



Green Bond Technical Assistance Program

Delivering Global Public Goods

Stimulating the Supply of Green Bonds in Emerging Markets

GB-TAP Green Bond Technical Assistance Program



IN PARTNERSHIP WITH



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Delivering Global Public Goods

Why does climate change matter?

The threat of climate change is critical for many countries. It will force millions of people to evacuate homes, deal with food insecurity, or face the impacts of deforestation and biodiversity loss, among other major issues, some of which cannot be predicted. Emerging markets are particularly vulnerable to the impacts of climate change due to their lack of adaptation mechanisms to effectively deal with rising global temperatures and resulting extreme weather changes.

Drastic measures are needed to avoid significant adverse effects from climate change and limit global temperature increases to 1.5 degrees Celsius, the target set in the Paris Agreement. These measures will require dramatic increases to investments in green projects going forward. Financial markets can play a critical role in addressing climate change adaptation by channeling the needed investment to these essential projects.

With this in mind, in 2018, IFC launched the Green Bond Technical Assistance Program (GB-TAP) to respond to the climate crisis by creating a market for green bonds in developing

countries. GB-TAP was developed in partnership with the State Secretariat for Economic Affairs of Switzerland SECO; the Swedish International Development Cooperation Agency, Sida; and the Ministry of Finance of Luxembourg. Through this program, IFC and its partners will create global public goods to stimulate the supply of green bonds in emerging market countries in order to meet growing demand for these bonds.





What are green bonds and what are their benefits?

Green bonds finance projects with environmental benefits, such as renewable energy, energy efficiency, clean transportation, and green buildings, among others. Scaling up green bond issuance in emerging markets can deliver a range of important benefits, including:

- Enhancing capital flows to green projects in emerging markets;
- Providing more green investment options for investors;
- Increasing transparency for investors as a result of more comprehensive impact reporting requirements for issuers;
- Enhancing issuers' corporate images and improving staff morale by demonstrating a commitment to climate change issues and working with purpose.



Stimulating the Supply of Green Bonds: GB-TAP

VOLUME	QUALITY		
Training	Green Finance Review Protocol (GFRP)	ESG Data Disclosure	Disseminate Best Practices
 <ul style="list-style-type: none"> • Executive Education • E-training/E-diploma 	 <ul style="list-style-type: none"> • Standardizes impact reporting • Enhances the reporting quality • Allows investors to compare data 	 <ul style="list-style-type: none"> • Provides a platform that gathers and shares publicly available ESG data • Reduces the ESG data reporting burden for issuers 	 <ul style="list-style-type: none"> • Conducts research on green bond markets • Develops case studies of green bond issuances • Disseminates best practices and lessons learned

What are IFC's goals to grow the green bond market?

IFC aims to grow the green bond market in emerging economies with two specific goals in mind:

1. Facilitating capital flows from responsible investors in developed countries into green projects in emerging markets;
2. Growing markets by stimulating both demand and supply of green bonds in emerging markets.

Increasing the demand for emerging market green bonds

THE AMUNDI PLANET EMERGING GREEN ONE FUND (AP EGO)

Green bonds, especially in emerging markets, were still in a nascent stage as recently as 2016. To stimulate demand for green bonds in emerging markets, in March 2018, IFC and asset management firm Amundi launched the Amundi Planet Emerging Green One Fund (AP EGO), the world's largest targeted green bond fund focused on emerging markets. The fund is expected to deploy \$2 billion into emerging market green bonds over its lifetime.

“ Our participation in the executive training program also helped us raise awareness internally about sustainable finance and contributed to the first green bond issuance by Isbank. We are determined to issue more green bonds in the future. ”

Ms. Nilgün Osman, Unit Manager, International Financial Institutions Division, Isbank, Turkey

While some demand for green investment opportunities existed prior to AP EGO, investors from developed countries lacked the appetite to invest in emerging market bonds that are often rated below investment grade. AP EGO successfully addressed this gap by offering investors higher yields while providing credit risk protection for investors in the senior tranche. This stimulated the appetite for emerging market green bonds among investors in developed markets and thereby channel significant and impactful levels of capital into the green projects needed for successful climate change adaptation.

Growing the supply of green bonds in emerging markets

THE GREEN BOND TECHNICAL ASSISTANCE PROGRAM (GB-TAP)

GB-TAP offers a range of activities and initiatives to foster the supply of emerging market green bonds, both in terms of volume and quality.

1) Stimulating the volume of green bonds by training banks in emerging markets

IFC recognized that a significant impediment to increasing the supply of green bonds in emerging markets is a knowledge gap among issuers about specific green bond issuance requirements. In response, IFC, together with the International Capital Markets Association (ICMA), designed and implemented the **Green Bonds and Sustainable Finance Executive Training**. This exclusive program, which is offered to selected banks from emerging markets, is designed to deliver deep insights about green bond issuance and the underlying drivers of



sustainable finance. The training program is offered in two formats, a five-day in-class program and a four-week online program.

2) Enhancing quality of green bonds by setting standards and disseminating best practices across the industry

GB-TAP also launched initiatives to introduce standardization of impact reporting and to increase issuers' transparency by improving their environmental, social and governance (ESG) data and reporting. IFC has also conducted various research and case studies to share best practices and lessons learned about green bonds within the financial community.

- a) Green Finance Review Protocol (GFRP):** GFRP creates templates on data disclosure for issuers and second-opinion providers in order to standardize impact reporting and external review reports. This enhances the reporting quality and allows investors to compare data across issuers.
- b) ESG data disclosure:** To encourage emerging market issuers to disclose ESG information, this initiative provides a platform that gathers and shares publicly available ESG data based on IFC-designed performance evaluation parameters. This initiative will also reduce the ESG data reporting burden for issuers.
- c) Research and dissemination of best practices:** In order to disseminate best practices and lessons learned from other issuers, GB-TAP conducts research on green bond markets and develops case studies of green bond issuances on its own or in partnership with universities.

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