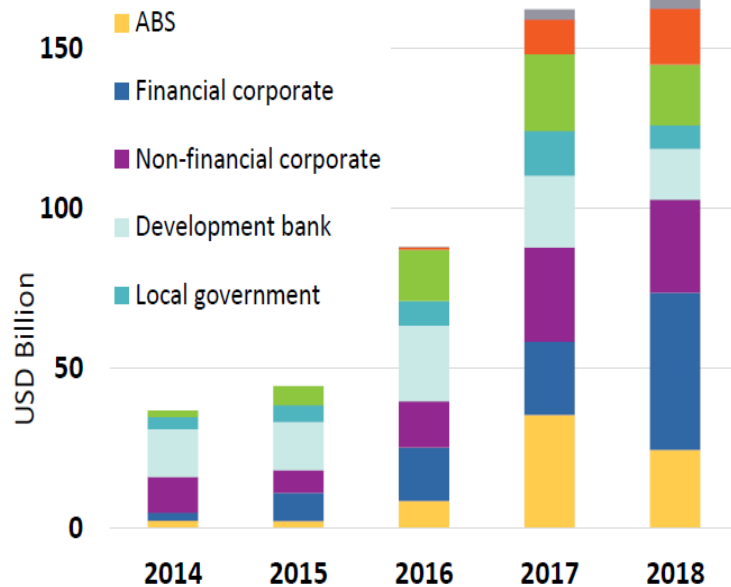




# Sustainable Finance, and the EIP 3<sup>rd</sup> Pillar

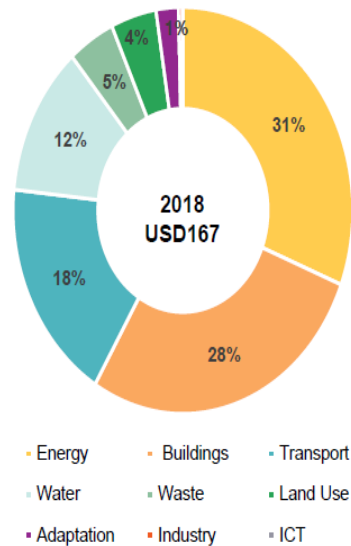
*DEVCO ENVIRONMENT WEEK,  
DEVCO C4  
20 FEBRUARY 2020*

# Supply and Demand of Green Financing

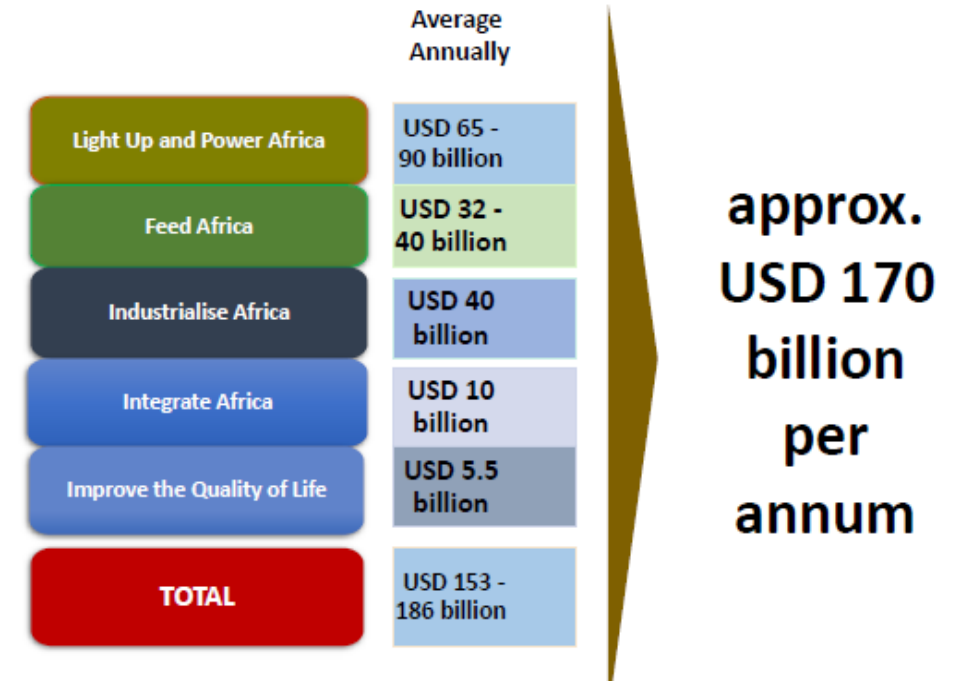


Climate Bond Initiative, 2019

Use of green bond proceeds - 2018



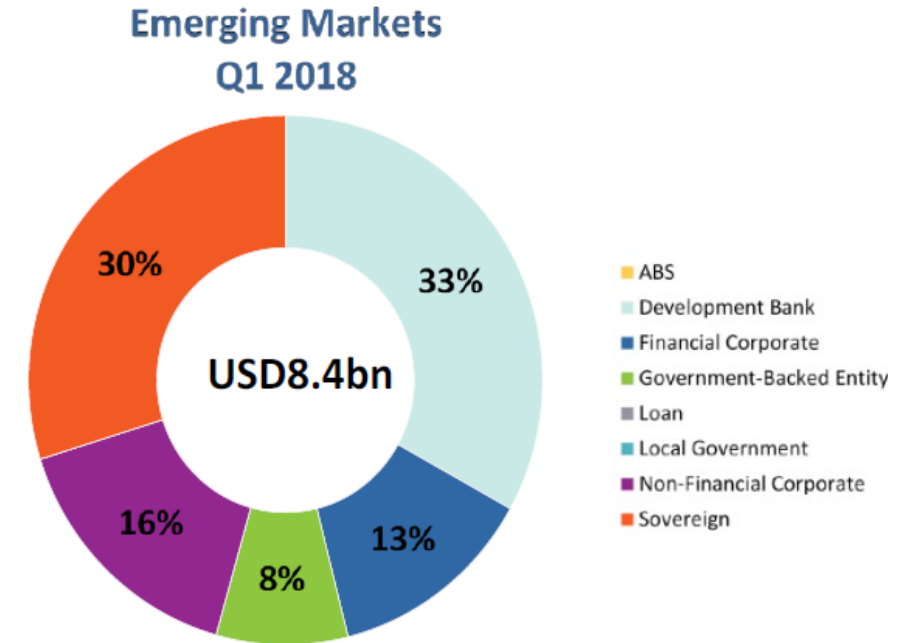
Significant financing needs over the next 10 years



Source: African Development Bank Strategy Presentation (2018)

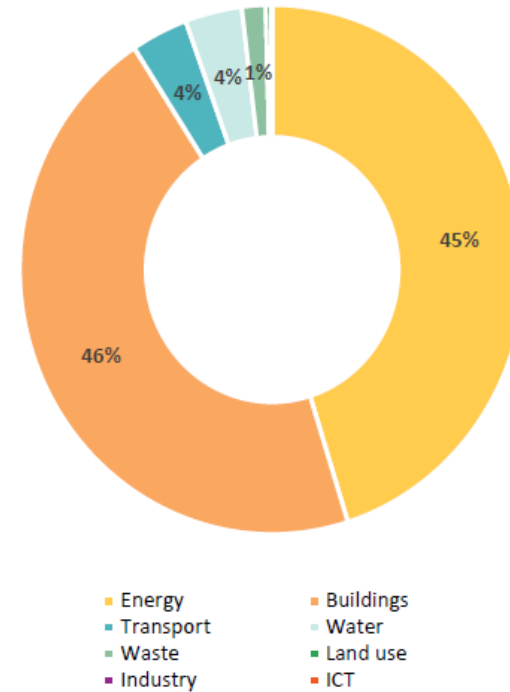
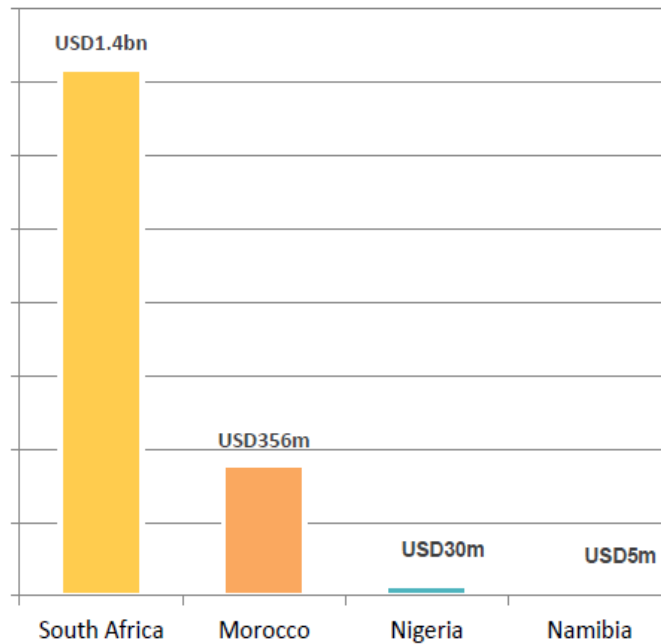
# Sustainable finance, EU taxonomy and local underwriting standards

- A **bottleneck of pipeline of green investments**. Regardless of instrument utilized (a green loan or bond) it is key to provide local capacity for the issuance and securitization of financing, so capital supply can reach those investments.
- **Local bank lending under the EU taxonomy**, that is securitized afterwards to external/local investors
- **Development banks can play a very important role**
- **Sovereign backed issuances** is also worth exploring and a good target for local capacity building and policy dialogue to apply future EU taxonomy framework, enabling the mobilization of finance for true green investments
- **Local capital markets will need to be mobilized**
- Worth to mention the inability to apply locally EU taxonomy is viewed to have a **dramatic future effect on mobilization of private capital** for emerging countries or LDCs.



Climate Bond Initiative, 2019

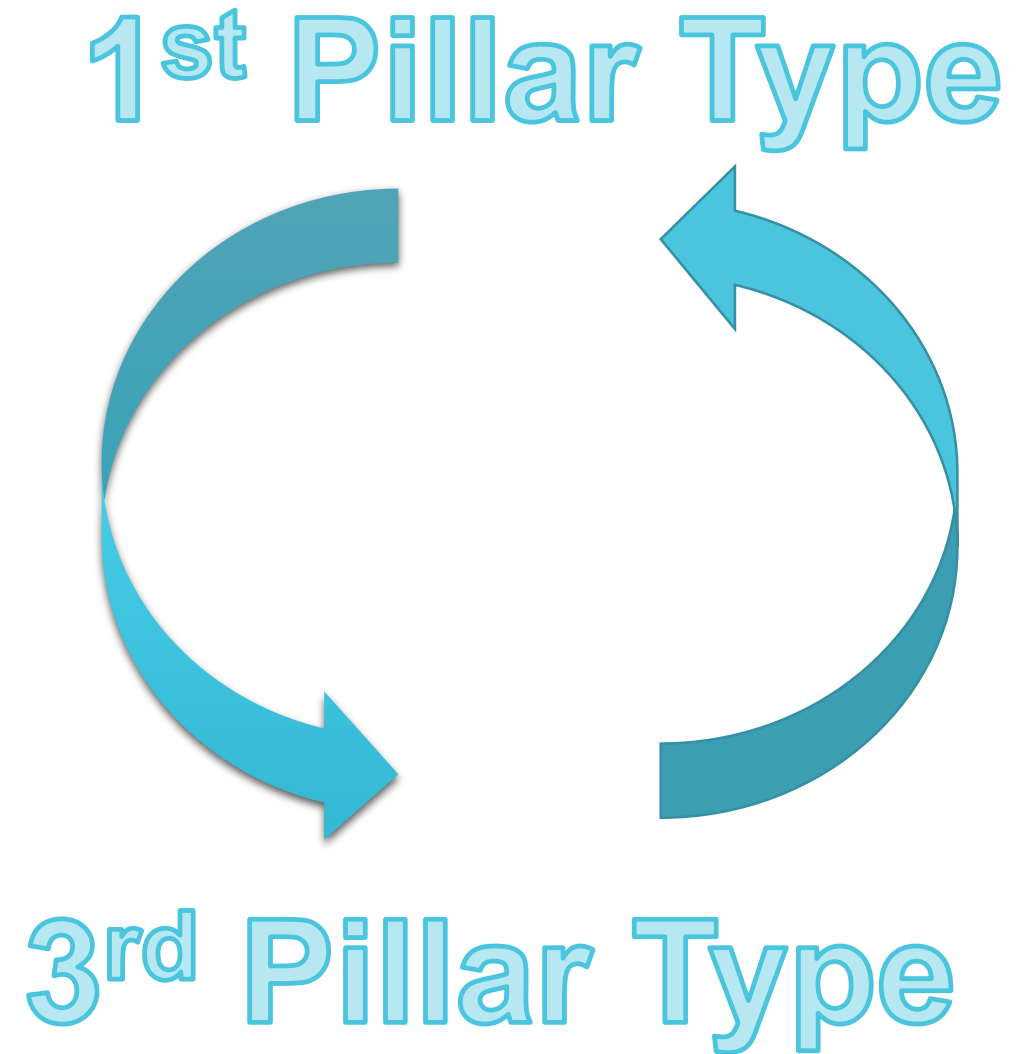
# The case of Africa, Green Bonds



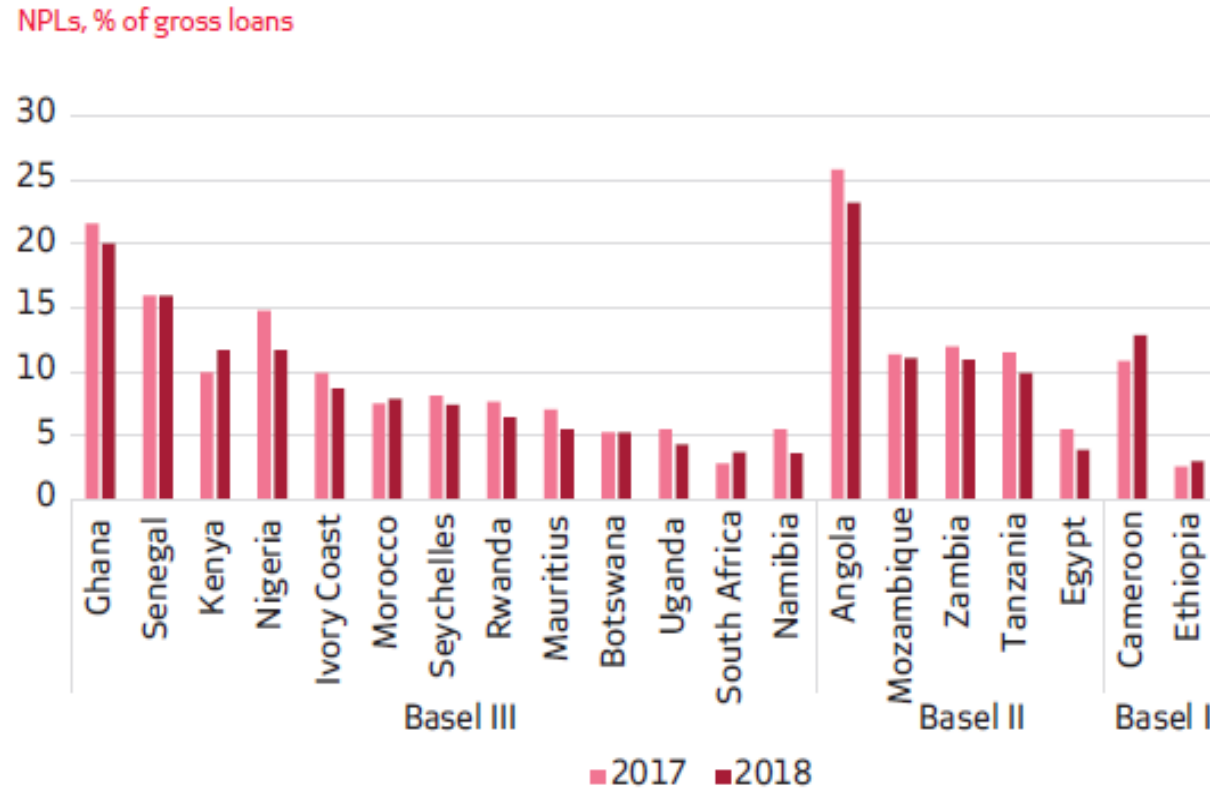
Climate Bond Initiative, 2019

# Learning from the ACORN Example

- Undersubscribed, but following a substantial reduction of the Kenyan bond market cap
- Kenyan Local pension funds hold about 3% of AUM on corporate listings
- Stanbic Bank arranged the deal, priced at an interest rate of 12.25% and rated B1 Global, a notch above the Kenyan government's rating of B2.
- Recommendations to highlight the need of reforms of local bond markets, combined with expertise sharing and capacity building to local asset managers, and the de-risking and technical assistance for local corporates



# The case of Africa, Banking Sector



Source: International Monetary Fund, national central banks, OMFIF analysis. Note: Mauritius, Kenya, Seychelles and Ghana are implementing aspects of Basel II/III. Morocco implemented Basel III capital adequacy in July 2015. Uganda still uses the Basel I capital adequacy ratio. Rwanda has adopted the Basel III liquidity coverage ratio.

# A Potential Roadmap for EUDs, EIP 3<sup>rd</sup> pillar



## **Diagnosis, Understanding and Recommendations**

We develop a standardized TOR for EUDs providing an initial guide for understanding the financial sector and identifying the areas of potential intervention on local financial markets



## **After initial diagnosis EUDs can prioritize areas of intervention with the assistance of facilities**

Facilities can also be utilised for short and medium term specific reforms and technical assistance, on a case by case basis. including facilitating local financial reforms, PPD workshops, policy dialogue and local capacity building for the privates sector and regulators. Providing actionable recommendations. We can support the delegations with guidance on the subject matter.



## **Long term Interventions are actioned and monitored based on the knowledge and with a clear strategy**

EUD can make use of the analysis to link the EIP pillars for a more effective intervention and for NIP / RIP Programming on financial market development

# Potential examples on Sustainable Finance, with the EIP

## 3<sup>rd</sup> pillar

- *TOR and Initial analysis of the financials sector with actionable recommendations for intervention on the regulatory, supply and demand side of the equation. Analysis include insurance, local retail and commercial banks, development banks, venture capital funds, pension funds, local bond and equity markets and the regulatory framework; including sustainable finance specific issues and local underwriting capacity*
- *Improving local regulations and alignment with EU standards on green loans for local sovereign issuers, regulators and local financial markets frameworks on markets such as loans, equity or bonds. Local regulatory dialogue, capacity and enforcement building on green bonds with EU taxonomy*
- *Capacity building for local players including development banks, financial institutions and companies to issue green instruments and capacity building for securitizations under EU taxonomy*
- *Improving the local private and public industry green standards, with alignment to the EU taxonomy*
- *Expertise sharing, dialogue, regulatory reforms and capacity building for local pension, insurance, banks and other domestic financial players mobilization of finance to finance domestic SGDs*
- *Facilitation of diaspora facilities experience, with a suitable finance mandate and of the regulatory environment to attract external investments from AUM in the country*
- ***Learning from experiences and research across Africa with assistance of MFW4A; Facilitating local trainings, forums, events and/or roadshows with local networks of pension funds or central banks and other partners***



# Technical Assistance Facilities



Point of Contact: Miguel Campo Llopis;  
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## IC (Investment Climate) Dialogue facility

**IMPLEMENTING AGENCIES:** giz + EXPERTISE FRANCE +  + SNV

Amount: Euro 11.600.000

Type of support: Demand driven technical support.

Potential Beneficiaries: EU Delegations+ sub-regional, national and regional government+ business associations + non-state actors engaged in improving the business environment. *All request have to be linked to a wider strategy. All request will need approval from EUD to ensure alignment with EU policy.*

Potential Scope: Analysis of financial markets, policy reforms analysis and local technical assistance to policy makers

**Potential Example:** workshop to build awareness on climate finance opportunities, share information on modalities for accreditation to the Green Climate Fund, and opportunities for funding green projects, as well as to build synergies and partnerships between participants. The workshop fits particularly well to the aim of Output 2 to support the DFIs' capacities in developing and delivering specific products to their beneficiaries and their efforts to access international funding sources. It is a dynamic, interactive training approach to inform sector experts in developing and emerging countries on climate finance opportunities. It follows a modular concept, provides tailor-made support, while contributing to enhanced communication between climate finance stakeholders.

Specific learning objectives of this training are:

- Understanding key criteria to access climate finance;
- Enabling participants to take initial steps to set up a climate finance project;
- Introducing participants to the logic and financing instruments of the Green Climate Fund (GCF).

Average duration: 90 person/days

# Technical Assistance Facilities

Rapid Respond Facility for Investment and Business Environment



**IMPLEMENTING AGENCY:** WORLD BANK GROUP

Amount: Euro 10.000.000

Type of support: Demand driven technical support.

Potential Beneficiaries: Sub-Saharan countries through EUD.

Average Duration: 6 months

1. Potential areas of support:
  - A. Local financial Services and Capital markets, among other sectors
2. Type of request:
  - a. Elaboration of analytical reports
  - b. Regulatory and policy analysis and recommendations
  - c. Scoping and technical assistance
  - d. Surveys and assessments
  - e. Good practice workshops and reports
  - f. South-south learning and exchange
  - g. Capacity building actions
  - h. Evaluations and impact assessments

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# Thank you