

How can CGS play a crucial role in unlocking finance for SMEs investing in the green economy?

EMGN Annual Conference

The Future of Credit Guarantee Schemes in the Mediterranean: Opportunities for a Strengthened Role

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Mainstreaming Climate Action within CGSs

- Committing to climate strategies
 - ✓ Building climate change considerations into the strategic direction and vision of the PCGS as well as through its actions.
- Managing climate-related risks
 - ✓ Understanding and addressing climate change risks in the CGS's existing portfolio and operations, as well as pipeline and future guarantees.
- Promoting climate smart objectives
 - ✓ Working with lenders and stakeholders to create opportunities for increasing climate smart investment.
- Accounting for climate performance
 - ✓ Tracking, monitoring, incorporating climate considerations into day-to-day operations and disclosing climate information.

Committing

- Integrate PCGSs into the government’s policy framework and ensure that supportive policy and regulatory frameworks are in place.
- Adopt clear and stable “green” mandate that includes supporting national development strategies.
- Embed climate-related considerations into strategy and align strategy objectives with NDCs.
- Ensure CGSs are well resourced and have sufficient capital, including tapping new sources (e.g., CO2 taxes, climate funds etc.).
- Build an effective governance and management structure that demonstrates understanding of the structural nature of climate change.

Managing

- Identify how climate-related risks (physical and transition risks) may impact the PCGS' outstanding and future portfolio.
- Assess the materiality of climate-related risks (scenario analysis).
- Monitor material climate-related risks at portfolio and client level.
- Mitigate material climate-related risks through risk reduction (e.g., access to counter-guarantees and insurance, etc.) and avoidance (e.g., integrate climate-related considerations into due diligence, adopt exclusion policy, etc.).

Promoting

- Align eligibility criteria (for borrowers and lenders) with green mission and strategy.
- Factor climate-rated considerations into product offerings regarding the use of the proceeds (e.g., green loans), and/or the characteristics of borrowers (e.g., sustainability-linked loans).
- Develop new products (e.g., disaster risk guarantees - like in Japan, equity guarantees, etc.)
- Set guarantee coverage in line with eligibility criteria, product offering and risk appetite.

Accounting

- Set up a proper M&E framework to measure and report climate performance.
- Promote active client engagement to bridge data gaps.
- Disclose carbon footprint of the guarantee portfolio in annual reports.
- Align with TCFD recommendations and other national/international guidance.

Setting the Agenda

Global level

- Develop specific Guidance to complement the [Principles for the Design of CGSs](#).

Regional level

- Identify and quantify climate-related risks in the current portfolio.
- Survey existing market practices (gap analysis).

Country level

- Engage in policy dialogue with the government and stakeholders on the green transition.

Thank You

Q&A