

Sustainable Banking Network

NECESSARY AMBITION:

How Low-Income Countries Are Adopting Sustainable Finance to Address Poverty, Climate Change, and Other Urgent Challenges

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Foreword from the SBN Secretariat

Investigation of National Approaches to Sustainable Finance in International Development Association (IDA) Countries – An SBN Task Force Report

Foreword from the SBN Secretariat



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Some 1.5 billion people live in the world's 75 poorest countries, a third of whom survive in poverty. These low-income countries, as defined by the World Bank's International Development Association (IDA),¹ are among the most vulnerable to climate change, with many already being affected. These countries also face trillion-dollar gaps in financing their Nationally Determined Contributions (NDCs) under the Paris Agreement and meeting targets under the Sustainable Development Goals (SDGs).

In 2012, IFC proudly joined forces with financial sector regulators and banking associations from 10 emerging markets to establish the Sustainable Banking Network (SBN). The founding members sought to accelerate the adoption of sustainable finance in their countries in response to urgent environmental and social challenges, and to share their experiences with peers. Since then, the Network has grown to 39 member countries, with members actively sharing their insights and collaborating toward a common roadmap. Eleven of these countries are classified as low-income by IDA. Nevertheless, by the time SBN published the first comprehensive assessment of national policies and voluntary industry initiatives to drive sustainable finance across emerging markets in 2018, we found that these low-income countries, despite understandable constraints, were not holding back on their ambitions.

What stood out was that wealth, market maturity, and level of development did not limit the transition to sustainable finance. This was further confirmed in SBN's second Global Progress Report published in 2019. While a number of low-income countries are among the countries still at the start of their journeys to promote sustainable finance, some IDA members are among the top performers: Bangladesh, Kenya, Mongolia, and Nigeria made up four of the twelve SBN countries that have reached the 'advancing' stage of their sustainable finance journeys, according to the SBN 2019 Progress Report.

The IDA Task Force was established in 2018 to delve deeper into these findings and uncover the drivers, opportunities, and innovative approaches that affect the adoption of sustainable finance in these contexts. Thanks to the rich input provided by SBN's IDA members, this report shows that, given the environmental, social, and development challenges low-income countries face, achieving sustainability within their financial sectors is crucial for delivering broader development goals, both within and beyond the financial sector. The innovative approaches that these countries have found to overcome various challenges are reflected in the practical toolkit and case studies contained in the report – resources that will be valuable to all SBN members and indeed any country seeking to transform its markets. Another exciting discovery has been the strong links with other priorities such as financial inclusion.

In this time of global uncertainty and recovery, IFC is proud to support countries on the front lines of the global transition to sustainable finance – a trend that increases market resilience and channels capital to our most urgent challenges. Over the past ten years, IFC has invested approximately 26 percent (\$24.3 billion) of its own account and mobilized an additional \$18.5 billion for IDA countries. In the IFC Strategy 3.0, we announced we will significantly scale up our focus on these markets by increasing our annual own account investments in the poorest and most fragile countries to 40 percent by 2030. We will also increase our annual climate related financing to 35 percent of own account investments by 2030 and quadruple the amount of annual financing dedicated to women and women-led small and medium enterprises (SMEs) by 2030. These commitments are evidence of our belief in the critical importance of sustainable financial systems that address environmental as well as social priorities. We welcome this report as a powerful contribution to the necessary transformation that is needed across all economies to build a more sustainable world.

¹ IDA stands for the International Development Association, an international financial institution under the World Bank Group that offers concessional loans and grants to the world's poorest developing countries. For the full list of IDA countries and other information, please visit: <http://ida.worldbank.org/about/borrowing-countries>.