

Sustainable Banking and Finance Network (SBFN)

Overview – October 2021

1. What is the Sustainable Banking and Finance Network?

The Sustainable Banking and Finance Network (SBFN, formerly the Sustainable Banking Network or SBN) is a voluntary community of financial sector regulators, central banks, industry associations, and environmental regulators from emerging markets committed to advancing sustainable finance for national development priorities, financial market deepening, and stability. Their approaches draw on international good practices, reflecting national contexts and priorities.

IFC, the private sector arm of the World Bank Group, acts as the Secretariat to SBFN, playing the role of strategic and technical advisor, as well as global convener to SBFN and its members.

SBFN members currently represent 63 institutions from 43 countries, including Argentina, Bangladesh, Brazil, Cambodia, Chile, China, Colombia, Costa Rica, Dominican Republic, Ecuador, Egypt, Fiji, Georgia, Ghana, Honduras, India, Indonesia, Iraq, Jordan, Kazakhstan, Kenya, Kyrgyzstan, Lao PDR, Maldives, Mexico, Mongolia, Morocco, Nepal, Nigeria, Pakistan, Panama, Paraguay, Peru, Philippines, Samoa, Serbia, South Africa, Sri Lanka, Thailand, Tunisia, Turkey, Ukraine, and Vietnam. These countries account for over \$43 trillion, or 86%, of the banking assets across emerging markets and can play a critical role in delivering the Sustainable Development Goals (SDGs) and national green growth agenda.

SBFN's main objectives are to

- Support members in developing and implementing national frameworks and awareness that promote and enable a market-wide shift to sustainable finance.
- Convene a global platform for member practitioners to benefit from best practices and deepen collective learning.
- Provide capacity building and knowledge sharing, with a focus on peer-to-peer exchanges among members.

SBFN achieves these objectives through the following activities:

- In-person gatherings, such as the SBFN Biennial Meetings and the Global Green Finance Leadership Programs.
- Peer-to-peer exchanges among members, such as study tours, virtual knowledge exchanges,

and learning events.

- Member-led thematic working groups including the Measurement Working Group, Sustainable Finance Instruments Working Group (the former Green Bond Working Group), IDA Task Force, and the recently launched Data and Disclosure Working Group.
- An online Knowledge Base with extensive case studies, SBFN research, latest developments in the SBFN community, and market intelligence on sustainable finance, www.ifc.org/SBFN.
- Regular membership communications on the progress of policy development and implementation across member countries.
- The biennial SBFN Global and Country Progress Reports, the most comprehensive benchmarking of national initiatives on sustainable finance across emerging markets. www.ifc.org/SBN2019report.
- Direct advisory support to members in developing sustainable finance guidelines, roadmaps, policy frameworks and industry standards, delivered in collaboration with IFC and World Bank advisory programs.

2. History and purpose of SBFN

SBFN originated from a collective need expressed by banking regulators and associations for a global platform for knowledge and learning on sustainable banking. At the first International Green Credit Forum co-hosted by IFC and the China Banking Regulatory Commission in Beijing in 2012, banking regulators and associations from 10 countries requested that IFC facilitate a knowledge network for financial regulators and associations.

As the private sector arm of the World Bank Group, IFC provides technical assistance to SBFN members based on its practical experience gained from over two decades of setting and applying global standards in managing environmental, social and governance (ESG) risk and performance in project finance in emerging markets, as well as the leadership of the World Bank Group in financing innovative solutions to climate change and other environmental and social challenges.

IFC acts as Secretariat and knowledge partner for SBFN and connects members with its global development partners. IFC has supported members in developing and implementing a wide range of sustainable finance frameworks, policies, roadmaps, guidelines, and voluntary initiatives suited to their national contexts. As of December 2020, 28 countries had launched a total of 96 policies and principles supporting sustainable finance. The process of developing and implementing these frameworks is generating a new, positive dynamic between the public and private sector, enabled by SBFN's mix of both regulators and industry associations. This is seen in the mix of market-based actions and policy leadership that is resulting in more effective frameworks and implementation.

The SBFN Annual Meeting has grown into SBFN's flagship event, not only for existing and potential members but also as a global forum of thought-leaders on sustainable finance. In response to COVID-19, the SBFN Secretariat has actively engaged members through webinars and virtual events that cater

to different regions, time zones, and topics.

3. What do we mean by sustainable finance?

The SBFN community has evolved the following definitions over the past decade:

Sustainable Finance refers to policies, regulations, and practices by regulators, supervisors, industry associations, and financial institutions (FIs) to

- i. Reduce and manage environmental, social, and governance (ESG) risks resulting from and affecting financial sector activities, including the risks of climate change; and
- ii. Encourage the flow of capital to assets, projects, sectors and businesses that have environmental and social benefits.

National Framework refers to the collective set of policies, roadmaps, guidance, regulations, and/or voluntary principles and initiatives by national regulators or industry associations to define and promote sustainable finance. SBFN recognizes that national frameworks for sustainable finance vary from country to country and are influenced by national priorities and characteristics. They are also interdependent with other national roadmaps, policies, and regulations.

4. How does SBFN support green growth?

By working with financial regulators, SBFN supports and contributes to the formulation of green finance strategies in member countries. Most SBFN members cite their national green growth strategy, sustainable development strategy, or climate strategy as the driver for their commitment to promoting sustainable finance and interest in developing guidelines or standards. Global drivers for national sustainability strategies include the United National Sustainable Development Goals and climate change commitments set forth in the Paris Agreement.

For example, the financial market regulator in Indonesia, OJK, sees sustainable finance as a means to realize the country's commitment to both global and national sustainable development goals and climate change targets. OJK issued a 10-year Sustainable Finance Roadmap as a medium- to long-term work plan in 2014, followed by an Umbrella Sustainable Finance Policy in 2017 to green the whole finance system, including banking, capacity market, insurance and pension funds. In 2021, OJK issued the Indonesia Sustainable Finance Roadmap Second Phase (2021-2025), deepening the nationwide sustainable finance ecosystem driven by both supply and demand sides.

Mongolia is another example. The Mongolian central bank, Bank of Mongolia, is a founding member of SBFN. The country's national Green Development Strategy is a key driver of the Mongolia Sustainable Finance Initiative. The Initiative, in turn, allowed the Mongolia Bankers Association to launch the Mongolian Sustainable Finance Principles and industry-sector guidelines in 2014. The Bank of Mongolia uses a supervision approach to review banks' implementation of the Principles. The

Ministry of Environment, Green Development, and Tourism is also a member of SBFN and actively supports the initiative for national green development targets. In 2019, Mongolia published its National Green Taxonomy, and a year later, the Central Bank of Mongolia launched a public national Green Loan Statistics online database, calculating the amount and ratio of green loans in the portfolio based on this Taxonomy.

SBFN member countries are also the main contributors of global green bond issuance. As of December 2020, the 7 SBFN member countries in the Asia-Pacific region issued green bonds valued at \$146 billion or 66% of all green bond issuance in the region. In the Africa region, the 6 SBFN member countries (Egypt, Ghana, Kenya, Morocco, Nigeria, and South Africa) issued green bonds totaling USD 3.924 billion or 99% of all the green bond issuance in the region. In the Latin American region, the 10 SBFN member countries issued USD 21.47 billion in green bonds, or 98.7% of all the green bond issuance in the region.

5. What is unique about SBFN?

Led by its members, SBFN is a unique global initiative focused on creating an open and practical collaborative environment between the key enablers of financial markets - including financial regulators, central banks, capital market regulators, stock exchanges, and industry associations. This promotes an integrated “ecosystem” approach to creating shared vision, goals, and strategies at national level.

SBFN was the first and is the largest global learning platform on sustainable finance dedicated to financial sector regulators and industry associations in emerging markets. SBFN countries are at the forefront of the global sustainable finance trend and are leading in their regions.

SBFN facilitates peer-to-peer learning and partnership. The greatest value for members is in learning from the experiences of their peers and being able to benchmark their progress. Members attribute many of their actual advancements to the Network’s organic enabling capacity.

6. What kinds of activities does the Network engage in?

[Input and technical assistance for members in developing and implementing national frameworks on sustainable finance:](#)

In collaboration with IFC and World Bank programs, SBFN works directly with regulators and banking associations, supporting members to develop regulatory guidelines, industry standards, and tools for banks or other financial intermediaries such as pension funds, insurance companies or non-banking financial intermediaries where applicable. SBFN also conducts in-country awareness-raising and capacity-building workshops and training sessions for regulators and industry associations.

[Peer-to-peer learning and knowledge sharing on the latest trends, innovations, and challenges in](#)

sustainable finance:

A core activity of SBFN is generating and sharing case studies and lessons learned from member countries. This is done via the SBFN Annual Meeting, the Biennial Global Progress Report and Country Reports, member-led research, newsletters and peer-to-peer knowledge exchanges (virtual or in-person). There is consensus to promote more consistent knowledge sharing among members, particularly in sharing best practices that demonstrate the business case for sustainable finance and strategic links to national objectives, such as financing for green growth.

Member-led thematic working groups:

SBFN convenes a wealth of expertise through member institutions that have developed national approaches to sustainable finance and are committed to sharing their insights and lessons with peers. One of the most valuable ways this is achieved is through member-led working groups established in response to priority issues identified by members and with the aim of developing practical technical resources to support them. Three working groups and one task force have been established to date in response to member demand.

Measurement Working Group (MWG). Established in 2016, the WG responds to SBFN member demand for a systematic approach to assess and benchmark country progress in developing national sustainable finance frameworks. Up to September 2020, the WG comprised representatives from 12 countries and regions and was chaired by the China Banking and Insurance Regulatory Commission (CBIRC) and the Indonesia Financial Services Authority (OJK). The WG has developed and refined a Measurement Framework that was approved by all members and continues to evolve to keep pace with country-level and global developments. The WG members provided leadership for [SBFN's 1st Global Progress Report and 15 Country Progress Reports](#) in 2018, as well as the [2nd Global Progress Report and 30 Country Progress Reports](#) in 2019. New Co-Chairs and members of the WG were announced in October 2020 and guided the latest update of the SBFN Measurement Framework and are supporting development of SBFN's 3rd Global Progress Report, which will be published in October 2021.

- Working Group Co-Chairs: Superintendencia Financiera de Colombia (SFC), Mongolian Sustainable Finance Association (MSFA), and the Moroccan Capital Market Authority (AMMC).
- Working Group Members are Bangladesh Bank, Association of Banks in Cambodia, China Banking and Insurance Regulatory Commission, Colombian Banking Association (Asobancaria), Central Bank of Egypt, Reserve Bank of Fiji, National Bank of Georgia, Honduras National Commission of Banks and Insurance (CNBS), the Indonesia Financial Services Authority (OJK), Kenya Bankers Association, Union of Banks of Kyrgyzstan, Panama Banking Association (ABP), Bangko Sentral ng Pilipinas (BSP), Central Bank of Sri Lanka, Central Bank of Tunisia, Banking Regulation and Supervision Agency of Turkey (BDDK), Latin American Banks Federation (FELABAN).

Sustainable Finance Instruments Working Group (formerly the Green Bond Working Group).

Established in 2017, this WG responds to members' interest in the global green bond trend and associated market opportunities. It led to the 2018 report "[Creating Green Bond Markets](#)", which mapped green bond market developments in over 22 emerging markets and included a practical toolkit for SBFN members. Going forward, the WG will expand to reflect new developments in social and sustainability bonds and loans and other financial instruments with green, social, and sustainability benefits. Incoming Co-Chairs and Members to be Announced.

Data & Disclosure Working Group. Planned for the second half of 2021, this WG responds to the current global need for improved data and disclosure by the financial sector to support national sustainable finance ecosystems and enable regulators and supervisory agencies to better assess environmental, social, and governance (ESG) risks at the market level and incentivize the transition to green economies. Recent trends include the growing need for climate-related data, driven by initiatives such as the Task Force on Climate-related Financial Disclosures (TCFD). The WG will map the latest country-level developments in sustainable finance data and disclosure across the SBFN community as well as international initiatives to facilitate the continued development of tools and practical guidance for SBFN members.

Member-led IDA Task Force. Launched in May 2018 under the Measurement Working Group, the IDA Task Force aims to identify common challenges and opportunities in developing sustainable finance in low-income countries (GNI per capita below \$1,165 in fiscal year 2018), including but not limited to exploring the link between sustainable finance, inclusive finance, and poverty reduction. The IDA Task Force is made up of 11 SBFN countries that qualify for investment by the International Development Association (IDA), namely Bangladesh, Cambodia, Ghana, Honduras, Kenya, Kyrgyzstan, Lao PDR, Mongolia, Nepal, Nigeria and Pakistan. The Task Force is co-chaired by the Mongolian Sustainable Finance Association and the Central Bank of Nigeria. It resulted in the 2020 report, "[Necessary Ambition: How Low-Income Countries Are Adopting Sustainable Finance to Address Poverty, Climate Change, and Other Urgent Challenges](#)".

Strengthening regional knowledge exchange

Regional communities of practice are emerging as a powerful tool to accelerate learning among members facing similar challenges and opportunities. SBFN entered into an MOU in 2016 with the Latin American Banking Federation (FELABAN), which represents over 600 bank members from 19 countries, to jointly promote sustainable banking in Latin America. On March 30th, 2021, central banks of the Association of Southeast Asian Nations (ASEAN) officially endorsed the initiative on the ASEAN Sustainable Banking Principles (SBP), proposed by the State Bank of Vietnam with SBFN and IFC support. The SBP will serve as guiding principles to help ASEAN central banks further develop sustainable banking guidelines and tools aligned with each respective country's context.

Contributing to global dialogue

There is strong interest among members to play a global role and to raise the international profile of the Network. SBFN has become increasingly active in advancing dialogue on sustainable finance at the global level. As a key knowledge partner for the [G20 Sustainable Finance Study Group](#) since 2016, SBFN has been providing technical inputs on developments in emerging markets, using member experiences to inform a report with recommendations on the future of green finance. The working group was recently re-established under the Italian presidency of the G20. Through the World Bank Group, SBFN also contributes to the [Network for Green the Financial System](#), dedicated to central banks.

SBFN Annual Meetings – a key forum for knowledge sharing and generation:

Co-hosted by IFC and member countries, the annual SBFN meetings are the principal space for members to present national initiatives in the sustainable banking/finance space, to discuss current issues, and to jointly develop new approaches to sustainable banking/finance.

SBFN Annual meetings hosted to date:

Event	Location	Date
1 st International Green Credit Forum co-hosted with the China Banking Regulatory Commission (CBRC) – 1 st SBFN Annual Meeting	Beijing, China	May 2012
2 nd International Sustainability Finance Forum co-hosted with the Central Bank of Nigeria	Lagos, Nigeria	March 2014
International Sustainable Finance Forum, co-hosted with the Superintendency of Banking, Insurance and Private Pension Fund Administrators of Peru (SBS) – 3 rd SBFN Annual Meeting	Lima, Peru	September 2015
International Sustainable Finance Forum, co-hosted with the Indonesia Financial Service Authority (OJK) – 4 th SBFN Annual Meeting	Bali, Indonesia	December 2016
International Sustainable Finance Forum and Governors Reception, concurrently with WBG/IMF Annual Meetings	Washington DC, USA	October 2017
International Sustainable Finance Forum, concurrently with WBG/IMF Annual Meetings	Washington DC, USA	April 2019

7. What has been learned to date through SBFN?

Approaches to sustainable finance

Influenced by country context and culture, three general approaches to sustainable finance have emerged among members:

- i. Regulatory approach, led by financial or banking regulators, such as in Bangladesh, China, Indonesia, Morocco, Peru, and Vietnam.
- ii. Industry-led voluntary approach, led by banking associations such as in Colombia, Ecuador, Kenya, Mexico, Mongolia, Turkey, and South Africa.
- iii. Collaborative approach combining industry-led initiatives and policy leadership, starting with voluntary principles led by the banking association, then reinforced through regulatory actions led by regulators such as Brazil and Nigeria.

International environmental and social (E&S) sustainability standards have proven useful when designing country-specific sustainable finance policies (e.g., IFC Performance Standards, Equator Principles, World Bank Group Sector-Specific Environmental Health and Safety Guidelines). Many countries have used international standards as a starting point or benchmark when designing policies and guidance that fit with country-level legislation and institutional systems. Implementation, compliance and enforcement mechanisms are significantly stronger when standards are country specific. When consistent with international standards, such country-specific policies are also likely to have greater system-wide impact (rather than only project-specific impact) and to use government and development partner resources more efficiently.

How knowledge sharing and capacity building support members on their sustainable finance journey: Peer-to-peer knowledge sharing and partnership among SBFN members are effective ways to shorten the learning curve. These exchanges are demand-driven, member-driven cooperation aimed at concrete action and outcomes that go beyond information sharing.

Capacity building is critical for banks and regulators. SBFN works with IFC and World Bank programs to facilitate technical support and harness local expertise of country staff.

Emerging trends in green finance

Sustainable finance is evolving rapidly to include the wider financial ecosystem, such as capital markets, insurance providers, and pension funds, as these sectors become increasingly aware of the necessity to manage environmental and social risks and performance, and the resulting business opportunities in areas such as green bonds and sustainability-linked financial products. This trend offers opportunities for synergies between various parts of the financial sector. Consequently, SBFN members are increasingly interested in expanding discussions to include sustainable finance across the wider financial ecosystem.

Public-private collaboration helps open up green markets. SBFN is witnessing an increased trend of banking regulators and associations collaborating in their support of sustainable finance, strengthening country-level partnership between the public sector and private sector.

Key mechanisms for effective implementation of sustainable finance policies

Embedding sustainable banking in the core business of banks is crucial. Banks surveyed by IFC in 25 emerging markets emphasize that senior management support is critical to ensuring company-wide buy-in and to reinforcing structures for environmental and social (E&S) risk management and sustainable banking. While there is growing interest to increase green lending portfolios, most banks are still struggling with instituting an E&S risk management culture and approach. Some SBFN member countries have successfully regulated the embedding of E&S risk management for all banks.

Monitoring and reporting mechanisms help establish supervision of financial institutions' implementation of sustainable finance policies. Some members have introduced indicators and mechanisms to capture this information. With many SBFN member countries still being in the early stages of adoption, four key indicators appear to be useful to track progress: (i) ESG standards and risk management: the adoption and implementation of ESG standards and risk management practices by banks; (ii) green financing flows: the volume and distribution of bank assets to green investment priorities; (iii) financial risk: the impacts on the quality of financial assets from integrating E&S factors (e.g. non-performing loans); and (iv) E&S outcomes: avoidance of negative E&S impacts and achievement of positive impacts in core financing activities.

Market incentives have been introduced by some SBFN members to drive banks to implement sustainable finance faster and more strategically. Incentives may focus on: (i) positive recognition for good performers, such as through preferential considerations and recognition during supervision; (ii) increased lending to specific green sectors or market segments, such as through dedicated funds or credit lines; and (iii) appropriate pricing of the currently externalized E&S costs of doing business, such as through taxes on carbon emissions. Fiscal subsidies are treated with caution to avoid subsidies for green industries that artificially create and, when withdrawn, destroy the business case for sustainable practices. Countries may also choose to address subsidies that maintain incentives for non-renewable industries like fossil fuels.

Multi-stakeholder consultation and inter-agency collaboration have been effective in a number of SBFN countries. The aim is to build a solid foundation of industry alignment and buy-in before launching a national framework on sustainable finance, such as a policy, roadmap, or voluntary principles, or framework components, such as disclosure requirements and amendments to corporate governance codes. In addition, a characteristic approach of SBFN members is to engage with other regulatory agencies and industry stakeholders in both the design and implementation of national sustainable finance frameworks. Initially a way of overcoming pre-existing regulatory or industry barriers, inter-agency collaboration has proved a fruitful avenue for building capacity of banks, developing sector and thematic technical guidance, and designing market incentives.

8. How does SBFN engage with global and regional partners?

SBFN and IFC have been building partnerships with global and regional organizations and initiatives to promote sustainable finance and support SBFN members. Such partnerships include:

United Nations Environmental Programme Financial Initiative (UNEP FI). In January 2015, IFC and UNEP FI signed a Memorandum of Understanding (MoU) to strengthen cooperation in knowledge sharing and capacity building for SBFN.

G20 Sustainable Finance Study Group (SFSG). Launched in January 2016 under China's G20 Presidency, the SFSG aims to enhance the mobilization of private green investment through financial markets. SBFN was invited to be a key knowledge partner and contributed an Input Paper on "Sustainable Banking in Emerging Markets" with case studies of member experiences, providing an emerging markets perspective to inform the global agenda. The SFSG Synthesis Report in 2016 and its recommendations were endorsed by the G20 Leaders. One of the recommendations calls for scaling up SBFN as a global learning platform, with G20 support. IFC and SBFN continued to engage with G20 SFSG in 2017 under the German Presidency and in 2018 under the Argentine Presidency and contributed to the input papers "Raising \$23 Trillion: Greening Banks and Capital Markets for Growth" and "Private Equity and Venture Capital's Role in Catalyzing Sustainable Investment".

Latin American Banking Federation (FELABAN). In 2016, IFC and FELABAN signed an MoU to jointly promote sustainable banking through FELABAN's network of 19 banking associations and over 600 banks in Latin America with a focus on capacity building.

Association of Southeast Asia Nations (ASEAN). Partnering with Indonesia's Financial Services Authority (OJK), SBFN hosted the first ASEAN Roundtable for Sustainable Finance during SBFN's 4th Annual Meeting in Indonesia in 2016. Representatives from ASEAN countries discussed a joint approach to advance sustainable finance for the region, leveraging SBFN's global experience and actions already taken by ASEAN countries. Delegates also agreed to explore regional capacity building for banking regulators, associations and banks, including through the ASEAN Bankers Association.

Network for Greening the Financial System (NGFS). SBFN and NGFS are partnering to advance the sustainable finance agenda globally and to contribute to the Sustainable Development and Climate Goals. SBFN, represented by IFC as its Secretariat and along with the World Bank Group, is an official observer to NGFS, participating in NGFS' three work streams.

Website: www.ifc.org/sbfn | Contact: SBFN_Secretariat@ifc.org

Annex: SBFN Members Countries on World Map

