



IFC AND GREEN BONDS EXPERIENCE



IFC

**International
Finance Corporation**
WORLD BANK GROUP

Financial Institutions Group
Kiyv, July 10th, 2018

Green Bonds Market

Typical projects that can be financed through green bond proceeds



ENERGY: Low carbon generation, energy efficiency, storage, smart grids, sustainable energy access



TRANSPORTATION: Energy efficient components, fuels and logistics



WATER: Capture, treatment, conservation, wastewater treatment, access



AIR & ENVIRONMENT: Carbon credits, trading and offsets



BUILDINGS: Low carbon strategy, energy efficiency, sustainable materials



MANUFACTURING: Green chemicals, RE/EE supply chain, cleaner production



AGRICULTURE & FORESTRY: Land mgmt, low carbon and adaptation strategies, biomass



RECYCLING & WASTE: Recycling and waste treatment services

A wide range of options are available for the Use of Green Bond Proceeds

2016 - 2030

US\$ 23 TRILLION

Is the investment opportunity
for climate in emerging
markets that needs to be
financed by 2030

East Asia and Pacific

• US\$ 16,046 billion

Latin America and the Caribbean

• US\$ 2,640 billion

South Asia

• US\$ 2,234 billion

Europe and Central Asia

• US\$ 665 billion

Sub-Saharan Africa

• US\$ 783 billion

Middle East and North Africa

• US\$ 265 billion

Buildings

• \$US 16,334 billion

Transport

• \$US 3,699 billion

Renewables

• \$US 1,765 billion

Electric transmission and distribution

• \$US 413 billion

Industrial Energy Efficiency

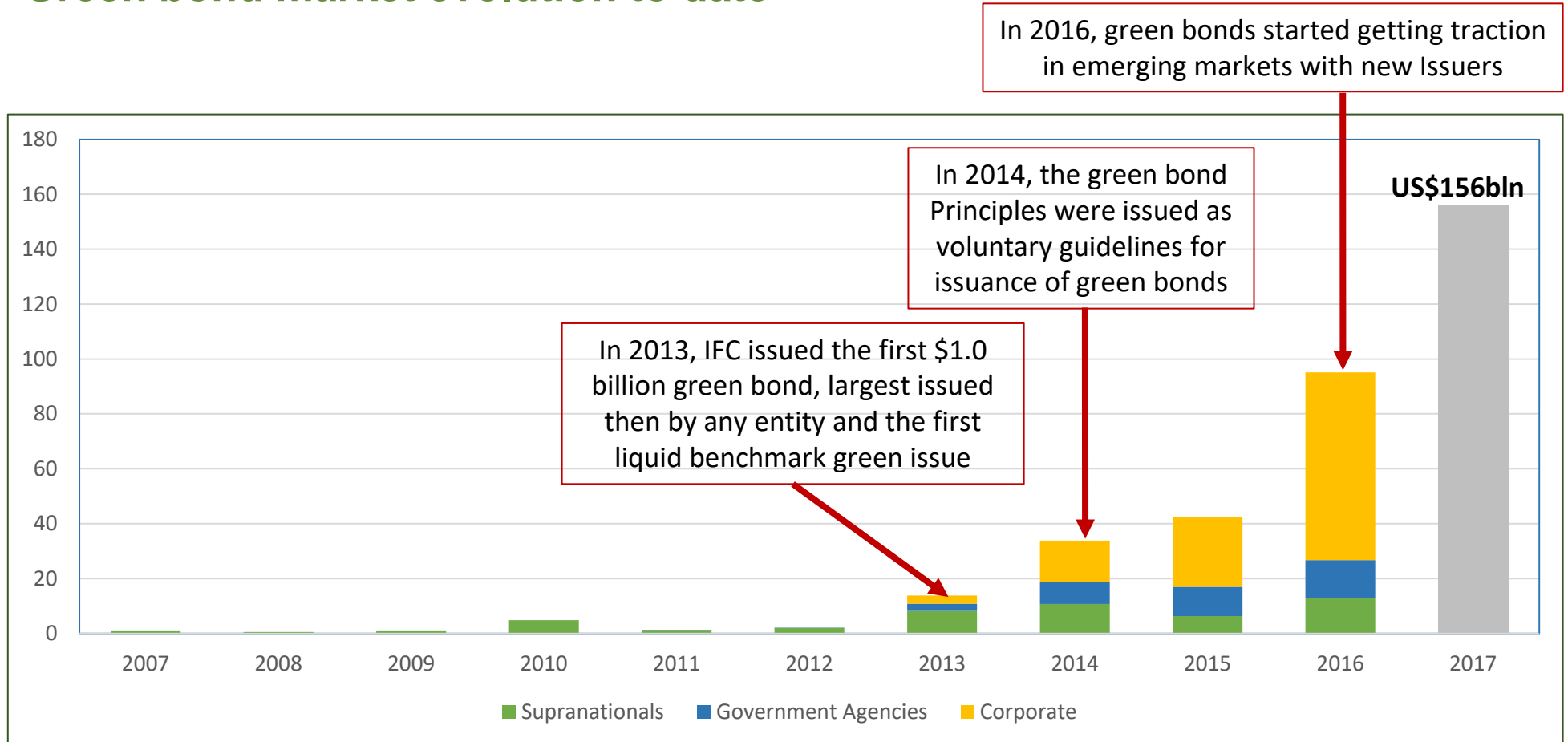
• \$US 307 billion

Waste

• \$US 115 billion

Source: An IFC Analysis – Climate Investment Opportunities in Emerging Markets

Green bond market evolution to date



Source: IFC Compilation

Why Increased Interest by Financial Institutions/Corporates to Issue Green Bonds

- ❑ Tapping a wider and more diversified investors' base.
- ❑ Raising longer term funding.
- ❑ Alleviating asset liability mismatches
- ❑ Enhancing Franchise value.
- ❑ Experience issuing green bonds will enhance the issuers credibility in competing for opportunities with a sustainability dimension.
- ❑ Establishing improved monitoring and reporting requirements to better capture positive impacts of the bank's environmental finance activities
- ❑ Over time, increased demand is likely to drive favorable terms and a better price for the issuers, compared to a regular bond from the same issuer

Investor's view on green bonds:

"As strong believers in the change green bonds can achieve, we think corporations across all industries should consider issuing [them]" Enrico lo Giudice – **MainStreet Partners**

Issuer's view on green bonds:

"Being the first Australian corporate to issue a green bond has confirmed that investors recognize our leading sustainability credentials and are confident in our commitment and ability to consistently deliver sustainable outcomes on our projects."

Tiernan O'Rourke, Chief Financial Officer, **Stockland**

Market's view on green bonds:

"Green bonds also attract new investors. When Unilever, a consumer-goods company, issued a £250m (US\$416 million) green bond in March, 40% of the issue was snapped up by people outside Britain—an uncommon response to a sterling bond" – **Economist**

Overview of IFC Experience with Green Bonds

Climate change is a strategic priority for IFC because it threatens development gains
WBG estimates climate change will throw 100 million people back into poverty by 2030

**Long-term
client relationships
in emerging markets**

**Frontier
markets**

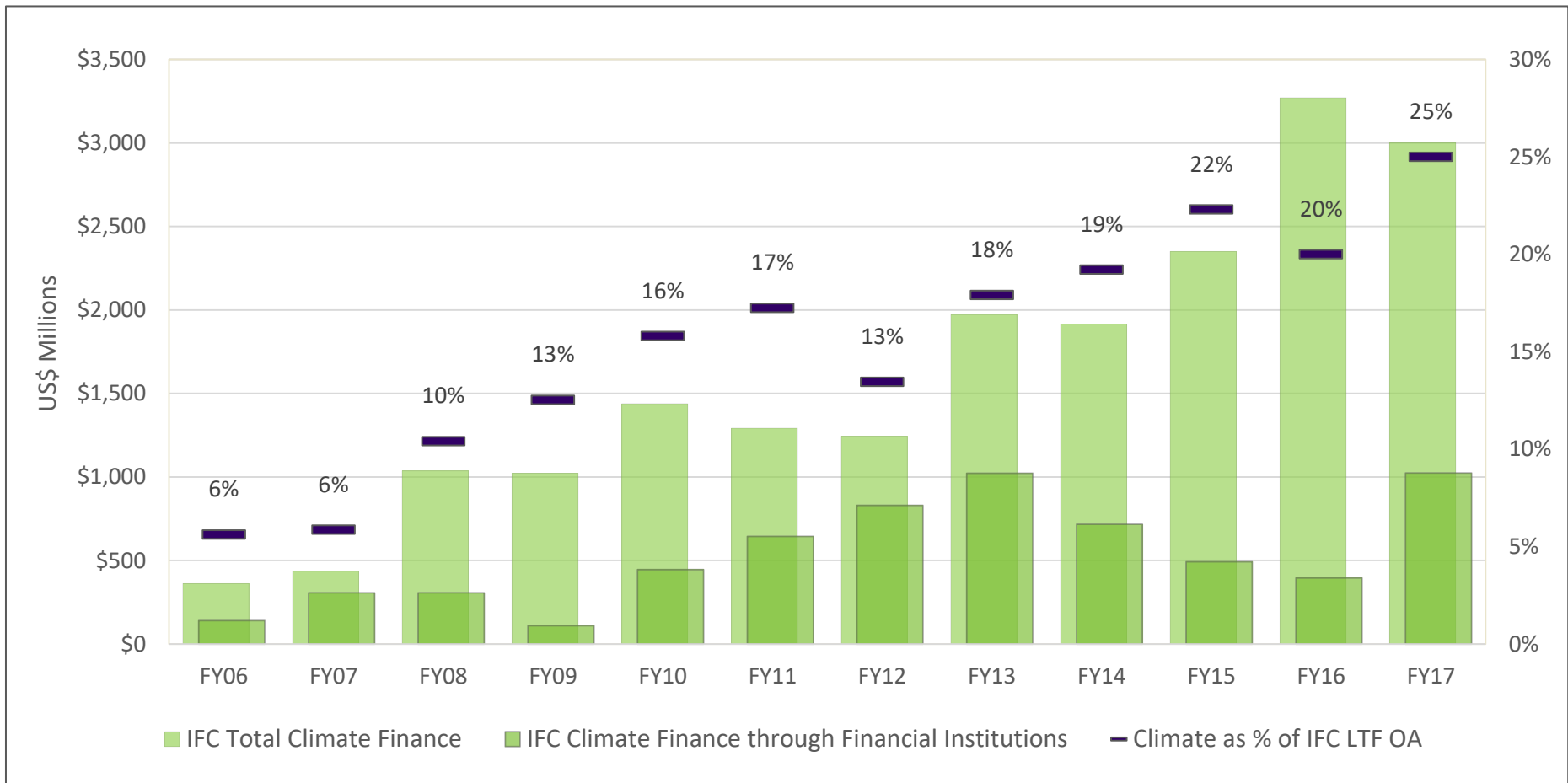
Local **financial
markets**

Strategic
Focus
Areas

**Climate change
and environmental
& social sustainability**

Constraints to **private sector growth**

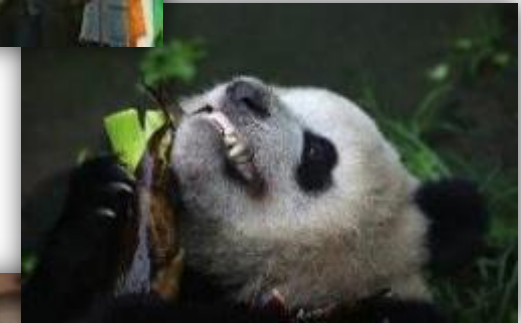
IFC has grown its climate business penetration to **25%** as of **FY17**
 WBG as a whole has committed to reaching **28%** climate penetration by **FY20**



IFC has been a Leader as an Issuer and Investor in Green Bonds



- IFC is a co-founder of the Green Bond Principles and sits on its Executive Committee.
- As an **ISSUER**:
 - IFC has issued 104 Green Bonds in multiple currencies raising US\$7.4 billion.
 - In Feb 2013, IFC issued a US\$1.0 billion green bond, the largest issued then by any entity and the first liquid benchmark green issue that helped mainstream green bonds as a market instrument.
- As an **INVESTOR**:
 - In 2014, IFC became the first international investor in an emerging market Green Bond (YES Bank).
 - Since 2005, IFC has invested \$18.3 billion in long-term financing from its own account and mobilized another \$11 billion for climate investments.
 - IFC worked with more than 150 financial institutions in 50 countries.
 - In partnership with Amundi, IFC has set-up the world's largest green bond fund in 2018.



Three main areas of support:





Country assessment:

- what are green finance policies in force in the country, what kind of incentives set for various sectors;
- what kind of green assets local banks already support (this might include portfolio review support for some top banks), and what is the current trend;
- what is the appetite for bond issuance/green bond issuance from the local FIs;
- what is regulators' interest in developing green standards for their market.

Capacity building & Policy development support

- Technical training to the working groups formed by banking associations and/or central banks, and/or capital market regulators.
- Expert support for green bond policy drafting and stakeholder consultation
- Policy launching and implementation support.



Work with the issuer to:

- Identify climate finance market opportunities
- Screen issuer's pipeline/ portfolio to identify eligible green assets
- Provide issuer with tools to measure and report impact



Provide training on:

- Green Bond Principles
- Structuring a bond to comply with the principles including:
- *Use of proceeds* Criteria
- *Impact reporting* Parameters
- *Reporting* mechanism (CAFI tool)



Build issuer's capacity to:

- Offer / scale up green finance with their clients
- Manage the green bond process
- Provide targeted training to improve climate finance capacity and pipeline development
- Support client's market development



Portfolio Supervision (Post disbursement):

- Sub-project monitoring on a periodic basis
- Portfolio feedback in line with the stated criteria and requirements

Flexible investment horizon and approach



- ***Green Bond Guidelines Issuance***
- ***Deepen and widen the debt capital market:***
 - IFC offers a wide range of instruments: funded and unfunded.
 - Act as an Anchor investor for pioneer issuances
 - Ability to attract off-shore investors
 - Ability to invest in LCY and FCY issuances
- ***A flexible approach to support the issuance process:***
 - Support in establishing a bond program to facilitate multiple issuances
 - Standardization of documentation for issuers
 - Transfer knowledge and guide the issuance process to comply with the Green Bond Principles
- ***Ukraine SEF Program - An active platform for supporting green investment***

Sample Transactions

Yes Bank Green Bond

A pioneer in the Indian bond market

- Issuance to support its growing investments in clean energy
- By establishing a Green Bond program Yes Bank were able to diversify its funding sources and tap into the nascent Green Bond capital markets
- It established its Green Bond Medium-Term Note program that follows the 4 pillars of the Green Bond Principles
- The INR 31.5 billion issued in June 2015 was the second green bond under the bank's EMTN program
- Able to raise funding from international Social Responsible investors looking for diversification in domestic markets

IFC as an Investor

- Purchased up to US\$49.2 million notes
- Aside from funding, it sent a strong signal of support to potential investors looking for diversification into EM
- Supported the issuance by sharing its experience and expertise in Green Bond market
- Helped develop a climate framework that led to drafting the *use of proceeds*, and *impact reporting* guidelines



Issuance Summary

Issuer	Yes Bank, India
Issuance Status	Green Bond, Senior Unsecured
Issue Date	16 April 2014
Size	INR 3.15 billion (approx. US\$ 49.2 million)
Maturity	April 2024
Tenor	10 years
Listing	Not-Listed
Arranger	Citi

IFC investment

- Fully subscribed by IFC
- Pre-committed private placement
- IFC's first Green Bond investment, and first green bond in local currency in India

Achievement

- Setting the market standard for Green Bonds in India and EM markets
- Stimulating the domestic capital markets and opening the door for climate change investments

PNBHF Green Bond



Deal Highlights

- First green bond issued for the purpose of financing green residential buildings by an EM financier
- US\$75 million (INR equivalent) invested through subscription to listed, secured INR denominated NCDs complying to ICMA Green Bond Principles
- Proceeds to be exclusively used for on-lending to developers of green residential buildings. Green certification qualified under international standards including EDGE, LEED etc.

Background

- To expand its support for residential real estate developers and stimulate supply of "green" residential properties, PNBHF issued a Secured NCD of INR 5.0 billion to on-lend to residential property developers
- While PNBHF is a known issuer in the Indian market, specifically ring-fencing the issuance for "green" housing finance enabled PNBHF to get recognition and create awareness for green housing development in the market

Issuance Summary

Issuer	PNB Housing Finance Limited
Issuance Status	Green Bond, Secured Non-convertible Debenture
Issue Date	31 March 2016
Size	INR 5 billion (approx. US\$ 75 million)
Maturity	31 March 2021
Tenor	5 years
Listing	Listed
Arranger	PNB Corporate

IFC as an investor

- IFC subscribed for the entire INR 5.0 billion issuance from PNBHF signaling to the market investor appetite for energy efficient projects
- IFC will provide significant support to PNBHF to develop its "green" mortgages business leveraging IFC's global experience promoting green housing, a dedicated local "green" buildings team and proprietary certification platform

BCP Morocco



A pioneer in the local bond market

- On June 22, 2017 Banque Centrale Populaire (BCP), one of the largest banking groups in Morocco and an existing IFC client, issued its inaugural green bond of EUR 135 million, with a 10-year maturity
- The issuance represented Morocco's first foreign currency green bond and the first foreign currency bond issued onshore. The proceeds of the issuance has been used to provide long-term financing to renewable energy projects in Morocco

IFC as an Enabler

- As key enabling step, through a related Advisory Services project, IFC provided support to the local capital markets authority (AMMC) in setting guidelines for green bond issuance in Morocco
- Following publication of these new green bond guidelines during the COP22 forum in November 2016, three Moroccan banks, including BCP, announced their green bond issuance plans
- Beyond its role in supporting the development of green bond guidelines in Morocco, IFC introduced BCP to the Green Investment Bank, a UK-based independent external reviewer, which produced a Green Impact Report on BCP's green projects assessing the emissions to air and fossil fuels consumption avoided as a result of the projects
- IFC also provided BCP with the CAFI tool, an IFC-developed tool for GHG accounting for financial intermediaries, which ensures the establishment of best practice in GHG savings monitoring and reporting

Issuance Summary

Issuer	BCP, Banque Centrale Populaire Morocco
Issuance Status	Green Bond program, Senior Unsecured
Issue Date	June 22, 2017
Size	EUR 135 million
Maturity	2027
Tenor	10-year
Listing	Not Listed
Arranger	Upline Corporate Finance, BCP's IB subsidiary
Second Opinion	Green Investment Bank, U.K.

IFC investment

- IFC was instrumental in the success of this transaction, as it provided guidance for ensuring alignment with the Green Bond Principles, in addition to investing EUR100 million (approximately US\$112 million)
- IFC also played a catalytic role for bringing Proparco for an additional investment of EUR35 million (approximately US\$39 million), which represents Proparco's first investment in a green bond
- This transaction is IFC's first green bond in MENA and is part of a broader program for expanding climate finance throughout the region

Fransabank Green Bond Program



A pioneer in the local bond market

- First-ever Green Bond program in Lebanon and the Levant region to reinforce the bank's position and its growing market in the clean energy space.
- The Green Bond program enabled Fransabank to diversify its funding sources and provide long-tenor funding.
- Fransabank is the first bank in Lebanon and Levant to adopt the Green Bond Principles framework.

IFC as an Investor

- IFC as an anchor investor subscribed through a private placement US\$45 mn in the first issuance US\$ 60mn issuance of the Green Bond program and mobilized US\$15mn from other investors.
- IFC mobilized its AS and IS effectively that ensured a successful turn key deliverable to a like minded long standing partner.

Issuance Summary

Issuer	Fransabank SAL
Issuance Status	Green Bond program, Senior Unsecured
Issue Date	April 5, 2018
Size	US\$ 60mn
Maturity	2025
Tenor	7 years
Listing	Not-Listed
Arranger	Fransabank Invest
Second Opinion	Moody's

IFC investment

- IFC leveraged its global expertise and launched a new financial product in the market, by structuring the first-ever Green Bond program in the country.
- IFC has also leveraged its advisory work, engaging with the Lebanese Capital Market Authority to prepare guidelines for issuing green bonds in Lebanon under the *Green Bond Principles* framework.

Achievement

- The Green Bond program is a result of a multi-year-phased SEF advisory program in which IFC and Fransabank have engaged since 2013
- Potential to promote and grow a number of climate finance instruments offered by Lebanon's financial institutions and Capital Markets Authority

Jason Brett Pellmar

IFC Regional Manager Ukraine & Belarus

Tel: +380 44 490 6400

Kiyv, Ukraine

jpellmar@ifc.org

Martin Dasek

Senior Climate Finance Specialist

+90 212 385 2571

Istanbul, Turkey

MDasek@ifc.org

Roman Novikov

Ukraine SEF Program Lead

+380 444 907 945

Kiyv, Ukraine

rnovikov1@ifc.org

THANK YOU