the growth of green finance nationwide. During the Sustainability Roadmap 1.0, SME Bank established 2 sustainability ESG financing programs which are the Young Entrepreneur Fund and Industrial Building System Financing Program which were fully utilized. SME Bank will continue to offer these two programs with enhancements to suit the needs of SMEs.

The panelist summarized that SME Bank is committed to mobilizing its funds for sustainable financing. SME Bank is well aware that it has to strive hard to achieve what it has set as the goals and to align itself with the Central Bank's financial sector blueprint whereby it is expected to achieve 50% of new financing

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for green and transitioning activities by 2026. On the larger time frame, SME Bank is committed to supporting Malaysia to achieve net zero GHG emissions by 2050.

### **Round 3:**

***What are the most significant challenges that you think you will be facing in expanding green finance? How do you think AIFC is going to overcome some of these challenges that you foresee?***

The panelist mentioned that Kazakhstan and other Central Asian countries are latecomers in this green finance agenda. The first issuance of green bonds took place 4 years ago in 2020, and it took them 3 years to convince the government to build the capacity and create awareness. It is a long way to go for green finance in Kazakhstan and AIFC will continue its efforts to raise awareness on green finance.

On the practical side, the panelist mentioned that the major challenges would be the green projects face the cost of debts which has been decreasing due to government incentives, nevertheless, the incentives are not affordable for everyone. Therefore, Kazakhstan could explore cooperation with Malaysian financial institutions for greening the economy in Kazakhstan and other Central Asian countries. AIFC is more than happy to receive delegates from Malaysia to explore further collaboration to finance the green economy.

***What do you see as primary barriers to accelerating the adoption of green finance in Kazakhstan or the Central Asian region? How do you intend to address these challenges?***

The panelist mentioned that compared with other Central Asian countries, Kazakhstan has made a lot of progress in terms of developing the framework, the standards, providing programs and providing the framework for disclosure. Some other countries still want to wait and catch up on certain developments for instance, Uzbekistan adopted the national green taxonomy last year. Kazakhstan supported the Kyrgyzstan government in developing the sustainable green taxonomy which also includes the social aspect of the projects. However, the standards have not been adopted yet in Kyrgyzstan. There is room for improvement in other countries in Central Asia in building a regulatory framework for the market.

The panelist also mentioned that Kazakhstan is a small market as compared to Asian and European markets. There could be a potential for a regional standard to help channel the investment to the region.

***In driving Agrobank's sustainability agenda, what do you see to be the biggest hurdles and how do you plan to overcome them?***

The panelist mentioned that internally in Agrobank, there are a few prevailing and ongoing unique scenarios. First and foremost, the application of sustainability where it cannot take a template type of approach from other banks because being a DFI, Agrobank has a unique prevailing mandate that it needs to fulfill. So, it cannot run away from its mandate and any new initiatives that is proposing, the view of sustainability must keep its mandate in mind. This would mean that its target customer, its target objectives as well as the activities that it is currently financing must be in line with the mandate.

The panelist further mentioned that the sustainability journey for Agrobank has been interesting, that it tries to find avenues for innovation in product offering. Agrobank still maintains its course by adopting its approach to serve its customers in the agriculture sector and to help the customers improve their sustainable practices. On the flip side, a lot of conversations on agri-food and food security are really about maintaining the balance between affordability, accessibility and availability. These 3 tri-factors have been in a lot of discussion points in newspapers nowadays. But yet, when it wants to put in the sustainability especially more so in climate angle, it has not been prominently featured in any of these discussions and a lot of conversations right now is on energy transition. This means agriculture, especially agro-food is a very unique situation and not so much talked about area. Then, Agrobank being deeply in the industry, hopes that going forward, it can continue to play an advocacy role to support the development of the industry and continue promoting our products and service offerings.

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At the same time, part of its journey is to consider whether Agrobank wants to set its internal climate target. The conundrum right now is, whether it wants to adopt climate targets, yet continue to support its customers who may be in high emitting sector. This continued financial support for these customers who are in its mandate, would impact the performance of its internal climate target. So, there is always a dilemma on what is the balance between serving the mandate and fulfilling the sustainable development goals.

Ironically as it sounds, there is not much to do simply because in a DFI situation, Agrobank has already provided services to the vulnerable community which is an element of sustainability angle to its business operations. But there are still so many aspects that it has not yet covered. It will be an ongoing matter for everybody in DFIs and Agrobank expects that there will be more new innovative solutions coming out of DFIs.

***What are the challenges within SME Bank itself in terms of implementing sustainability and what challenges do you see in the industry?***

The panelist mentioned that being a DFI, SME Bank has a mandate to serve and has unique customers' needs and most of its customers are unserved and underserved SMEs. DFIs play a crucial role in shaping the sustainable future of the nation. DFIs are the gate funder, the enabler and the advocator for capacity building and effective policy development.

The key challenges from SME Bank's perspective as well as the wider banking sector are almost the same. The key challenges can be summarized in 3Ps. The first P is people. This is the key factor that enforces and determines the success of any goals. As we can see the talent that is expert or well-versed in ESG is quite scarce in the industry. It does not happen only in SME Bank but in the regulators as well. Lack of awareness and knowledge in either the staff or the customers or the regulators would need to be addressed. Lack of technical know-how in evaluating ESG projects, especially for the bankers because some of the projects have very limited data and information

The second P is policy. SME Bank understands that it needs an effective policy to regulate it in a comprehensive and more structured manner. There is no standard definition, requirement and expectation among the key players and stakeholders. Each of us has our own understanding, practice and priorities. SME Bank also understands that businessmen out there are struggling to stay afloat after the pandemic, so it has to ensure that the businessmen make a profit but responsibly and sustainably. The central bank issued a Climate Change and Principle-based Taxonomy in April 2021 which is meant for financial institutions in Malaysia. It is a long journey and challenges for bankers to adopt and practice it as well as educate the customers.

Whereas the third P is process. If we have a clear policy and regulation, we can have a clear process but we cannot wait and we have to start now. SME Bank has these 3Ps challenges and how does SME Bank enable them? The panelist summarizes it with 3Ts and 1F. The first T is training and capacity building. The second T is technology and the third T is technical know-how and transfer of knowledge. F stands for fund or money. Talking about money or funds, actually, the government of Malaysia has put aside RM10 million in grant funds in our 2023 National Budget which is meant for SME Bank to train SMEs in this ESG journey. SME Bank also put aside a budget to run the planned programs and initiatives. The funds also can come from blended finance i.e. public and private capital.

The panelist further mentioned that previously, bankers are competing each other but now bankers are complementing each other and work together, for example, Joint Committee on Climate Change (JC3) SME Focus Group (SFG) where the banks work together in structuring and developing ways to increase awareness among the SMEs. This focus group of JC3 has launched its SFG Jumpstart Portal in last year. This portal is one stop information portal that helps upskill and equip local SMEs in ESG knowledge and capabilities. It also helps SMEs identify and respond to key ESG issues and recent opportunities.

**CLOSING REMARK:**

**Mohd Prasad Hanif**

Secretary General

Association of Development Finance Institutions of Malaysia (ADFIM)

I would like to take this opportunity to express my deepest gratitude to all distinguished panelists for their invaluable insights and contributions. Today, we have traversed the current landscape of green finance, explored strategic roadmap for sustainable economic growth and delved into the challenges that lie ahead in our collective journey towards environmental sustainability.

The achievements highlighted today are not just milestones for each panelist's organization but are a beacon for the global financial sector's pivotal role in combating climate change and fostering sustainable development. As we conclude, let's carry forward the spirit of today's dialogue, inspired to act and innovate. Every one of these organizations, AIFC, SME Bank, GFC and Agrobank are responsible towards the collective endeavour and the future is sustainable. The finance sector is uniquely positioned to lead this charge, so together let us harness the power of green finance to create a resilient, sustainable and prosperous world for future generations.

Thank you once again to all panelists and participants. The engagement today is a testament of growing momentum behind green finance and I look forward to see the impact of shared commitment in the years to come.

Thank you. *Ramadhan Kareem.*



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