IFC officials: China is devoting more efforts to promote green finance with a comprehensive approach
By Wang Liwei, Caixin Online  
September 9, 2016

A growing number of emerging countries have contributed to promoting sustainable development of banking industry in various modes. Regardless of the various approaches adopted by different countries, a learning network for regulators and industry associations is being built for learning from each other.

What’s the opinion of foreign countries on contribution to green finance made by People’s Bank of China (PBC) and Bank of England? Are other countries devoting to promoting green finance?

Morgan Landy, Head of Environment, Social and Governance of IFC, was recently interviewed by Caixin reporter. According to him, a growing number of emerging countries have contributed to promoting sustainable development of banking industry in various modes; regardless of the various approaches adopted by different countries, a learning network for regulators and industry associations is being built for learning from each other.

Mr. Landy said that China stepped ahead of many countries in the field of green finance. Seven Ministries including People’s Bank of China, Ministry of Finance as well as National Development and Reform Commission jointly issued Guidelines on Building Green Financial System at the end of August, indicating that China enters a new stage of green finance and it requires cooperation of all governmental departments to stimulate and drive green financial activities.

Although Bank of England works actively in green finance, it seems that many other central banks are still in the process to learn from it, said Landy. Meanwhile, people like Mark Carney (Governor of the Bank of England) has faith in himself and also has his own judgment for where he could make the best of his influence comparing with the rivals in the same industry.

It has been put forward in the Synthesis Report of G20 Green Finance Study Group approved by G20 leaders the seven voluntary measures for countries to consider independently, and among them, one option is to “expand learning network for capacity building”. For this option, each government in G20 could mobilize support to capability platform such as SBN (sustainable bank network) and Principles for Responsible Investment (PRI). SBN is composed of financial regulators and
associations of developing countries, with secretariat set up in IFC and Mr. Landy in charge.

Mr. Landy stated that SBN was independently established by the regulators from emerging markets and China played an important role in promoting it. With SBN, members could share experience in managing sustainable issues such as environmental and climate finance, and learn from each other in regard to policy development and implementation, etc.

Since South Africa became the newest member of SBN, there are 25 country members in SBN currently. In China, People's Bank of China, China Banking Regulatory Commission (CBRC) and banking associations have participated in SBN.

Green finance approaches are diverse from different countries in SBN. In China and Indonesia, green finance is driven by government regulations; in countries including Mexico and Turkey, it is mainly guided by banking associations voluntarily; while in Brazil and Nigeria, the approach is a combination of industry-based and government guidance.

Mr. Landy also said that China has taken advantage of some mandatory and sustainable key performance indicators for banks. However, Brazil uses an adjustable approach on promoting green finance. Instead of trying to make all banks use one same approach, it guides each bank to make their own response plans to handle different issues and scenarios, then review and adjust the approach every year accordingly. Other countries are very interested in learning those practical experience. Through SBN, each member country could learn from each other and improve its own green finance approach and policies.

As regards IFC’s investment in sustainable fields, Mr. Landy said that IFC has invested in over 700 banks globally through many ways such as equity, loan, trading financing, etc. In the area of green bond, only a few banks from China, Turkey and India have issued green bonds. IFC showed its desire to promote the issuance of more green bonds, leveraging its client base and membership in Green Bonds Principles Executive Committee.

Last year, IFC invested USD 125 million, 15% shares to become a shareholder of Three Gorges Group South Asia Branch which planned to invest USD 7 billion in the wind power and three to four large hydropower projects in Pakistan. This is the largest investment in the history of power industry in Pakistan.
Mr. Landy said that IFC would assess every project there to make sure projects comply with the requirements in environmental and social sustainability, based on IFC policy and standards. Throughout the entire investment cycle of all projects, IFC will contact with Pakistan or China partner to seek for necessary adjustment in case any issue is found out; if the agreed requirements are not met continually, IFC reserves the right to exit this project.