Green/SDG-Linked Bonds in Southeast Asia

State of play and new initiatives

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South East Asia is making good progress on Industry, Innovation, and Infrastructure (Goal 9), No Poverty (Goal 1), Quality Education (Goal 4), and Clean Water and Sanitation (Goal 6).

The South-East Asia subregion has struggled the most in advancing life below water (Goal 14) and climate action (Goal 13).
Financing the climate action in the COVID-19 Era

Deteriorating fiscal balance (as a share of GDP) in Asia and the Pacific

Source: UNESCAP, Economic and Social Survey of Asia and the Pacific 2021.
Financing the climate action in the COVID-19 Era

- The adverse effects of COVID-19 were affecting the government debt
- Countries would need to continue with current expansionary policy positions
- Ensure that the recovery is sustained over time
- Invest substantial amounts to support the SDGs

Source: UNESCAP
• To accelerate the progress in achieving the SDGs (including climate action), public funding alone is not enough. There is a need of mobilizing capital market to leverage private investments.

• Enhancing sustainable financing strategies and investments in the region, Green/SDG-linked bond could can act as a conduit, enabling bond markets to become a powerful force in addressing climate change and to build better in response to the COVID-19 pandemic.
Green/SDG Linked Bond: State of play

Themed Bonds

- Green bond
  - Energy efficiency; renewable energy; clean transportation; green buildings

- Social bond
  - Affordable housing; financial inclusion; social inclusion; health & education; gender equality

- Sustainability bond
  - Both environmental and social impacts

- Gender bond
  - Support project related to gender parity achievement or women entrepreneur

- Catastrophic bond
  - Natural disaster

- Pandemic bond
  - COVID-19 related issues

Source: ESCAP.
Green/SDG Linked Bond: State of play

GREEN BOND ISSUANCE IN ASIA AND THE PACIFIC

Billions of dollars


Source: ESCAP based on data from Climate Bond Initiative (CBI) and International Capital Market Association (ICMA), December 2020.

THEMED BONDS ISSUANCES IN SOUTH EAST ASIA

USD (bn)

Source: ESCAP based on data from Climate Bond Initiative (CBI) and International Capital Market Association (ICMA), December 2020.
Green/SDG Linked Bond: State of play

THEMED BONDS ISSUANCES IN INDONESIA

THEMED BONDS ISSUANCES IN THAILAND

THEMED BONDS ISSUANCES IN THE PHILIPPINES

THEMED BONDS ISSUANCES IN SINGAPORE

THEMED BONDS ISSUANCES IN MALAYSIA

Source: ESCAP based on data from Climate Bond Initiative (CBI) and International Capital Market Association (ICMA), December 2020.
Green/SDG Linked Bond: State of play

Capacity remains uneven but there is room for growth to fund climate action and SDGs' achievement through bond issuance.

Frontier economies: strengthen sub-regional cooperation to support the least developed country in meeting their financing needs through bond issuance.

Emerging economies: Framework, harmonisation, and pathways on green/SDG-linked bond issuance.

Feasibility on Green/SDG linked bond issuance (e.g. in Cambodia).

Exploring new type of themed bond and expanding investor based (e.g. in Indonesia).
Four phases on issuing SDG-linked Bond

The **feasibility** stage includes Considering the reasons for issuance, project selection, gathering information for analysis, and beginning of stakeholder coordination.

The **pre-launch** stage includes appointing key advisors, selecting the bond framework, risk management, and investor outreach.

The **launch** stage includes the actual launch, marketing and the roadshow, and finally pricing and closing the bond issue.

The **post issuance** stage includes monitoring and reporting the project impact, and preparing for future transactions.
# Green/SDG Linked Bond: State of play

<table>
<thead>
<tr>
<th>Sustainable Development Goal</th>
<th>Eligible Categories for Funded Projects</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>ICMA Green Bond Principle</td>
</tr>
<tr>
<td>SDG 1: No Poverty</td>
<td>Climate change adaptation</td>
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<tr>
<td></td>
<td>Employment generation</td>
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<tr>
<td></td>
<td>Food security and sustainable food systems</td>
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<td></td>
<td>Socioeconomic advancement and empowerment</td>
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<tr>
<td>SDG 2: Zero Hunger</td>
<td>Eco-efficient and/or circular economy adapted products, production technologies and processes</td>
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<tr>
<td></td>
<td>Employment generation</td>
</tr>
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<td></td>
<td>Food security and sustainable food systems</td>
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<td>Socioeconomic advancement and empowerment</td>
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<tr>
<td>SDG 3: Good Health &amp; Well-Being</td>
<td>Access to essential services</td>
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<td></td>
<td>Socioeconomic advancement and empowerment</td>
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<td></td>
<td>Affordable basic infrastructure</td>
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<tr>
<td>SDG 4: Quality Education</td>
<td>Access to essential services</td>
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<tr>
<td></td>
<td>Socioeconomic advancement and empowerment</td>
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<tr>
<td>SDG 6: Clean Water &amp; Sanitation</td>
<td>Sustainable water and wastewater management</td>
</tr>
<tr>
<td></td>
<td>Affordable basic infrastructure</td>
</tr>
<tr>
<td>SDG 7: Affordable &amp; Clean Energy</td>
<td>Renewable energy</td>
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<tr>
<td></td>
<td>Energy efficiency</td>
</tr>
</tbody>
</table>

Source: ESCAP.
Local bonds to tapping into domestic resources


- It has completed the offering of a 3-year domestic bond of US$ 41 million (or Nu. 3 billion) at an annual coupon rate of 6.5 per cent to support increasing fiscal needs amid COVID-19 pandemic.

- Inspiration for LDCs countries in South East Asia to leapfrog capital market development, albeit limited market size, small population, and underdeveloped infrastructure.

Source: ESCAP, based on data from Asian Bonds Online.
Lao entities have issued many baht-denominated bonds in Thailand.

- The issuance of bonds by the Lao People’s Democratic Republic in Thailand is noteworthy.
- Lao Government and other entities issued a total of 43 Thai baht denominated bond. Outstanding bond reach $ 2.1 billion.
- Other modalities: Diaspora bonds, mobilizing savings of countries’ own emigrants.

Source: ESCAP, based on data from CBonds.
# Joint issuance of Green/SDG-linked bond

## Projects
- **Transportation**
  - e.g., Phnom Penh Logistics Complex (Cambodia), Jackson Airport (Philippines), Cross-Border Logistics Center (Thailand), MRT Orange Line (Thailand)
- **Water and Sanitation**
- **Energy**
- **Public Health**
- **Education**

## Issuer/Guarantor
- Multilateral Development Bank (e.g., ADB/AIIB)
  - Provide Support
  - UN System (e.g., ESCAP, UNDP)

## Underwriter/Distribution Channel
- Investment Bank 1
  - (e.g., Credit Agricole)
- Investment Bank 2
  - (e.g., Credit Suisse)
- Investment Bank 3

## Investors
- **Institutional Investors**
  - (e.g., Insurance company)
- **Individual Investors**
Partnership Approach
THANK YOU

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South East Asia Policy Dialogue on Sustainable Finance: Innovating Finance for the 2030 Agenda

ASEAN Secretariat
22 June 2021
COVID-19 highlighted the need for ASEAN to rebuild smarter

- A green and inclusive recovery
  - ✓ to meet the urgent needs
  - ✓ to build resilience

- Rebuilding smarter requires resource mobilization

Asia Pacific region’s annual investment requirements, 2016-2030, by broad SDG sectoral groupings

$ 1.5 trillion annual investment
(4% regional GDP)

$ billions, 2016 prices

<table>
<thead>
<tr>
<th>Sector</th>
<th>Amount (billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clean energy and climate action</td>
<td>434</td>
</tr>
<tr>
<td>End poverty and hunger</td>
<td>373</td>
</tr>
<tr>
<td>Health and education</td>
<td>296</td>
</tr>
<tr>
<td>Transport, ICT and WSS infrastructure</td>
<td>196</td>
</tr>
<tr>
<td>Biodiversity</td>
<td>156</td>
</tr>
</tbody>
</table>

ICT = information, communications and technology, SDG = sustainable development goals, WSS = water, sanitation, and safe water. Source: UNESCAP (2019).
ASEAN Finance Sector’s Initiatives

Driving green and sustainable finance in ASEAN

- Roadmap for ASEAN Sustainable Capital Markets

- ASEAN sustainability-linked bond standards to facilitate bond issuance for sustainability-related goals

- ASEAN Sustainable Finance Agenda – ASEAN Taxonomy

- Alignment of Infrastructure finance efforts with sustainability
Objectives
- Robust
- Holistic
- Inclusive
- Gender responsive
- Science-based

Response through the different stages of recovery, by focusing on key sectors and segments of society that are most affected by the pandemic.
## ACRF – Implementation Plan for WC-CMD & ACMF

<table>
<thead>
<tr>
<th>Key Priorities</th>
<th>Initiatives and Programmes</th>
<th>Outputs and Deliverables</th>
<th>Target for 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Broad Strategy 5: Advancing toward a more sustainable and resilient future</td>
<td>1. Promotion of Sustainable Finance</td>
<td>Report on Promoting Sustainable Finance</td>
<td>The joint ACMF/WC-CMD have agreed to pursue the development of ASEAN Taxonomy on sustainable finance. This includes announcement of ASEAN Sustainable Finance Initiative at the 26th United Nations Climate Change Conference of the Parties (COP26) in November 2021.</td>
</tr>
<tr>
<td>5g. Promoting sustainable financing</td>
<td>2. Roadmap on ASEAN Sustainable Capital Markets</td>
<td>Actionable Recommendations included in the Roadmap</td>
<td></td>
</tr>
<tr>
<td>[these are the efforts undertaken by the WC-CMD and ACMF via the capital markets. These are the outcomes of engagements with the private sectors via round table discussions, and comprise of actionable recommendations that focus on the private sector, and broad recommendations that are to be implemented by AMS individually based on their respective timelines, and others by ASEAN as a region]</td>
<td>3. Promotion of ASEAN Green, Social and Sustainability Bond Standards</td>
<td>Engagement programs/roadshow to promote investment and issuance of ASEAN Green, Social and Sustainability Bond.</td>
<td>To build on the existing suite of ASEAN standards on sustainable financing, the ACMF will further explore the development of ASEAN sustainability-linked bond standards.</td>
</tr>
</tbody>
</table>
Thank you

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