Sustainable Bonds: Turning Billions into Trillions

At IFC’s premier Sustainable Bonds Forum in October 2019, John Gandolfo, IFC’s VP & Treasurer, Martin Scheck, Chief Executive of ICMA, and Mary Schapiro, Vice Chair of Global Public Policy of Bloomberg, discussed the role of public policy in furthering sustainability in finance and the demonstrative effect of green and social bonds.

Green and social bonds are some of the key tools to mobilize trillions of dollars in sustainable finance. They bring an opportunity to earn returns financially and sustainably— to do well and to do good.

IFC continues to be a frequent sustainable bonds issuer with two established programs which made up 20% of IFC’s FY19 funding program and 16% of FY20 funding to date.

Highlights from IFC’s Social Bonds

Launched in 2017, IFC’s Social Bond Program supports select projects that aim to achieve positive social outcomes for underserved populations in emerging markets, including women and low-income communities.

In FY19, the Program surpassed $1 billion in issuance, debuted two new currencies (Japanese yen and Brazilian real) and raised over 30% more in volume versus FY18. In January 2019, IFC reopened the Kangaroo five-year social bond that was issued in March 2018. Investor orders led to increasing the outstanding volume by 400 million Australian dollars (AUD) to AUD 700 million. The bond pays a semi-annual coupon of 2.70% and was predominantly placed with central banks and official institutions. FY20 year to date, the Program has made forays into new markets with its debut Uruguayan peso issuance and social impact note issuance.

FY19 Social Bond Impact Report

IFC published its FY19 Social Bond Impact Report in February 2020. Proceeds from IFC social bonds supported 31 new eligible projects for a total committed amount of $823 million. Read the full report here.

Highlights from IFC’s Green Bonds

2019 was a milestone year for IFC’s Green Bond Program in more ways than one. In FY19, IFC issued a record number of 37 green bonds in eleven currencies for a total volume of over $1.6 billion. Early in FY20, in September 2019, a trade with Japan’s Government Pension Investment Fund brought IFC’s cumulative green bond issuance to over $10 billion.

- During FY19, IFC welcomed reverse inquiries through private placements in three new currencies: Hong Kong dollars, Japanese yen, and Colombian pesos.
- In September 2019, IFC priced its debut Canadian Dollar (CAD) green bond, also the largest CAD-denominated deal ever issued by IFC; a 5-year $750 million bond priced at mid swaps +4 bps, notable for achieving the tightest spread to the CMB curve of any international supranational in history.
- In the same month, robust investor demand prompted IFC’s return to the sterling (GBP) market with a 100 million GBP increase to the benchmark green bond issued in 2018, bringing the outstanding notional to 600 million GBP.
- Driven by demand from German institutional investors, IFC issued its debut euro-denominated green NSV (N-bond) in October 2019. The bond, which carries a coupon of 1.027%, matures in 40 years and is embedded with an issuer’s right to call after 10 years.

IFC Cumulative Social Bond Issuance by Currency

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<th>Currency</th>
<th>USD</th>
<th>EUR</th>
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<td>RUB</td>
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Investor engagements

IFC 2019 Japan Investor Summit, Tokyo

Following its premier ESG Bonds Investor Forum in Paris and Sustainable Bonds Forum in Washington, DC in the autumn of 2019, IFC hosted its annual Japan Investor Summit in Tokyo in November 2019. The Summit drew attendance from the most active capital market participants in Japan to discuss sustainability funding opportunities. Japanese institutional and retail investors have played a major role in the development of the ESG bond market in Japan and globally. In April 2019, Japan’s Government Pension Investment Fund (GPIF), IFC and the World Bank expanded their partnership to grow markets for sustainable investing. As a result, GPIF’s asset managers are strategically investing in IFC’s green and social bonds.

Hiro Mizuno, Chief Investment Officer of GPIF, and John Gandolfo, IFC VP & Treasurer at IFC’s 2019 Japan Investor Summit.

IFC Global Debt Mobilization Conference, Madrid

In September 2019, IFC hosted its biennial Global Debt Mobilization Conference in Madrid, where over 300 leaders from international banks, policymakers and regulators gathered to explore sustainable finance opportunities in emerging markets.

Flora Chao, IFC Global Head of Funding, moderated a panel on innovations in green finance, such as green bilateral and syndicated loans.

IFC Treasury in the Media

Learn how IFC’s Social Bond Program benefits the underserved, including women and low-income communities, in a 3-minute trailer.

IFC rated AAA in MSCI ESG Rating Assessment

In 2019, IFC received a rating of AAA (on a scale of AAA-CCC) in the MSCI ESG Ratings assessment.

Social Impact Notes:

A New Product Offering for US Retail Investors

In the summer of 2019, IFC launched its Social Impact Notes Program, a novel product offering for US retail investors to invest in AAA-rated notes that go towards supporting projects that target positive social impact. The notes are an attractive alternative to US Agencies, offered in denominations of $1,000, and available through an extensive nationwide network via Incapital Legacy™ platform.

Read more here.

Industry recognition

- Deal of the Year: IFC EUR 20mn 1.027% 40-year callable green NSV mtn-i MTN Awards 2019
- IFC’s Sophie Peeters, Investor Relations Analyst, wins 2019 SRI 30 Under 30 Award SRI Conference & Community

IFC’s participation in the Green and Social Bond Principles

IFC continues to play an active role on the Executive Committee of the Green and Social Bond Principles, and as Chair of the Social Bond Working Group which it coordinates to further market development in areas such as impact reporting and SDG alignment. IFC also joined the new Climate Transition Finance Working Group, which considers the concept of transition financing in the context of the green bond market, and the Sustainability-linked Bonds Working Group, which examines the characteristics and developments of this product.

Featured Social Bond Eligible Project:

Increasing Incomes for Women in Mali

Mali is the world’s second-largest producer of shea nuts, but lack of technology and modern industry means that it produces virtually no industrial shea butter. IFC’s €2.5 million loan will enable Mali Shi, a shea nut processing company, to build the country’s first modern shea butter processing plant, increasing incomes for the 120,000 shea producers who supply nuts to the company. Over 95% of them are women. Read the full story here.