

Sustainable Finance Advisory

Innovative Sustainable Financing Solutions for Emerging Markets



Finance is Key to Developing Sustainable Growth

We help our clients to

Understand
global
sustainability
issues, risks and
solutions

Direct finance
towards
environmentally
and sustainably
aligned
objectives

Build
sustainable
capital markets

Facilitate
sustainable
market-based
solutions

Foster better
practices

Promote
sustainable
investment

Engage in dialog
on environmental,
social and
governance (ESG)
factors for all
investments



For more information: www.worldbank.org/sustainablefinanceadvisory

Why Choose the World Bank Treasury?

- The World Bank issued the first green bond in 2008
- Created the model for today's labeled bond market and set the blueprint for sustainability across capital markets
- Raised over US\$13 billion through 158 green bond transactions in 21 currencies
- Issued record-breaking US\$8 billion sustainability development bond for health and COVID-19 response in member countries
- Processes used by the World Bank Treasury are recognized as international best practice
- Works with multilaterals and markets actors to set standards for issuers and investors to promote the integrity of the market
- Created the “green sukuk” product
- Facilitated groundbreaking emerging market sustainable finance transactions

The World Bank Treasury participates in national, regional and global initiatives



WORLD BANK GROUP



ICMA

International
Capital
Market
Association



**Sustainable
Banking
Network**



**Sustainable
Stock Exchanges
Initiative**



**The
Green Bond
Principles**



ARGENTINA 2018
BUILDING CONSENSUS FOR FAIR
AND SUSTAINABLE DEVELOPMENT



**ACCOUNTING FOR
SUSTAINABILITY**



**The
Social Bond
Principles**



NGFS
Central Banks and Supervisors
Network for Greening the Financial System



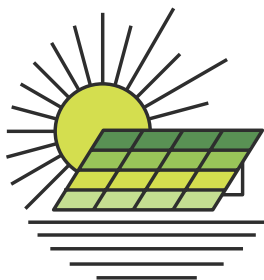
**TASK FORCE ON
CLIMATE-RELATED
FINANCIAL
DISCLOSURES**



GLOBAL GREEN FINANCE LEADERSHIP PROGRAM

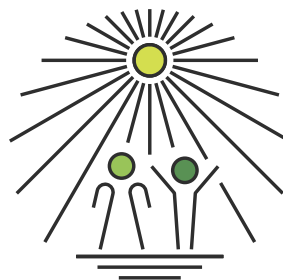
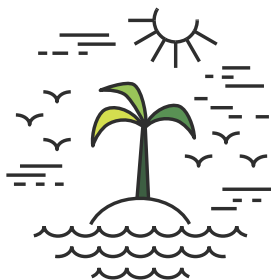
Thematic Bonds

Green, blue, social and sustainable bonds (i) raise money for investments that deliver sustainable economic and social outcomes and (ii) offer investors the opportunity to earn competitive financial returns and diversify their portfolios while supporting positive impact.



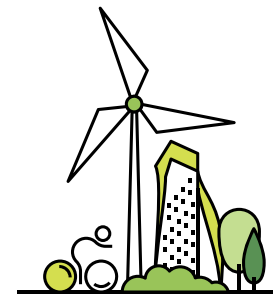
Green and Blue Bonds

Green and blue bonds raise financing for development with clear environmental benefits on land and at sea, e.g., power generation from renewables, infrastructure that increases energy efficiency, and sustainable fishing economies.



Social Bonds

Social bonds finance projects that benefit under-served populations with limited access to essential services such as basic infrastructure or finance.



Sustainable Bonds

Sustainable bonds finance a combination of green and social projects.

Why Issue Thematic Bonds?

Thematic bonds can help issuers expand and diversify their investor base. These bonds are in huge demand from investors that place sustainability at the center of their investment approach, i.e., invest specifically with the intention of generating positive, measurable social and environmental impact alongside a financial return. These investors include fund managers, pension funds and insurance companies, family offices, banks, financial institutions, religious institutions, as well as individual investors. The Global Impact Investing Network (GIIN) estimates the current size of the impact investing market to be US\$502 billion.

Asset owners such as pension funds are also recognizing that ESG issues can influence investment risk and return. They are increasingly integrating these considerations into their investment analysis. Often green, social and sustainability bond issuers receive higher ESG scores from these investors. Investors may use these bonds to hedge relevant risks in their portfolio.



Build Sustainable Capital Markets

Technical assistance for regulators and policymakers

- Help financial regulators understand the financial impact of sustainability challenges such as climate change, environmental degradation, loss of biodiversity, pandemics, social issues, etc.
- Help develop regulations, guidelines and incentives to catalyze the development of sustainable capital markets
- Facilitate the issuance of thematic bonds
- Build the capacity of local thematic bond certifiers
- Develop green taxonomies to provide clarity to issuers
- Develop capacity of issuers to report on ESG risks
- Build the capacity of institutional investors to set up ESG and impact investing strategies and frameworks



Promote Sustainable Market-based Solutions

Technical assistance for issuers of thematic bonds



Pre-Issuance

- Share international best practices and requirements
- Develop action plan/roadmap for the issuance
- Develop a thematic bond framework
- Identify eligible categories/projects based on national priorities
- Facilitate the delivery of second opinions/verifications/certification
- Advise on reporting commitment and communication strategy



Post-Issuance

- Clarify processes and help issuers understand how to use the standardized impact reporting template in line with global standards
- Explain information required, including baselines and indicators to measure the impact of selected green projects
- Recommend work process flows and timeline for reporting in line with the green bond framework
- Prepare terms of reference for an auditor to provide the annual assurance report
- Review and provide feedback on drafts



Advance Best Practices

Technical assistance for thematic bond certifiers or second opinion providers

- Deliver training to domestic environmental, climate-related and sustainability research institutions or consultancies
- Share trends and perspectives on climate science, physical and transition climate risks, financial risks and scenarios
- Explain different forms of external review, and examine different approaches and methodologies, respective benefits and disadvantages, potential conflicts of interest, dissemination, and costs
- Clarify second opinion structure, content, required documents and information/data, and assessment process
- Review and provide feedback on methodologies
- Discuss case studies

Photo Credit: © Lanski/iStockphoto

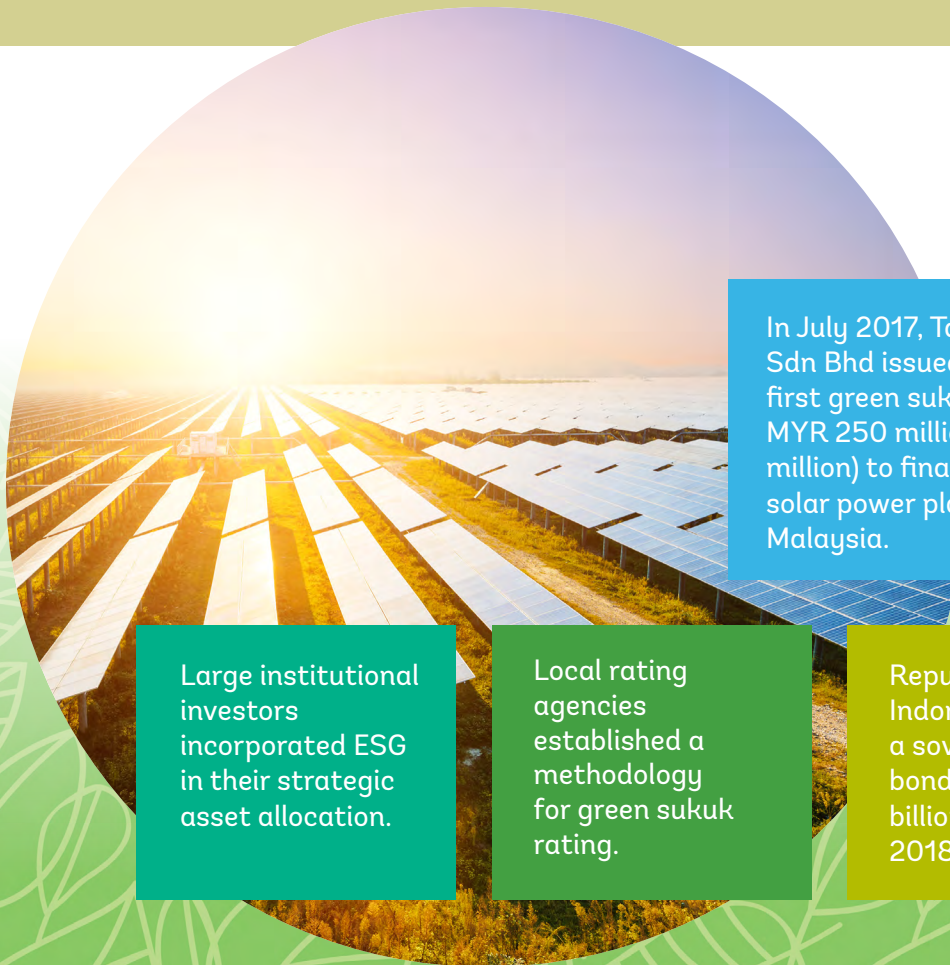
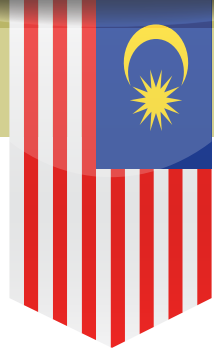


Promote Sustainable Investment

Technical assistance for institutional investors

- Deliver workshops on ESG and responsible investment (RI) trends, approaches and strategies and identify institutional investors interested in integrating ESG in investment processes
- Support the targeted investors by
 - reviewing identified institutional investor's investment objectives, policies and strategies and deliver an overview report identifying gaps
 - providing recommendations for the integration of ESG in investment processes, including:
 - ◆ criterion for developing an ESG/RI policy and implications for investment processes
 - ◆ organizational setup, governance and operational processes
 - ◆ choosing ESG approaches to support investment objectives and mission alignment
 - ◆ stewardship, responsible ownership and engagement
 - ◆ reporting and disclosure





In July 2017, Tadau Energy Sdn Bhd issued the world's first green sukuk to raise MYR 250 million (US\$59 million) to finance a 50MW solar power plant in Malaysia.

Large institutional investors incorporated ESG in their strategic asset allocation.

Local rating agencies established a methodology for green sukuk rating.

Republic of Indonesia issued a sovereign green bond (US\$1.25 billion, February 2018).

Malaysia

First green sukuk in the world

Green sukuk (Islamic bond) is a new climate finance instrument that has the potential to channel the US\$2 trillion Islamic finance market toward funding of green and sustainable investment projects.

World Bank Support

- Identified opportunity to leverage Malaysia's role in Islamic finance to combine the "sukuk" and the green bond
- Undertook diagnostic assessment for feasibility
- Led awareness campaign with line ministries; financial intermediaries; banks; institutional investors; rating agencies; and potential issuers
- Provided capacity building for local green bond/sukuk certifiers
- Provided technical assistance to issuers for sukuk transactions
- Supported the development of ASEAN Green and Sustainable Bond Standards

Case Study: [Helping Malaysia Develop the Green Sukuk Market](#)



In November 2017, Fiji issued a sovereign green bond.

The bond raised FJD 100 million, approximately USD (eq.) 50 million, to fund climate change adaptation and mitigation projects.

As COP 23 President, Fiji used the bond to bring global awareness to challenges of small island nations to the impacts of climate change.



First emerging market sovereign green bond in the world

World Bank Support

- Provided technical assistance to structure the bond from start to finish within a tight time frame
- Convened and facilitated a steering committee comprising senior government decision makers with clear lines of authority on preparing the green bond policy framework, prospectus, eligible expenditure definitions, and ongoing monitoring and reporting
- Developed the green bond framework, hired the external review provider, and helped Fiji navigate the independent review process
- Identified eligible projects, focused mainly on building resilience against the impacts of climate change
- Helped raise the visibility of the bond in the global platform through a sustained communication strategy
- Provided technical assistance to develop the post-issuance green bond impact reports



In December 2017, Indonesia Financial Services Authority (FSA) issued green bond regulations.

In July 2018, PT Sarana Multi Infrastruktur (PT SMI), a state-owned enterprise, issued the first corporate green bond in Indonesia.

In January 2019, Ministry of Finance Indonesia published its first green sukuk impact report.

Indonesia

Developing a domestic green bond market

World Bank Support

- Delivered workshops to raise awareness of sustainability issues, standards, policies and implementation requirements
- Participated in technical meetings with Ministry of Finance, financial intermediaries, banks, institutional investors, rating agencies, and potential issuers
- Supported the development of Indonesia green bond regulations
- Provided guidance to Ministry of Finance for the issuance of first sovereign green sukuk in the world; supported knowledge-sharing activities, and provided technical assistance to develop the post-issuance impact report
- Facilitated the issuance of the first domestic green bond in Indonesia by PT SMI
 - developed transaction road map and green bond framework
 - helped identify eligible projects
 - provided guidance on reporting and impact indicators
 - facilitated independent external review
 - developed post-issuance impact report

Case Study: [First Domestic Green Bond in Indonesia](#)



In October 2018, the Seychelles government launched the world's first sovereign blue bond.

The proceeds will be used to help finance the island nation's transition to sustainable fisheries and the protection of marine areas.

The World Bank Treasury structured a new blue bond market instrument to help the Seychelles government mobilize private sector capital into sustainable fishing, marine spatial planning aquaculture and biodiversity.

Seychelles

First blue bond in the world

World Bank Support

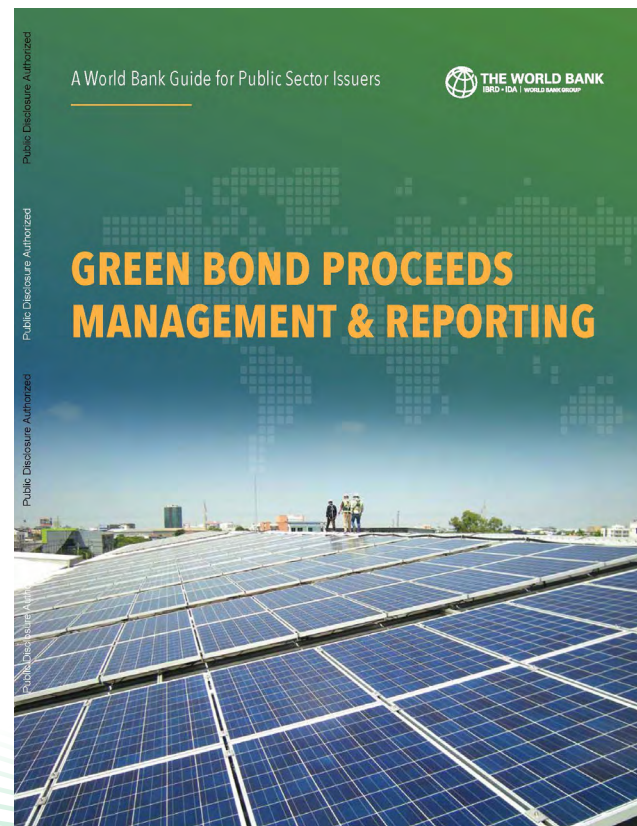
- Structured a blue bond with a custom ten-year maturity schedule that aligned with project funding needs and Seychelles' liability profile
- Integrated a World Bank partial credit guarantee of US\$5 million into the blue bond, which lowered Seychelles' borrowing cost by at least 2 percent per year
- Helped arrange US\$5 million in concessional financing from the Global Environmental Facility (GEF), which further lowered Seychelles' net borrowing cost by over 3 percent per year
- Secured a donation from Rockefeller Foundation to cover most of the transaction costs
- Engaged with investment banks to find a top tier placement agent and a trustee for the blue bond issuance and brought in banks to help manage the process and payments
- Connected Seychelles with investors who purchased the blue bond issue

Case Study: [Seychelles: Introducing the World's First Sovereign Blue Bond](#)

Intellectual Leadership

The World Bank Treasury leads and shapes the debate on sustainable finance with market actors by developing guides and guidelines

- Green Bonds Proceeds Management and Reporting Guide
- Developing a National Green Taxonomy: A World Bank Guide
- Engaging on ESG Issues with Investors: A Guide for Sovereign Debt Issuers
- How to Issue a Sovereign Green Bond: A Guide for Debt Management Offices
- Incorporating Environmental, Social and Governance Factors into Fixed Income Investment: Report



Knowledge Sharing

The World Bank Treasury provides a platform for interested parties to advance the dialog on sustainable finance by organizing roundtable discussions, seminars, conferences and workshops.

- Roundtable discussions to promote dialogue on ESG between investors and issuers
- High level workshops and seminars to share knowledge about the value and process for issuing green and sustainable bonds
- High level workshops and seminars to share lessons learnt from the issuance of sustainable bonds





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