

IFC News & Views: SRI Edition

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Sowing Seeds of Change

The last few years have seen unprecedented growth in Socially Responsible Investing (SRI). IFC is pleased to see SRI investors are increasingly turning their attention to global environmental and social issues. Emerging markets, which are home to two-thirds of the world's population and account for one-third of the world's resource use, stand to benefit enormously from SRI. An increase in the flow of private capital to emerging markets can bring significant impact towards addressing social and environmental challenges in developing countries. IFC's role is to build a bridge connecting private sector investors with social and environmental sustainability investment opportunities.

Green Bonds

In June 2014, IFC issued a 500 million renminbi-denominated green bond (\$80.3 million). The bond is listed on the London Stock Exchange and sets a precedent as the first green bond issued by a multilateral institution in the offshore Chinese markets. The bond brings total issuance under IFC's green bond program to about \$3.6 billion since its launch in 2010.

IFC has been a pioneer in the green bond market. We were among the first issuers, and set a precedent in February 2013 by issuing the largest green bond ever at the time, raising \$1 billion from a diverse range of investors. The benchmark size served to bring liquidity to this growing asset class. In November 2013, we repeated our performance by issuing our second \$1 billion green bond. The benchmark issues drew strong support from the central banks of Germany and Brazil as well as investment managers including BlackRock, CalSTRS, Calvert Investments, Deutsche Asset and Wealth Management, Praxis, and State Street Global Advisors.



Examples of Projects Supported by Green Bonds

IFC Green Bonds support IFC projects which have a direct impact on climate change. These include renewable energy projects such as hydro, solar, wind, and geothermal. Green bonds also finance projects which increase energy efficiency by helping reduce demand for traditional fossil-fuel based sources. IFC's Climate Business Department's website, ifc.org/climatebusiness, provides detail on the types of projects which can be financed with the proceeds raised from the issuance of green bonds. Our green bonds have supported over 150 projects to date that reduce greenhouse gas emissions. A few noteworthy projects are featured below:



"Climate change is one of the most urgent development challenges of our time, and only markets can mobilize the investment necessary for mitigation and adaptation."

Jin-Yong Cai
IFC EVP AND CEO

Our Impact

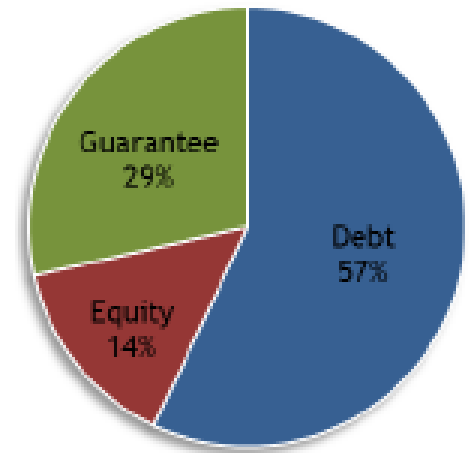
In 2013, IFC's **Climate Business** projects reduced 6.1 million tons of greenhouse gas emissions, equivalent to taking 1.3 million cars off the road.

IFC's **Banking on Women** program has provided new loans to 2,200 firms and trained 3,000 women entrepreneurs.

MODERN KARTON - TURKEY

IFC's first climate change adaptation project engaged Modern Karton, a manufacturer of cardboard from waste paper and straw pulp, with water, a key input in production. The company's deep wells are in the Ergene River Basin, 100 km west of Istanbul, where the groundwater resources have been declining for years. The Turkish government decided to prohibit additional deep well drilling in the area and limited industrial access. IFC provided an \$8 million loan in March 2013 to support a new waste water recovery system that has allowed the company to expand production by 50 percent without increasing water use.

IFC's Climate Business Portfolio (\$7.5B committed since 2010)



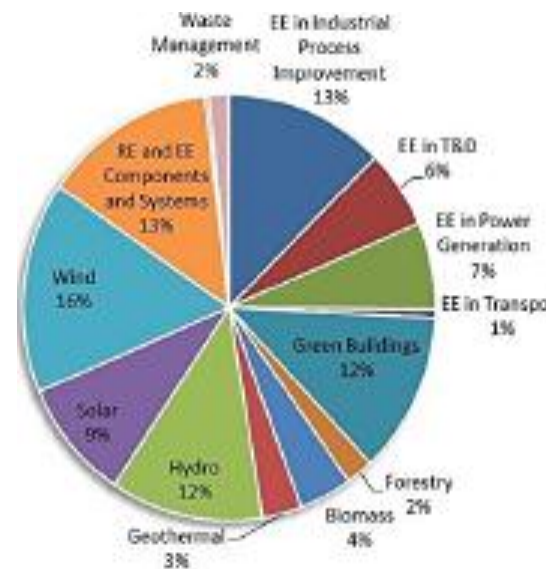
Portfolio by Instrument

KAXU AND KHI - SOUTH AFRICA

IFC and the Clean Technology Fund helped launch two landmark concentrated solar power (CSP) projects in South Africa in November 2012. CSP technology uses mirrors to reflect and concentrate the sun's rays to heat steam that can power turbines and generate electricity. The 50MW Khi Solar One project and 100MW KaXu Solar One project, sponsored by Abengoa of Spain, mark the first use of CSP technology in sub-Saharan Africa and will help diversify South Africa's electricity away from coal-fired power. IFC provided \$143 million in direct financing and blended \$41.5 million in concessional loans through the multi-donor Clean Technology Fund. The concessional financing was provided to reduce the impact of elevated solar power tariffs on electricity prices in South Africa.

AZITO ENERGIE - COTE D'IVOIRE

A World Bank Group-financed expansion of the Azito Thermal Power Plant signed in October 2012 is allowing the plant to generate 50 percent more electricity without using any additional gas. The plant's upgrade to combined-cycle technology makes it one of the largest independent power producers in Sub-Saharan Africa. In the midst of political turmoil, including an attack on the plant, IFC arranged a \$350 million financing package with a group of DFIs, including \$125 million from its own account. MIGA, another member of the World Bank Group which offers political risk insurance, provided breach of contract cover.



Portfolio by Industry

ZORLU WIND - PAKISTAN

In October 2011, IFC invested \$38 million in Zorlu Enerji Pakistan Limited for the construction of Pakistan's first private wind farm. The 56 MW facility in Sindh Province, 100km east of Karachi, is the first internationally financed wind power development in Pakistan, and one of the first two commercial wind power projects in Pakistan. It will be an independent power producer and sell electricity to the national grid. It also promotes south-south investment by supporting the entry of a Turkish company in Pakistan (IFC also financed Zorlu Enerji's 135 MW wind power project in Turkey in 2009). The project will produce enough electricity for 350,000 people.

Banking on Women Bonds

The IFC Banking on Women Bond Program was launched in November 2013 with a bond issue that raised over \$160 million for investments that support access to finance for women-owned or women controlled enterprises through IFC's already established Banking on Women lending program. IFC launched this program in 2010 which lends to financial intermediaries with the requirement that the proceeds of IFC's loan be on-lent to women-owned enterprises. The bond was sold in AUD and TRY tranches to Japanese retail and institutional investors and the proceeds support the Banking on Women program which now has a portfolio of nearly \$800 million lent via financial intermediaries to women-owned SME's in Eastern Europe, East Asia, Africa and Latin America.

Roughly one-third of all small and medium enterprises in emerging markets are owned by women, and SME's create 60% of the jobs. However, the credit gap for women-owned SMEs is estimated at close to \$300 billion. Women entrepreneurs in developing countries are a powerful source of economic growth and opportunity, yet often face a lack of access to finance. IFC is working to increase access to finance for women entrepreneurs by working with corporates and financial institutions that share our objective of strengthening and broadening outreach to women.



Related Web Links

[Climate Change: IFC's Response](#)
[IFC Climate Publications](#)
[Climate Definitions and Guidance Note](#)
[GHG Reduction Accounting Guidance](#)
[World Bank Climate Change Portal](#)



Banking on Women Statistics

- \$820 million invested from IFC's own account, with an additional \$390 million mobilized from other lenders.
- Over 20 projects financed so far.
- A strong pipeline of upcoming deals, for total

Women Bonds

GARANTI - ROMANIA

IFC's \$30 million investment, of which half is earmarked for women-owned businesses, will help Garanti-Romania's SME portfolio to reach up to \$1.4 billion in outstanding loans and extend financing to at least 300 women-owned businesses by year-end 2015. Through this investment, Garanti-Romania is expected to increase its capacity to support and fund women-owned enterprises.

BANCO ITAÚ - BRAZIL

IFC's \$470 million investment in Banco Itau comprised a financial package of a \$400 million A/B loan and a parallel loan from a Japanese DFI of \$70 million. Through this investment, Banco Itau is expected to increase its capacity to support access to finance for 160,000 women-owned enterprises in Brazil.

DFCU GROUP - UGANDA

Ugandan women own about 39% of businesses, yet they receive only 9% of commercial credit. DFCU Group's Women in Business Program provides financial services to women entrepreneurs. The program is supported by a \$6 million credit line from IFC, of which at least \$2 million is dedicated to the women's program. IFC also supports the program with advisory services, including training for women entrepreneurs

Did you know?

Investors frequently ask us to explain how we determine if a project meets the criteria to be eligible for financing from green bond proceeds. IFC's investment cycle has nine stages, and at each stage we assess whether a project meets the eligibility requirements.

1. Guided by IFC's strategic goals, we identify potential transactions.
2. These are then reviewed early on by climate specialists to ascertain potential green bond eligibility.
3. During appraisal, the amount of an investment that is green bond eligible is confirmed.
4. IFC then negotiates the investment structure, which may include coinvestors and IFC loan syndications, as well as supplemental concessional funding from donors if needed.
5. A summary of project information is disclosed for public review.
6. After the review and disclosure period, IFC Board Approval is obtained.
7. At commitment, green bond eligibility is tracked via an investment agreement's provisions regarding the use of funds.
8. At disbursement, funds are transferred out of the "green account" in appropriate amounts.
9. During ongoing portfolio management, our clients report to us on climate-related components of investments.

IFC SRI Industry Activity

Over the last year, IFC has been actively involved in promoting the SRI bond market and leading innovation in the sector. Following the successful launch of the Green Bond Principles (GBP) - a set of voluntary guidelines for issuing green bonds -- earlier this year, IFC was chosen to become a member of the initial executive committee of the GBP. The GBP are intended for broad use by the market and recommend transparency and disclosure. They also promote integrity in the development of the green bond market by clarifying the approach for issuance of green bonds. Thus far, 25 banks have signed up to the principles.

IFC and Kellogg School of Management collaborated to write a thought leadership discussion paper, [Next Season's Green Bond Harvest](#) which was published in June 2014. The paper discusses possible innovation and credit enhancements that could expand green capital markets. It is the first in a series and will be of particular interest to investors, issuers and capital market intermediaries.

Members of IFC's SRI team have been speakers at various SRI related conferences throughout the year including the **BNP Roundtable on Sustainable Capital Markets**, the **Euromoney Sustainable and Responsible Capital Markets Forum**, **GIIN Investors' Council Annual Meeting**, and the **RBC Green Bond Conference**. In June 2014, Denise Odaro, Head of Socially Responsible Investor Relations, represented IFC at the **4th Environmental Finance's Environmental Bonds Conference** in London which examines the challenges facing the environmental bond market as it matures and the opportunities available for investors, issuers, bankers, corporates and others. Later in June, Evelyn Hartwick, IFC's Head of Socially Responsible Bond Programs participated in a symposium on Financing a Green Economy held during the first meeting of the **United Nations Environment Assembly (UNEA)**. The symposium offered concrete and tangible solutions for policy makers interested in exploring options to spur and catalyze capital flows in the green economy.

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