FINANCING A SUSTAINABLE FUTURE

A KNOWLEDGE NETWORK FOR BANKING REGULATORS

WHY SUSTAINABLE FINANCE?

A growing number of financial institutions worldwide are adopting policies, systems, and lending practices that reduce the environmental and social impact of doing business.

They are adopting sustainable financing practices to ensure that economic development doesn’t come at the cost of our ecosystems and our future generations. At the same time, it also makes business sense – protecting and adding value to their loan portfolios.

IFC, a member of the World Bank Group, has been working with financial institutions in emerging markets for more than a decade to develop sustainable finance. Our experience shows that banks benefit from adopting sound environmental and social management through:

- Improved quality of their loan portfolio
- Lower cost of capital
- Improved brand value
- Better terms of insurance
- Better ratings by analysts
- New business opportunities in green technologies and underserved markets
- Recognition and awards

A KEY ROLE FOR REGULATORS

As financiers, banks can help businesses respond to sustainability risks sooner and more effectively, thereby also reducing losses and increasing returns on loans.

However, many emerging market banks have yet to adopt systems to effectively manage environmental and social risks and opportunities.

Regulators play a key role in helping financial institutions tap new business models and build stronger, greener economies.

With this in mind, banking sector regulators from 10 emerging markets met in Beijing in May 2012 for the first International Green Credit Forum, hosted by the China Banking Regulatory Commission and IFC.

IFC – A SUSTAINABLE FINANCE PARTNER

As the largest global development institution focused on private sector development in emerging markets, IFC is uniquely positioned to engage both government and market partners in the implementation of environmental and social standards.

IFC Performance Standards on Environmental and Social Sustainability are recognized as international best practices and form the basis of the Equator Principles, which has been adopted by 77 financial institutions worldwide. Thirty-two export credit agencies from Organisation for Economic Co-operation and Development countries and 16 European development financial institutions also use IFC’s Performance Standards as the benchmark for private sector investment in emerging markets.

IFC’s support to banking regulators and financial institutions draws on our own experiences and expertise gained from developing and applying the Performance Standards and the World Bank’s Environmental, Health and Safety Guidelines. IFC also serves as a convener and a source of knowledge for a wide range of stakeholders working on environmental and social sustainability issues.

Find out what emerging market banking regulators are doing to promote Sustainable Finance around the world.

Sustainable finance protects banks’ assets, improves brand value, and lowers cost of capital. It also helps build resilient economies.
MEMBERS’ MILESTONES

VIETNAM

- In March 2009, the State Bank of Vietnam, the Vietnam Bankers Association, and IFC jointly organized Vietnam’s first sustainable finance workshop. The workshop featured international best practices on environmental and social risk management, including IFC’s Performance Standards, the Equator Principles, and South-South knowledge sharing by the China Banking Regulatory Commission and Industrial Bank.

- In August 2009, in partnership with the State Bank of Vietnam and China Banking Regulatory Commission, IFC facilitated a study tour by seven Vietnamese government agencies and four Vietnamese banks to China to exchange views with their Chinese banking and regulatory counterparts and review China’s experience with its Green Credit Policy.

- In June 2012, following a multi-ministry dialogue process, the Governor of State Bank approved the co-operation with IFC to develop environmental and social risk management guidelines for the banking sector.

THAILAND

BRAZIL

- In 2009, Brazil’s Ministry of the Environment, in collaboration with local partners, developed a Green Protocol, which defines sustainability practices for commercial financial institutions.

- The country’s central bank, Banco Central do Brasil, introduced a number of resolutions and circulars requiring the financial sector to address various environmental and social risks in their operations.

NIGERIA

- During the Nigeria Sustainable Finance Week in 2011, CEOs from major Nigerian banks met to discuss the development of a sector-wide environmental and social framework. At the request of the governor of the central bank, a Strategic Sustainability Working Group was set up to lead this process, with support of IFC and FMO, the Dutch development bank.

- The Nigerian Bankers Committee, with support of the Central Bank of Nigeria, is set to launch the voluntary Nigerian Sustainable Banking Principles in 2012.

- Sector-specific guidelines are being developed for three key sectors of the economy: oil and gas, renewable energy, and agriculture.

- In 2011, IFC and the Thai Bankers’ Association (TBA) organized Management Workshops focusing in particular on Lao investments. IFC facilitated participation by CBRC and Bank of Indonesia to enable sustainable knowledge sharing.
Building an International Knowledge Network

The first International Green Credit Forum demonstrated the value of shared learning. As a next step, the participating regulators from emerging markets called for the creation of an international knowledge network to help

- Share experiences
- Build partnerships
- Develop common resources

Supported by IFC as a strategic and technical partner, the network will reduce the learning curve for regulators and help them more quickly design systems that work.

“Green and sustainable development have become the trend in today’s world. The financial regulatory authorities and financial institutions of emerging markets can promote sustainable social, economic, and green development.”

Wang Zhaoxing
Vice-Chairman
China Banking Regulatory Commission at the first International Green Credit Forum in Beijing, 16 and 17 May 2012.
IFC AS STRATEGIC AND TECHNICAL PARTNER

IFC has over a decade of experience providing technical assistance to emerging market banks and regulators to develop policies and systems to manage environmental and social risk and opportunities.

Since 2007, IFC has worked closely with China’s Ministry for Environmental Protection and the Chinese Banking Regulatory Commission to assist implementation of China’s Green Credit Policy. The collaboration recently included support to CBRC in drafting the Green Credit Guidelines for Chinese banks, launched in February 2012 and co-hosting with CBRC the first International Green Credit Forum.

IFC will continue to convene and support emerging market banking regulators through the International Knowledge Network.

“Successful businesses will be the ones that can adapt to the changing business environment – specifically by adopting the belief that business success and environmental and social well-being go hand-in-hand.”

Karin Finkelston  
IFC Vice President for Asia Pacific

IFC AS STRATEGIC AND TECHNICAL PARTNER TO CHINA’S GREEN CREDIT POLICY

IFC has been a strategic partner to the China Banking Regulatory Commission and China’s Ministry of Environmental Protection to introduce international environmental and social standards as a reference for national regulations.

China has been a pioneer among emerging markets in developing a comprehensive regulatory framework for sustainable finance. Since the launch of the national Green Credit Policy in 2007, the China Banking Regulatory Commission, with support from the Ministry of Environmental Protection, has worked closely with China’s financial institutions to design guidance to help banks successfully implement the policy.

IFC has worked closely with the China Banking Regulatory Commission and the Ministry of Environmental Protection on policy advice, capacity building, and the development of technical resources and tools for financial institutions. IFC’s support to the Commission in developing and launching the Green Credit Guidelines in 2012 is a highlight of this partnership.

The Green Credit Guidelines, which set out the practical steps in implementing the Green Credit Policy, are benchmarked against IFC’s Performance Standards. By providing bank directors and senior management with direct responsibility and know-how for managing environmental and social impact and promoting green credit practices, the Guidelines will make lending by Chinese banks more resource efficient and sustainable, both in China and anywhere in the world where Chinese banks operate.

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RESOURCES

First For Sustainability – firstforsustainability.org
The Equator Principles – www.equator-principles.com