

SUSTAINABLE BANKING
NETWORK (SBN)

CREATING GREEN BOND MARKETS – INSIGHTS, INNOVATIONS, AND TOOLS FROM EMERGING MARKETS

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Foreword from SBN Secretariat

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Green Treasure

Climate change has emerged as one of the greatest global threats. Yet addressing it represents an enormous opportunity for sustainable and impactful investments.


As noted in a 2016 IFC report¹, meeting the Paris Agreement targets could create US\$23 trillion in investment opportunities for 21 emerging-market countries. IFC research estimates that more than US\$1 trillion in investments are already flowing into climate-related projects in renewable energy, off-grid solar and energy storage, agribusiness, green buildings, urban transportation, water, and urban waste management across developing countries. Much more could be triggered with the right business conditions and financial sector innovation.

Across the world, green bonds are proving to be a promising vehicle for raising awareness, promoting disclosure, and mobilizing the capital necessary to accelerate economic growth in climate friendly ways. The market for green bonds might be small, but it is growing rapidly. In 2017, issuances totalled US\$160 billion – a number that is expected to climb as high as US\$250 billion by the end of this year. Regulators in emerging-market economies, recognizing the transformative potential of green bonds, are increasingly putting in place policies to encourage green-bond issuances.

A year ago, members of the IFC-facilitated Sustainable Banking Network (SBN) – which consists of regulators and bank associations from 35 countries – began to share best practices regarding policy frameworks to support green bonds. A working group on green bonds was formed with the intention of accelerating the growth of the green bond market in member countries, so that the reach of sustainable finance can extend well beyond the banking sector and encompass capital markets as well.

Members of SBN are united by a shared objective to transition their national financial systems toward a sustainable future. They are doing so by combining environmental, social and governance (ESG) risk management with increased capital flows to activities that have a positive impact. Green bonds are one of the financial products and investment strategies that target positive impact as well as financial return.

¹ IFC, (2016), *Climate Investment Opportunities in Emerging Markets: An IFC Analysis*.



This report represents the critical beginning for SBN members to build and expand local markets for green bonds. It captures SBN members' diverse experiences and the latest insights into the drivers, challenges, and innovations to create green bond markets in the emerging markets. It highlights the importance of integrating ESG practices as a foundation of integrity and value creation in any impact-focused investment, including green bonds. For the first time, it offers a practical “Green Bond Market Development Toolkit”, including Common Objectives, a Self-assessment and Planning Matrix, a Roadmap with Common Milestones, and a Capacity Building Needs Assessment. Together these spell out the particular steps SBN members need to take to develop strong local green bond markets. The emerging consensus highlights alignment with international good practices and approaches, as well as efforts to harmonize definitions of what is “green”.

As regulators and banking associations consider the role of green bonds in their financial systems, they are tackling critical issues like climate change, social inequality, pollution and deforestation; and are choosing the most appropriate financial instruments to address them. This is an exciting trend that shows the value of developing strong capital and financial markets for sustainable growth. For those that decide that their capital markets are mature enough and that have growing markets in sectors such as renewable energy, energy efficiency, and sustainable transport, this report offers lessons of experience and clear guidance on the steps necessary to develop a green bond market.

Only six years old, SBN has emerged into a network connecting countries of all sizes and levels of development. It has become an important player on the global stage. In 2016, it became a key knowledge partner to the G20's Green Finance Study Group. This report, alongside this year's SBN Global Progress Report (www.ifc.org/sbnreport), demonstrates the value and impact of the collective action and sharing of experiences by SBN members.

IFC is one of the earliest and the largest issuers of green bonds in emerging markets. Drawing on our experiences, expertise, and resources, we are proud to support the efforts of SBN to share knowledge and promote collaboration on this exciting topic.

Access SBN Knowledge Resources at:

www.ifc.org/sbn

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