

IKI FINAL REVIEW OF THE PROJECT „TAKING DEFORESTATION OUT OF BANKS' PORTFOLIOS IN EMERGING MARKETS“



Final Report
Executive Summary

18_III_098_Asia_A_Taking Deforestation out of Banks Portfolios

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Executive Summary: IKI Final Review of the Project “Taking Deforestation out of Banks’ Portfolio in Emerging Markets”

Background and Objectives of the Final Reviews

The **International Climate Initiative** (IKI), commissioned by the German Federal Government, has supported climate change mitigation, adaptation, and biodiversity projects in partner countries since 2008. As part of its Monitoring, Evaluation and Learning (MEL) system, IKI conducts **Final Reviews** for selected completed projects to ensure accountability and promote institutional learning. Within a multi-year framework agreement (2025–2027), Zukunft – Umwelt – Gesellschaft (ZUG) gGmbH commissioned a consortium led by Syspons GmbH and CEval GmbH to implement these Final Reviews. The Final Reviews serve to generate evidence on project performance and results and to inform the strategic development of IKI, including its alignment with the IKI Strategy 2030 and overarching strategic objectives.

Subject of the Final Review

Table 1: The Project at a Glance

Project information	Details
Project Title	Taking Deforestation out of Banks’ Portfolios in Emerging Markets
Project Signature	18_III_098_Asia_A_Taking Deforestation out of Banks Portfolios
Geographical Scope	Indonesia, Malaysia, Myanmar (until 2022), Philippines, Thailand (until 2023)
Implementing Organisation	World Wide Fund for Nature (WWF) - Germany
Implementing Partner(s)	WWF – Indonesia, WWF – Malaysia, WWF – Myanmar, WWF – Philippines, WWF – Singapore, WWF – Thailand, WWF
Political Partner(s)	Indonesia: State Ministry of National Development Planning Malaysia: Ministry of Natural Resources and Environment Myanmar: Ministry of Natural Resources and Environmental Conservation Philippines: Department of Environment and Natural Resources Thailand: Ministry of Natural Resources and Environment
Project Period (Start/End)	May 2018 – December 2024
IKI Funding Volume and further budget	Total funds: 5,304,982.17 EUR IKI funds: 4,774,483.95 EUR Own funds: 98,142.17 EUR Third party funds: 432,356.05 EUR (Additional funding (e.g. credit interests): 878.84 EUR, Refunds: 822,088.62 EUR, Cash: -53.81 EUR)

This report presents the Final Review of the project “**Taking Deforestation out of Banks’ Portfolios in Emerging Markets**”. The project was implemented by WWF Germany from May 2018 until December 2024 with a total IKI funding volume of 4.77 million EUR. Geographically, the project had a regional scope and was

implemented in Indonesia, Malaysia, Myanmar (until 2022), the Philippines, and Thailand (until 2023), while also having a region outreach component. WWF Germany formed a consortium with WWF country offices in the target countries as implementing partners.

The project responded to a context of rapid deforestation and biodiversity loss across the countries belonging to the Association of Southeast Asian Nations (ASEAN), while financial institutions and regulators still had limited capacity, incentives and regulatory guidance to integrate environmental and social safeguards into lending and investment decisions. At the same time, growing international attention following the Paris Agreement and emerging national sustainable finance initiatives created favourable momentum for strengthening the role of the financial sector in supporting climate- and nature-related objectives. Against this backdrop, the project aimed to **strengthen the integration of environmental and social (E&S) safeguards, including deforestation-free criteria, into financial institutions and regulatory frameworks in the target countries**, while supporting the piloting of sustainable finance solutions for forest-risk sectors. To achieve this objective, the project followed four complementary impact pathways: (1) strengthening regulatory frameworks and guidance through engagement with banking regulators, supervisors, and banking associations; (2) offering advice and building the capacities of banks to integrate E&S safeguards into their policies and financial products; (3) developing and piloting green financial products with financial institutions and, indirectly, supporting smallholders and agricultural producers in adopting sustainable practices; and (4) promoting regional knowledge exchange and dissemination across ASEAN. Through these pathways, the project aimed to strengthen sustainable finance policies and banking practices, ultimately contributing to more sustainable investment and reduced deforestation and greenhouse gas (GHG) emissions in the ASEAN region.

The project's **primary target groups** reflected its four intervention areas and included financial regulators, banking associations and ministries of finance to strengthen enabling policy frameworks; local banks to improve the integration of E&S safeguards into strategies and lending practices; and public and private pilot partners, including commodity producers and financial institutions, to develop sustainable finance solutions. It also engaged international actors such as the United Nations Environment Programme Finance Initiative (UNEP-FI), International Finance Corporation (IFC) and the ASEAN Bankers Association to support knowledge exchange and broader uptake, although the intensity of engagement varied considerably by country and output. Indirect beneficiaries included smallholders, forest-dependent communities, non-participating financial institutions and wider sustainable finance initiatives expected to benefit from improved regulation and more sustainable financial practices.

Evaluation Design and Methodology

This Final Review followed the **standardised IKI Final Review methodology**: It applied a mixed-methods approach, combining document analysis with remote primary quantitative and qualitative data collection. The assessment was structured along the OECD-DAC criteria of **effectiveness, efficiency, and sustainability**, complemented by the **cross-cutting issues** gender, safeguards and local action.

The **evidence base** for the Review was classified as **average**, consisting of a document and data analysis, three scoping interviews with the German Federal Ministry for the Environment, Climate Action, Nature Conservation and Nuclear Safety (BMUKN), ZUG and WWF, three further (written) interviews with the implementing organisation, seven stakeholder interviews and two surveys with implementing partners (n=2; 67% response rate) and target groups (n=2; 15% response rate). Major limitations included the absence of a contact person at WWF Germany well familiar with the project, the limited availability of contact details across target countries and a low survey number of survey responses. As a result, data were collected in only three out of five countries (Malaysia, the Philippines, and Indonesia). This introduced a certain bias, particularly **considering** that the two

countries where project activities were halted early (Myanmar and Thailand) are not represented in primary data collection.

The Final Review of this project was **conducted between February and August 2026** by the consortium partner Syspons.

Results of the Final Review

Overall, the project demonstrates **satisfactory overall performance**, characterised by good effectiveness, as well as satisfactory efficiency and good to satisfactory sustainability results. Findings were largely consistent for Malaysia, Indonesia and the Philippines. In contrast, project activities were suspended in Myanmar following the 2021 military coup and discontinued in Thailand in 2023 due to recruitment challenges. In the following, the results are presented and explained along the evaluation criteria and cross-cutting issues.

Effectiveness: The project showed **good** effectiveness with most intended outcome targets achieved and a credible contribution to strengthening sustainable finance and the integration of E&S safeguards across the target countries. A particular strength was the project's engagement with financial regulators and banks and its contribution to regulatory and supervisory developments. For example, it supported sustainable finance frameworks and nature-related risk guidance in Malaysia through engagement with Bank Negara Malaysia and the Joint Committee on Climate Change (JC3), contributed to E&S considerations in regulatory processes in Indonesia through cooperation with the Financial Services Authority (OJK) and supported sustainable finance and risk-management developments in the Philippines. Capacity building and tools such as the Sustainable Banking Assessment (SUSBA) and the Sustainable Financial Regulations and Central Bank Activities (SUSREG) tracker also helped banks strengthen their E&S approaches and generated wider peer-learning and benchmarking effects. The project successfully reached most of its target groups, particularly regulators, central banks and large domestic banks, while engagement with development banks, investors and other potential partners for green finance pilots was limited. Further, effectiveness varied considerably across countries and intervention pathways. While outcome targets were largely achieved in Malaysia and the Philippines, performance was more mixed in Indonesia and Thailand, and progress in Myanmar was severely affected by the military coup and subsequent termination of activities. Further, some reported achievements could not be independently confirmed by the available evidence, and the envisaged piloting of green financial products was not achieved. Overall, the project's multi-country structure and external developments, including growing national and international momentum around sustainable finance, supported progress, while COVID-19, recruitment difficulties in Thailand and the political situation in Myanmar constrained implementation.

Efficiency: Overall, the project demonstrated **satisfactory** efficiency. Resource allocation was broadly aligned with the project's impact logic and priority target groups and was plausibly concentrated on the activities that generated the strongest results, particularly the development and implementation of E&S safeguards (Output 1) and capacity building and advisory support to financial institutions (Output 2). The strong emphasis on personnel costs was appropriate given the knowledge-intensive nature of the project and the need for sustained technical engagement with regulators and banks. Indirect administrative costs amounted to 12.5%, in line with WWF's standard management fee, although the available information did not allow for a more detailed breakdown of these costs. The project also showed evidence of adaptive management, with resources adjusted in response to implementation experience and changing circumstances, for example by shifting from in-person activities to online formats during COVID-19. Budget reallocations were generally well justified, including the EUR 1.2 million budget increase and extension to 2024, which sought to build on successful approaches and growing momentum for sustainable finance. The multi-country structure also appears to have supported exchange and learning without creating major additional inefficiencies. However, transparency was

limited by the absence of output-based budgeting and a systematic outcome-oriented financial steering framework, making it difficult to directly link expenditure to individual results. Efficiency was also reduced by implementation frictions, notably the discontinuation of activities in Myanmar and Thailand, the incomplete delivery of Output 3, and the resulting underutilisation of parts of the project budget. It should be noted that this assessment is based primarily on project documentation and limited, written, input from the implementing organisation and partners; findings on efficiency should therefore be interpreted with caution.

Sustainability: With regard to sustainability, the project was assessed as **good to satisfactory**, with several results likely to continue beyond the end of project funding. A particular strength was the institutional anchoring of project approaches and tools in regulatory frameworks, supervisory practices and banking processes, combined with strong local ownership through WWF country offices and national partners. For example, SUSBA and SUSREG continued to be used in Indonesia and Malaysia, while in the Philippines project results were taken forward through central bank guidance and subsequent sustainable finance initiatives. The project also showed considerable potential for replication and policy mainstreaming, with SUSREG continuing to be applied across ASEAN and replicated in Africa and Latin America. WWF country offices played an important role in sustaining results by maintaining relationships with regulators and financial institutions and, in some cases, mobilising follow-on funding. While the project did not have a formal exit strategy, several sustainability measures were inherent to its design (e.g. capacity building, public availability of tools and methodologies and embedding project outputs in regulatory and banking processes). However, there was no structured handover process or systematic post-project monitoring, and sustainability risks and mitigation measures were only addressed to a limited extent. Sustainability further varied across countries and remained dependent on institutional capacities and commitment, as well as staff continuity, most notably, the military coup in Myanmar resulted in the termination of project activities and left little scope to sustain results.

Cross-cutting issues: With regard to cross-cutting issues, the project showed **mixed** performance. **Gender** was not systematically integrated into project design, implementation or monitoring, although equal participation and balanced team composition were considered informally in some countries. While a more explicit gender perspective could have strengthened the project, for example by examining participation in capacity building or gender-differentiated effects of E&S risks, the limited integration of gender does not appear to have significantly constrained achievement of the project's core objectives. **Safeguard** requirements were applied and no material environmental or social risks or negative effects were identified, consistent with the project's low-risk classification. However, the underlying analysis was relatively limited and could have considered indirect risks and potentially affected groups, including Indigenous Peoples and local communities, more explicitly. Regarding **local action**, a particular strength was the project's locally anchored implementation model: WWF country offices contributed their existing expertise, networks and relationships with regulators and financial institutions and adapted activities to national contexts, as confirmed for Malaysia, Indonesia and the Philippines. This strengthened stakeholder engagement, ownership and technical capacities and contributed to project effectiveness and sustainability.

Conclusion and Lessons Learned

Based on the empirical evidence presented above, this Final Review concludes with an **integrated assessment** of the project's overall performance and provides **lessons learned** derived from the findings.

Integrated Assessment

The findings highlight several **key strengths** of the project. First, its reliance on WWF country offices as core implementing partners ensured access to high-level actors, strong contextual knowledge, and credibility with regulators and banks. This locally anchored model allowed the project to respond flexibly to national

conditions and to build on WWF's long-standing presence and networks. The project also benefitted from favourable timing, as it coincided with increasing momentum for sustainable finance regulation and Environmental, Social and Governance (ESG) integration across Southeast Asia. By deliberately targeting central banks, financial supervisors, and large domestic banks, the project focused on actors with agenda-setting power and capacity to influence sector-wide standards. As a result, the project successfully supported the integration of E&S safeguards into institutional strategies, regulatory guidance, and internal bank policies, complemented by substantial capacity-building efforts that strengthened technical understanding and operationalisation of sustainability requirements.

At the same time, the review identified **two main limitations** that affected both the project's effectiveness and its long-term sustainability. First, activities could not be fully implemented in two target countries due to external political developments and challenges in recruiting suitable staff, which reduced the project's geographical reach and the achievement of intended outputs and outcomes. While the military coup in Myanmar constitutes a clearly exogenous and valid reason, it remains less clear to what extent the staffing challenges encountered in Thailand could have been anticipated or mitigated. Second, although sustainability was pursued through continued engagement and integration into WWF's broader programming, the project was not designed with a formal exit strategy or a comprehensive sustainability risk analysis. As a result, long-term continuation relies largely on follow-on funding and favourable external conditions rather than on systematically planned transition and mitigation measures.

Lessons Learned

Based on the findings and conclusion of this Final Review, the following **lessons learned for future IKI projects** were drawn:

- 1 - **Intervention logic and indicators.** The project had some unclear output-outcome distinctions and activity-focused indicators made it difficult to assess results. Future projects should clearly differentiate between outputs and outcomes and use measurable indicators of behavioural or institutional change.
- 2 - **Locally anchored implementation structures.** Stronger results were achieved where WWF country offices could build on established relationships with regulators, banking associations, and financial institutions. Future projects should leverage trusted local partners with strong networks and contextual knowledge.
- 3 - **Benchmarking as a driver of change.** Benchmarking frameworks such as SUSREG and SUSBA can promote institutional change through transparency, peer learning, and reputational incentives.
- 4 - **Dedicated engagement for financial product innovation.** Future projects should assess market readiness early and invest in engaging potential adopters and investors when planning to pilot new and innovative (financial) products.
- 5 - **Robust risk management.** Activities in Myanmar and Thailand were discontinued due to political and implementation challenges. Multi-country projects should systematically assess and mitigate political, institutional, and staffing risks.
- 6 - **Realistic administrative budgets.** Implementing partners reported that standard administrative budgets did not always cover the indirect costs of implementation. Budget arrangements should reflect the realities of managing complex partnership projects.
- 7 - **Timing and target groups matter.** The project benefitted from growing momentum for sustainable finance and engagement with influential actors such as regulators and major banks. Aligning interventions with favourable policy windows and key stakeholders can significantly enhance impact.
- 8 - **Sustainability requires ongoing support.** Sustainability strategies should include provisions for the continued maintenance and adaptation of knowledge products and tools to ensure their relevance.

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