

SBN MEASUREMENT WORKING GROUP

Terms of Reference

October 8, 2020

I. ABOUT THE SUSTAINABLE BANKING NETWORK (SBN)

Established in 2012, SBN is a voluntary community of financial sector regulatory agencies and banking associations from emerging markets committed to advancing sustainable finance. It is the first global network of its kind focused on sustainable finance at the market level. IFC is SBN's Secretariat and technical partner, assisting members to share knowledge and access capacity building that helps them design and implement national sustainable finance initiatives.

As of October 2020, SBN represents 40 countries and US\$43 trillion (86 percent) of the total banking assets in emerging markets.

SBN members are committed to moving their financial sectors towards sustainability, with the twin goals of i) improved risk management and governance of environmental and social factors by financial institutions (FIs), including management and disclosure of climate risks, and ii) increased capital flows to activities with positive environmental, and social impact, including climate change mitigation and adaptation. For more information, visit www.ifc.org/sbn.

II. INTRODUCTION

The following Terms of Reference (ToR) sets out the purpose, scope, and working structure of the SBN member-led Measurement Working Group.

Established in 2016, the WG responds to SBN member demand for a systematic approach to assess and benchmark country progress in developing national sustainable finance frameworks. Up to September 2020, the WG has 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).

Over the past 4 years, 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 SBN'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.

The intention going forward is that the WG will continue to act as custodian of the Measurement Framework and oversee the 2021 Global Progress Report development in line with latest international and SBN country trends.

This **evolving document** will inform the activities and deliverables of the Working Group members between October 2020 and October 2022 and will be adapted in response to member discussion and feedback, as well as to market developments.

III. ABOUT THE SBN GLOBAL PROGRESS REPORT

The biennial Global Progress Report is SBN's flagship knowledge product led by the SBN Measurement Working Group (MWG) and implemented by the SBN Secretariat. It is designed as a tool and reference resource for SBN members, helping them to accelerate the alignment of financial markets with sustainable development goals and climate change targets.

In February 2018, SBN published its **First Global Progress Report** (www.ifc.org/sbnreport), which consists of 1 global progress report and 15 country reports. In October 2019, SBN published its **Second Global Progress Report** (www.ifc.org/sbn2019report), which consists of 1 global progress report, 30 country progress reports, and 42 case studies from 24 countries. Both sets of reports provide practical indicators and tools for countries to apply to their own domestic markets, regardless of their size or stage of development, which facilitates learning by all members and accelerates the pace of change. The innovative results-measurement approach, also known as the SBN Measurement Framework, has been agreed by all member-countries at the time of publication, breaking new ground for measuring progress at the global level.

In response to continued high demand from SBN members for enhanced technical support, knowledge products, and tools to assist the design and implementation of national initiatives and guidance on sustainable banking, SBN MWG and Secretariat are planning the Third Global Progress Report. The Report will

- evaluate and report on country-level progress based on the SBN Measurement Framework for all 40 SBN member-countries
- gauge the progress of SBN countries in their sustainable finance development journeys
- benchmark their coverage and alignment to international good practices as well as the emerging common good practices within the SBN community
- endeavour to deepen the assessment of national sustainable finance policies and principles through qualitative evaluation, based on criteria to be developed with the Working Group
- capture innovative and replicable experiences as a knowledge base for SBN members.

Importantly, the Global Report and Country Reports are ultimately intended to be used by members in preparing their action plans for future national improvement and progress.

IV. RELEVANT GLOBAL CONTEXT AND TRENDS IN SUSTAINABLE FINANCE

The Covid-19 pandemic has posed unprecedented challenges to financial development worldwide. The IMF projects that, in 2020, the global economy will experience a 3% contraction,

compared to the pre-pandemic projection of a 5.8% growth¹. The World Bank predicted that the poorest countries would be hit the hardest, and up to 60 million people could be pushed into extreme poverty².

The pandemic also forces countries and the private sector to rethink their development patterns and investment practices. The global community has collectively embraced the Sustainable Development Goals (SDGs) and the Paris Agreement on Climate Change and has acknowledged the central role of the private sector in achieving them. Data from various sources show that sustainability-linked bonds, debts, projects, funds, and indexes outperformed the market during this crisis.

Amid the pandemic, SBN countries have continued to be at the forefront of the new trend towards creating sustainable financial markets, with many exploring opportunities to leverage green finance as part of recovery plans. The Philippines launched its first National Sustainable Finance Framework; Georgia issued the ESG Reporting and Disclosure Principles; Mexico established the Sustainable Finance Council under its financial regulator; South Africa and Mexico governments published reports on deepening sustainable finance in their countries; and many more SBN countries signed Memorandums of Understanding (MOUs) with IFC to develop green finance markets.

Sustainable finance has been recognized as more important than ever to help countries rebuild and become more resilient. Low-income countries in particular leverage a track record in innovating in response to urgent challenges and economic constraints.

In June 2020, SBN published a special report ***Necessary Ambition: How Low-Income Countries Are Adopting Sustainable Finance to Address Poverty, Climate Change, and Other Urgent Challenges***. The report establishes that sustainable finance is crucial in rebuilding resilient financial systems. Taking long-term environmental and social impacts into consideration, sustainable finance empowers governments and markets to integrate more comprehensive considerations into decision-making and risk assessment, thereby better preparing financial institutions and their real-sector clients for unexpected events and market shocks.

Building on the findings of the previous progress reports and the special report, the SBN Third Progress Report will help members and other emerging market financial sector regulators and industry associations better understand and utilize the sustainable finance tools for their post-pandemic recovery and rebuild.

¹ <https://www.imf.org/en/Publications/WEO/Issues/2020/04/14/weo-april-2020>

² <https://www.worldbank.org/en/news/press-release/2020/04/02/world-bank-group-launches-first-operations-for-covid-19-coronavirus-emergency-health-support-strengthening-developing-country-responses>
<https://www.worldbank.org/en/news/press-release/2020/05/19/world-bank-group-100-countries-get-support-in-response-to-covid-19-coronavirus>

V. PROCESS, TIMELINE, AND DELIVERABLES

The SBN Secretariat will manage the report production progress in collaboration with the Measurement Working Group, with **2 main stages**.

Stage 1: SBN Measurement Framework Review & Data Collection (2020)

- Concept development
- SBN Measurement Framework Review
- Data Collection

Stage 2: Data Analysis, Interviews & Report Development (2021)

- Analysis of self-reported updates from members based on 2019 results
- Interviews to capture qualitative insights and case studies
- Data analysis & first draft
- Consultation draft & member feedback
- Finalize manuscript
- Formal report launch

Roles in the report preparation and development process include

- SBN Measurement Working Group (MWG): Leading the SBN Measurement Framework Review & Update; reviewing drafts of Global and Country reports to ensure consistency of approach
- SBN Secretariat: Implementing the consultation with MWG, data collection and analysis, and report development process
- SBN Members: Providing data and reviewing the country-specific progress updates, providing case studies, participating in member consultations and providing feedback
- SBN Regional/Country Coordinators: Coordinating with members in the regions/countries to facilitate data collection, interviews, and member consultation.

A key process change in this round is to significantly increase SBN members' direct involvement in data collection and report development. In the previous reports, the data collection and verification were conducted by a consulting firm (EY), and the members participated in consultations on successive drafts of the report. This time, SBN members will play a more active role in providing data and qualitative input, which can deepen their understanding of the SBN Measurement Framework and increase buy-in in the ultimate findings and content.

The 2021 country progress reports will be based on members' responses to the initial survey (including supporting documentation), as well as member interviews conducted by the SBN Secretariat to elaborate on context nuances, lesson learned, and future plans in each SBN country.

A webinar on the Framework will be presented to the SBN members in November 2020 to help them familiarize themselves with the Framework and decisions on the benchmarking.

Indicative timeline

2020 – SBN Measurement Framework Review & Report Preparation		
Timing	Activity	Responsibilities
May – Sept 2020	Planning & internal consultation of World Bank Group experts	Executed by Secretariat
Oct 2020 – April 2021	Review & update of the SBN Measurement Framework	Facilitated by Secretariat with guidance from MWG
Nov 2020 – Jan 2021	SBN members respond to survey and document request to capture national progress since the 2019 SBN Global report	Executed by Secretariat, supported by SBN members and coordinators
Jan – March 2021	Interviews with SBN members to gather qualitative insights and case studies	Executed by Secretariat, supported by SBN members and coordinators
April 2021	Data analysis & first draft of global report	Executed by Secretariat
May 2021	Drafting of country reports	Executed by Secretariat with support from regional coordinators and members
May – June 2021	Review and feedback to draft reports	Undertaken by MWG – comments implemented by Secretariat
July 2021	MWG & IFC Management Final Approval; Country reports approved by relevant SBN members	Facilitated by Secretariat, supported by coordinators
Aug – Sept 2021	Report production (editing, design, communication strategy)	Executed by Secretariat, supported by coordinators and IFC Communication Teams
Oct 2021	Report launch	Led by Secretariat, supported by SBN members & IFC Communication Teams

Deliverables:

1 Global Progress Report, including

- Detailed analysis of the current status of SBN members' sustainable finance progress, based on the SBN Measurement Framework
- Chapter on the SBN Measurement Framework methodology
- A special chapter on early-stage countries (countries without frameworks)
- Special chapters or sections on key themes for 2020/2021
- 40+ case studies

30+ Country Progress Reports: all countries with frameworks & most countries without – similar format and content to the 2019 Country Progress Reports

VI. RESPONSIBILITIES

As SBN Secretariat and technical advisor, IFC is responsible for the administration of the Working Group, including

- convening Working Group meetings (in person and virtually)
- collecting and sharing relevant materials required for informed input and deliberation by Working Group members
- implementing decisions taken by the WG, including the update of the Measurement Framework
- providing regular updates on Working Group activities to i) Working Group members and ii) the SBN wider network

Working Group members commit to

- provide guidance on the strategic direction of the Working Group to achieve the greatest global impact
- participate in Working Group meetings
- share their country information and lessons learned
- review background materials
- provide expert and technical input to the Working Group discussions
- review and provide input to various drafts of the Working Group outputs
- represent SBN and share the Working Group findings at conferences and similar events.

Working Group Co-Chairs

(Rotate every few years)

- Represent one of the SBN regions and membership categories (e.g. regulator, banking association, and/or capital market authority)
- Guide the WG's work and provide technical expertise during and between working group meetings
- Contribute deep expertise thanks to country leadership on the topic
- Act as spokespersons for the WG and support external communication

VII. MEMBERSHIP

Outgoing WG membership

Thanks go to the following organizations who led the development of the Measurement Framework and delivery of two Global Progress Reports over the past several years.

Region	Country	Organization
Africa	Kenya	Kenya Bankers' Association
	Nigeria	Central Bank of Nigeria
	South Africa	Banking Association South Africa
Asia	Bangladesh	Bangladesh Bank
	China	China Banking and Insurance Regulatory Commission (CBIRC) – Co-chair
	Indonesia	Indonesia Financial Services Authority (OJK) – Co-chair



	Mongolia	Mongolian Sustainable Finance Association (MSFA)
	Pakistan	State Bank of Pakistan (SBP)
	Vietnam	State Bank of Vietnam (SBV)
LAC	Brazil	Brazilian Federation of Banks (FEBRABAN)
	Colombia	Colombia Banking Association
	LAC	Latin America Banks Federation (FELABAN)

Incoming WG membership

A survey of SBN members was conducted in September/October 2020 to confirm participation in the Measurement Working Group for the period October 2020 to October 2022. The following table indicates incoming WG members*.

Region	Country	Organization
Asia & Pacific	Bangladesh	Bangladesh Bank
	Cambodia	The Association of Banks in Cambodia
	China	China Banking and Insurance Regulatory Commission (CBIRC)
	Fiji	Reserve Bank of Fiji
	Indonesia	Indonesia Financial Services Authority (OJK)
	Mongolia	Mongolian Sustainable Finance Association – <i>Co-Chair</i>
	Philippines	Bangko Sentral ng Pilipinas
	Sri Lanka	Central Bank of Sri Lanka
Europe and Central Asia	Georgia	National Bank of Georgia
	Kyrgyz Republic	Union of Banks of Kyrgyzstan
	Turkey	Turkey Banking Regulation and Supervision Agency (BRSA)
Middle East & Africa	Egypt	Central Bank of Egypt
	Kenya	Kenya Bankers Association
	Morocco	Moroccan Capital Market Authority (AMMC) – <i>Co-Chair</i>
	Tunisia	Central Bank of Tunisia
Latin America	Colombia	Financial Superintendence of Colombia (SFC) – <i>Co-Chair</i>
	Colombia	Colombian Banking Association (Asobancaria)
	Honduras	Honduras National Commission of Banks and Insurance
	Panama	Panama Banking Association (ABP)
	LAC	Latin American Banks Federation (FELABAN)

*Some SBN members are still confirming their selections and might be added to the WG.

VIII. CONTACTS

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