Sustainable Finance for Sustainable Projects

WC-CMD

ASEAN Working Committee on Capital Market Development

Conversation Pack

February 2022

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ABOUT THIS CONVERSATION PACK

In 2020, the Association of Southeast Asian Nations (ASEAN) Working Committee on Capital Market Development (WC-CMD) developed the Report on Promoting Sustainable Finance in ASEAN (Report). The Report identifies areas within the purview of central banks, capital markets & ministries of finance that they can collaborate on to further the sustainable finance agenda.

One of the recommendations in the Report is to develop an approach for a 'Sustainable Finance First for Sustainable Projects' initiative. Towards this end, the WC-CMD has developed this Sustainable Finance for Sustainable Projects Conversation Pack (Conversation Pack) to kick-start discussions with governments, project owners and promoters to consider using sustainable finance as the first choice of financing for sustainable projects.

ACKNOWLEDGEMENTS

The Conversation Pack is an initiative of the WC-CMD. Development of the Conversation Pack was undertaken by the WC-CMD's Infrastructure Finance Working Group, chaired by the Securities Commission Malaysia, with input and feedback from all WC-CMD members.

The Conversation Pack benefitted from contributions by PwC Malaysia and Rajah & Tann Singapore LLP. Input for the Conversation Pack was also obtained from publications of the Asian Development Bank.

The Sustainable Finance Institute Asia assisted WC-CMD to coordinate the initiative, and provided advice as well as technical input towards the development of the Conversation Pack.

ABBREVIATIONS

ACMF	ASEAN Capital Markets Forum
ACGF	ASEAN Catalytic Green Finance Facility
ACRF	ASEAN Comprehensive Recovery Framework
ADB	Asian Development Bank
AIF	ASEAN Infrastructure Fund
AMS	ASEAN Member States
APAC	Asia Pacific Accreditation Cooperation
APC	AboitizPower Corp
APLMA	Asia Pacific Loan Market Association
APRI	AP Renewables Inc.
ASEAN	Association of Southeast Asian Nations
ASEAN GBS	ASEAN Green Bond Standards
ASEAN SBS	ASEAN Social Bond Standards
ASEAN SUS	ASEAN Sustainability Bond Standards
BAU	Business As Usual
BPMB	Bank Pembangunan Malaysia Berhad
CBI	Climate Bonds Initiative
COP	United Nations Framework Convention on Climate Change Conference of the Parties
EMEA	Europe, the Middle East and Africa
ESG	Environmental, Social and Governance
GBP	ICMA's Green Bond Principles
GCF	Green Climate Fund
GDP	Gross Domestic Product
GHG	Greenhouse Gases
ICMA	International Capital Market Association
IDR	Indonesian Rupiah
KPI	Key Performance Indicator
MDB	Multilateral Development Bank

MOF	Ministry of Finance
MYR	Malaysian Ringgit
NDC	Nationally Determined Contribution
NEA	National Environment Agency
NGO	Non-Governmental Organisation
Paris Agreement	Paris Agreement under the United Nations Framework Convention on Climate Change
PHP	Philippine Peso
PSF	GCF's Private Sector Facility
R&D	Research and Development
SBG	ICMA's Sustainability Bond Guidelines
SBP	ICMA's Social Bond Principles
SDG	Sustainable Development Goal
SGD	Singapore Dollar
SLB	Sustainability-Linked Bonds
SLL	Sustainability-Linked Loans
SME	Small and Medium-sized Enterprises
SPT	Sustainability Performance Target
SSA	Supranational, Sub-sovereign and Agency
THB	Thai Baht
UN	United Nations
UNEP	UN Environment Programme
UNESCAP	UN Economic and Social Commission for Asia and the Pacific
US	United States
USD	US Dollar
WC-CMD	The ASEAN Working Committee on Capital Market Development

INTRODUCTION

Sustainable Finance is imperative for ASEAN

The Association of Southeast Asian Nations (ASEAN) is a region of 10 countries with 650 million people. ASEAN is already the fifth largest economy in the world and is set to become the fourth by 2030[1]. However, this economic progress comes with unwanted environmental and social impacts.

The impact of climate change poses a serious challenge for ASEAN, with three out of the ten most vulnerable countries to climate change in the world being ASEAN countries, according to the Global Climate Risk Index.[2] Economic losses from climate change could reduce regional gross domestic product by up to 11% by 2100[3].

> "ASEAN's green financing opportunities are estimated to be USD3.1 trillion between 2016 and 2030"
>
> Asian Development Bank[4]

Conversation Pack

At the heart of all sustainability initiatives is financing, including public funding.

This Conversation Pack aims to kick-start discussions with governments, project owners and promoters to consider using sustainable finance as the first choice of financing for sustainable projects. Utilising sustainable finance for sustainable projects will have the twin effect of growing the pool of sustainable investment opportunities while at the same time encouraging projects to be sustainable.

It also aims to facilitate further involvement of relevant government bodies to be part of the sustainable finance agenda to develop sustainable infrastructure in their respective countries. The pack sets out "5As", which should be deliberated when considering sustainable financing for sustainable projects: Agenda, Alignment, Avenues, Achievements and Activities.

AGENDA
ASEAN's sustainable finance agenda

ALIGNMENT
Alignment of agenda with Nationally Determined Contributions

AVENUES
Avenues and incentives available for financing

ACHIEVEMENTS
Case studies on sustainable projects utilising sustainable financing in ASEAN

ACTIVITIES
Case studies of sustainable financing globally and activities that can utilise sustainable finance

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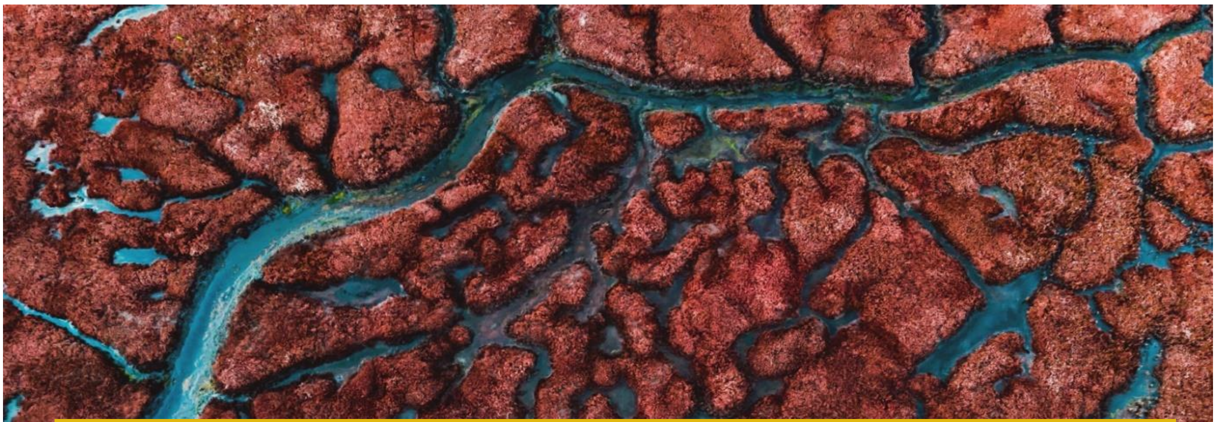
[1] The ASEAN Post. (2020). *The Future Of Consumption In ASEAN*. Retrieved from https://theaseanpost.com/article/future-consumption-asean
[2] Germanwatch. (2021). Global Climate Risk Index 2021. Retrieved from https://www.germanwatch.org/sites/default/files/Global%20Climate%20Risk%20Index%202021_2.pdf
[3] Asian Development Bank. (2015). *Southeast Asia and the economics of global climate stabilization*
[4] DBS & United Nations Environment Programme. (2017). *Green Finance Opportunities in ASEAN.*



AGENDA

ASEAN Member States (AMS) have made significant commitments to drive sustainable development in the region, recognizing that economic growth must go hand-in-hand with a plan to address climate change & provide for the region's social development needs.

These commitments include signing the global Paris Agreement on Climate Change, committing to the United Nations 2030 Agenda for Sustainable Development and adopting a regional agenda, known as the ASEAN Community Vision 2025, which charts the path for the ASEAN community to work towards a Community that is "politically cohesive, economically integrated, and socially responsible". More recently, commitments to tackling the climate emergency were reaffirmed at the 26^{th} United Nations Framework Convention on Climate Change Conference of the Parties (COP26) in 2021 including net-zero & carbon neutrality pledges, among others.

Recognising the role capital markets play in supporting these commitments, the WC-CMD[5] and the ASEAN Capital Markets Forum (ACMF)[6] have published two key complementary roadmaps in 2020 to drive sustainable financing for the public and private sector. In addition, in conjuction with COP26, the ASEAN Taxonomy for Sustainable Finance (ASEAN Taxonomy) – Version 1 was released in November 2021 to serve as a reference point to guide capital and funding towards activities that can help promote the systemic transformation needed for the region.

[5] The WC-CMD is a co-ordinating committee, which considers initiatives and the progress of AMS towards building the capacity and laying the infrastructure for the development of ASEAN capital markets, with a long-term goal of achieving regional cross border collaboration. WC-CMD is a forum whose members are drawn from AMS ministries of finance, central banks and capital market regulators.
[6] ACMF is a high-level grouping of capital market regulators from all the AMS and its primary responsibility is to develop a deep, liquid and integrated regional capital market.

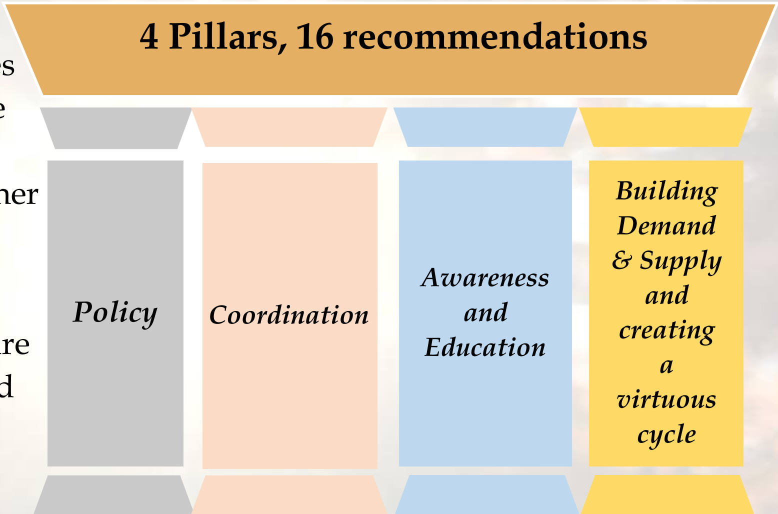
Both the public and the private sector can leverage on the initiatives put forward in the roadmaps, to support sustainable infrastructure projects.

WC-CMD

Report on Promoting Sustainable Finance in ASEAN

The Report on Promoting Sustainable Finance in ASEAN by WC-CMD identifies potential areas of collaboration within the purview of central banks, capital market regulators & ministries of finance, to further the sustainable finance agenda.

The recommendations provided in the Report are broad in nature, where some are for AMS to implement individually, based on appropriateness and their respective timelines, while others are for ASEAN to implement as a region. Such flexibility allows AMS to adopt initiatives in a 'fit for purpose' manner.



Policy	***Coordination***	***Awareness and Education***	***Building Demand & Supply and creating a virtuous cycle***
1. 'Sustainable Finance First for Sustainable Projects' initiative **2.** Identify sustainable projects intended to be funded through the national budget **3.** Strategic approach to financing sustainable projects **4.** Toolkit for policy banks and lending institutions	**5.** Structured engagement platform **6.** Dedicated entity to promote Sustainable Finance for ASEAN	**7.** Outreach programme with NGOs for the general public **8.** Engage relevant professional bodies and industry associations to develop capacity building programmes **9.** Create awareness of the impact of sustainable finance	**10.** Sustainable taxonomy for ASEAN **11.** Promote sustainability disclosures **12.** Standards on Transition and Sustainability-Linked Bonds **13.** Platform to promote regional investment opportunities **14.** Regional crowdfunding or impact investing platform **15.** Creation of an intra-ASEAN sustainability corridor **16.** Innovative credit and currency de-risking mechanisms

ASEAN has set out its sustainable finance agenda for the capital markets in the **Report on Promoting Sustainable Finance in ASEAN** (accessed here) & the **Roadmap for ASEAN Sustainable Capital Markets** (accessed here).

ASEAN Capital Markets Forum

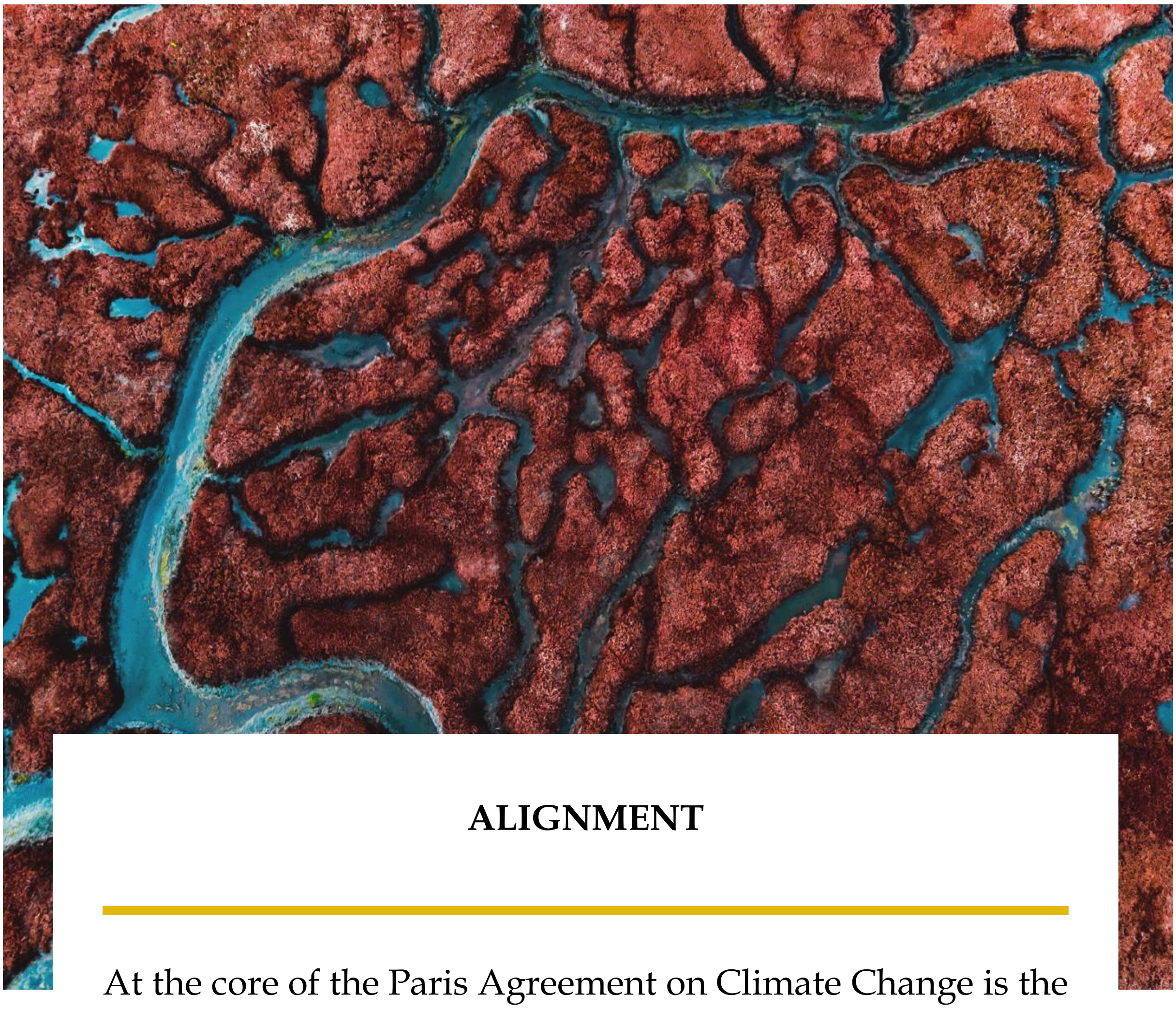
Roadmap for ASEAN Sustainable Capital Markets

The ACMF published the *Roadmap for ASEAN Sustainable Capital Markets* as part of its vision to develop an open and vibrant capital markets ecosystem that facilitates and mobilises private sector capital in the financing of sustainable activities. As a "living document", the Roadmap is designed to adapt to rapid changes to the sustainable financing landscape, and accord flexibility to reflect new ideas.

4 Priority Areas

15 Recommendations

Strengthening Foundations	***Catalysing Products & Enabling Access to Under-served Areas***	***Raising Awareness & Capacity Building***	***Increasing Connectivity***
1. Promoting Corporate Sustainability Disclosures 2. Promoting Institutional Investor Disclosures 3. Examining a Common Taxonomy 4. Exploring Transition Standards	5. Developing Sustainable and Responsible Fund Standards 6. Improving Market Access for Sustainable Products 7. Developing ESG Indices 8. Using Technology to Facilitate cross-border Participation 9. Exploring Incentives	10. Enhancing Technical Competence 11. Promoting Knowledge Transfer 12. Increasing Public Awareness	13. Developing a Public Database of Sustainable Products, Projects and Investors 14. Leveraging Multilateral and Philanthropic Efforts 15. Coordinating Efforts with Public & Financial Sectors

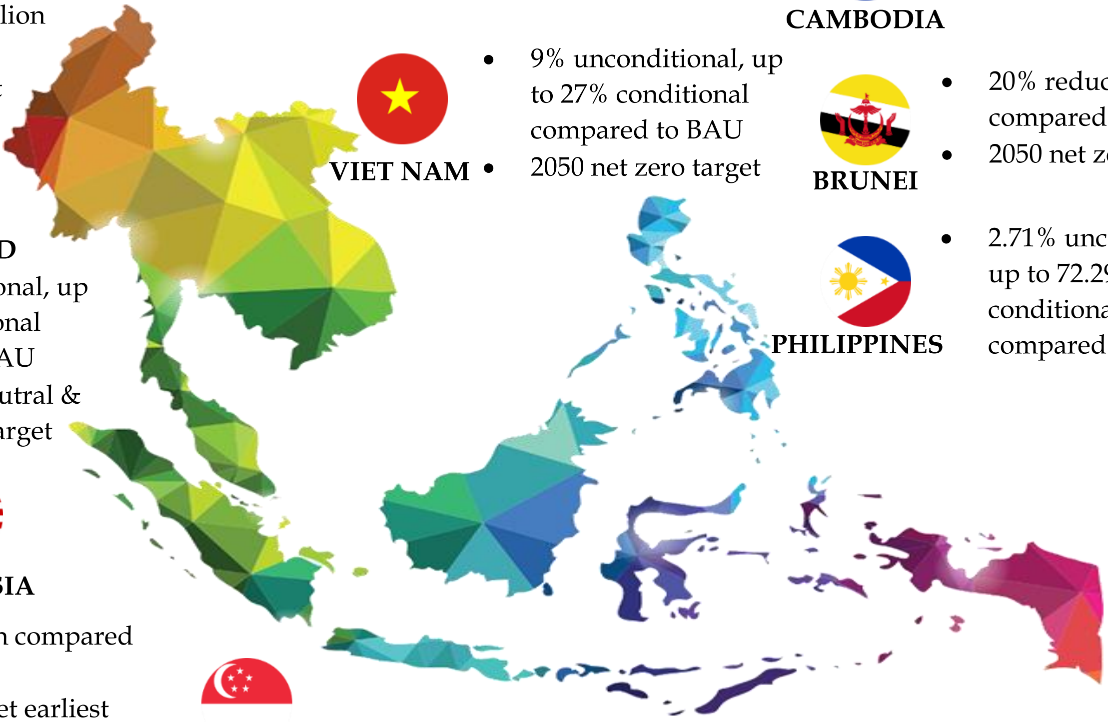


ALIGNMENT

At the core of the Paris Agreement on Climate Change is the responsibility to outline Nationally Determined Contributions (NDCs) in the global response to climate change. NDCs express each party's commitment to adapt and mitigate the impacts of climate change, requiring parties to pursue various domestic measures to achieve their commitment. All AMS have submitted their respective NDCs and updated or made revised NDC pledges in conjunction with COP26.

This section of the Conversation Pack sets out each AMS' NDCs, for AMS to take note of and to consider how sustainable infrastructure projects can facilitate AMS in reaching their NDC targets. It also highlights some key policies that AMS have put in place to support these NDCs.

ASEAN Member States' GHG Reduction Commitments, Net Zero and Carbon Neutral Commitments



MYANMAR

- Avoid 105.24 million tCO2e unconditional, avoid up to 144 million tCO2e conditional
- 2050 net zero target

LAO PDR

- 60% unconditional compared to baseline
- 2050 net zero target

CAMBODIA

- 41.7% conditional compared to BAU

VIET NAM

- 9% unconditional, up to 27% conditional compared to BAU
- 2050 net zero target

BRUNEI

- 20% reduction compared to BAU
- 2050 net zero target

PHILIPPINES

- 2.71% unconditional, up to 72.29% conditional compared to BAU

THAILAND

- 20% unconditional, up to 25% conditional compared to BAU
- 2050 carbon neutral & 2065 net zero target

MALAYSIA

- 45% reduction compared to 2005 level
- Net-zero target earliest by 2050

SINGAPORE

- Halve emissions from expected 2030 peak by 2050
- Net zero by or around mid-century

INDONESIA

- 29% unconditional, up to 41% conditional compared to BAU
- 2060 net zero target

GHG emission reduction commitments are by 2030, unless stated otherwise; BAU – Business As Usual

ASEAN's sustainable finance agenda is aligned with the region's commitments to the Paris Agreement on Climate Change and aims to facilitate AMS in meeting their respective NDCs.

AMS' commitment to NDCs and their level of ambition demonstrates an increased awareness of the region's exposure to climate change and concerns over the ability to continuously withstand climate devastation. All AMS have incorporated climate change measures in their domestic policies as well as established domestic institutional mechanisms for a holistic approach in tackling climate change across relevant sectors.

Nationally Determined Contributions Policy Highlights

BRUNEI

Key Target:

- Reduce GHG emissions by 20% compared to BAU levels by 2030
- Net zero by 2050

Energy

Brunei Darussalam National Climate Change Policy - Strategy 4 on Renewable Energy

Increase total share of renewable energy to at least 30% of total capacity in the power generation mix by 2035. Ensuring a smooth transition towards nationwide adoption and use of renewable energy technologies, mainly solar photovoltaic will be critical to Brunei in achieving its NDC.

Brunei Darussalam National Climate Change Policy - Strategy 5 on Power Management

Reduce GHG emissions by at least 10% through better supply and demand management of electricity consumption by 2035.

CAMBODIA

Key Target (conditional upon international support):

- GHG reduction of 41.7% compared to BAU by 2030

Buildings

Climate Change Priorities Action Plan 2016-2020

Pilot and establish one completed demonstration of a local factory for latex and rubber timber processing that is energy saving, pollution free, less chemical input, and improved quantity and quality of raw products.

Energy

Cambodia Climate Change Strategic Plan (2014-2023)

- Reducing GHG emissions through off grid street lighting of rural municipalities
- Turning Battambang city into a green city
- Eco-payment based on changing behaviour on firewood use of community in Angkor and Kulen Conservation Park

National Policy, Strategy and Action Plan on Energy Efficiency in Cambodia (MIME 2013)

In 2030, 95% of villages of the whole country will be connected to the national grid while another 5% of the villages will be connected to single supply systems with a quality of supply similar to the national grid.

Nationally Determined Contributions Policy Highlights

INDONESIA

Key Targets:

- Unconditional GHG reduction of 29 % compared to BAU by 2030
- Up to 41% conditional reduction
- Net zero by 2060

Energy

Electricity Supply Business Plan (2017-2026)

The Electric Power Supply Plan developed by the state-owned electricity company, Perusahaan Listrik Negara features a plan for renewable share in the power mix target of 22.4% in 2026.

Electricity Supply Business Plan (RUPTL) (2019-2025)

- By 2028, renewables (hydro/mini-hydro power plants) allocated the largest portion with 9.7GW, followed by geothermal power plants, projected at 4.6 GW.
- By 2028, coal projected to account for 54% of Indonesia's electricity production, renewables 23%, gas 22%, and fuel the balance.

Transport

Sustainable Urban Transport Program

Target 60% ridership of public transport by 2029.

LAO PDR

Key Target:

- Unconditional GHG reduction of 60% compared to baseline by 2030
- Net zero by 2050

Energy

Ministry of Energy & Mines' 2016-2030 Power Development Plan

Target to install hydropower capacity in the country by 2030 set at 13 GW.

Waste

Sustainable Solid Waste Management Strategy and Action Plan for Vientiane 2020-2030

Implementation of 500 tons/day sustainable municipal solid waste management project.

Nationally Determined Contributions Policy Highlights

MALAYSIA

Key Target:

- GHG reduction of 45% compared to the 2005 level by 2030
- Net-zero earliest by 2050, pending the completion of its Long-Term Low Emissions Development Strategy by 2022.

Buildings	**Green Technology Master Plan Malaysia (2017-2030)** 550 green buildings by 2020 and 1,750 green buildings certified by 2030.
Energy	**Power Sector Development Plan (2021-2039)** 31% renewable energy installed capacity mix by 2025, 45% reduction of emissions from the power sector by 2030 compared to 2005 level.
Transport	**National Land Public Transport Masterplan** 40% modal share of public transport in urban areas by 2030.

MYANMAR

Key Targets:

- Unconditional target of avoiding 105.24 million tCO_2e by 2030 compared to BAU
- Conditional target of avoiding 144 million tCO_2e emissions by 2030
- Net zero by 2050

Agriculture	**Climate Friendly Agribusiness Value Chain Sector Project** Upgrade the infrastructures of the Department of Agriculture's seed farms making then resilient to climate change.
Energy	**Long Term Energy Master Plan (DRAFT)** • Increase the share of hydroelectric generation within limits of technical Hydroelectric potential. • Increase access to clean sources of electricity amongst communities and households currently without access to an electric power grid system.

Nationally Determined Contributions Policy Highlights

PHILIPPINES

Key Targets:

- Unconditional GHG reduction of 2.71% (2020 – 2030) compared to BAU
- Up to 72.29% conditional reduction (2020 – 2030)

Energy	**National Renewable Energy Program (2011-2030)** Increase geothermal capacity, increase hydropower capacity, add additional 2,345 MW wind power capacity and develop an ocean energy facility (Target – 2025).
Transport	**'Build, Build, Build' programme** Public Investment Program (PIP) investments on transportation infrastructure: 2,325.00 (PHP billion), new roads constructed to close the gaps in the national road network and total length of standard gauge rail tracks increased.

SINGAPORE

Key Target:

- Halve emissions from expected 2030 peak by 2050
- Net zero by or around mid-century

Buildings	**4th Edition of Singapore Green Building Masterplan (2021-2030)** • Green 80% of buildings by Gross Floor Area by 2030. • 80% of new developments to be Super Low Energy buildings from 2030. • 80% improvement in energy efficiency over 2005 baseline for best-in-class green buildings by 2030.
Energy	**Singapore Green Plan 2030** Increase solar deployment to 1.5 giga-watt peak (GWp) by 2025, and at least 2 GWp by 2030.
Transport	**Land Transport Master Plan 2040** Singapore's rail network increased by 10%

Nationally Determined Contributions Policy Highlights

THAILAND

Key Targets:

- Unconditional GHG reduction of 20% compared to BAU by 2030
- Up to 25% conditional
- Net zero by 2065

Energy	**Thailand Climate Change Master Plan 2015-2020** Increase consumption of renewable energy in the national grid to 25% of national final energy consumption by 2021.
Transport	**Environmentally Sustainable Transport System Plan 2013-2030** GHG emissions reduction plans set out for short-term programme (2013-2017) and a long-term plan (2018-2030) in the transport sector

VIET NAM

Key Targets:

- Unconditional GHG reduction of 9% compared to BAU by 2030
- Up to 27% conditional
- Net zero by 2050

Buildings	**National Energy Efficiency Program 2019-2030** Develop and supplement energy efficiency and conservation standard for industrial parks/storage and concentrated industrial clusters. As of 2025, verify that 100% of newly built industrial parks/industrial clusters apply the standard. Then, further advance the application to all industrial parks/industrial clusters following 2030.
Energy	**Power Development Plan 2021 (2021-2030)** The power capacity structure will be changed in the direction of reducing coal-fired thermal power from 34% in 2020 to 27% in 2030. For example, solar power will be developed from the capacity of about 17 GW in the period of 2020-2025 to about 19-20 GW in 2030

Whilst AMS have these commitments and targets in place, as well as several policies to support these NDCs, it is apparent that in order to meet these NDCs, AMS will require financing. The Asian Development Bank (ADB) estimates that USD3.1 trillion of climate adjusted infrastructure (USD2.8 trillion unadjusted) will be required between 2016 and 2030 in ASEAN.[7] In addition, considering the impact of COVID-19, more financing will be required to accelerate the region's recovery, which will be critical in meeting AMS' NDCs.

[7] Asian Development Bank. (2015). *Meeting Asia's Infrastructure Needs.*

AVENUES

To drive sustainable financing for sustainable projects, it is crucial to look at both sides of the coin: the availability of sustainable projects and the financing avenues available to fund these projects. The urgency has become greater given the pledges made at COP26, which will necessitate a paradigm shift for financiers.

UNESCAP has noted that in Southeast Asia, 'many countries do not have adequate financing mechanisms and few have examined the financial implications to ensure effective implementation of the Sustainable Development Goals[8] (SDGs).[9]

This section aims to highlight the various financing avenues that can be considered when funding sustainable projects.

[8] *The 17 Goals | Sustainable Development*. Retrieved from https://sdgs.un.org/goals.
[9] UNESCAP. (2019). *Asia and the Pacific SDG progress report 2019*.

ASEAN Green, Social and Sustainability Bonds

Green, social and sustainability bonds are an avenue to tap to attract the investments needed to fund sustainable projects.

The ACMF introduced the ASEAN Green Bond Standards in 2017, and the ASEAN Social Bond Standards and ASEAN Sustainability Bond Standards in 2018 ("ASEAN Standards") to facilitate ASEAN capital markets in tapping sustainable finance to support sustainable regional growth, meet investor interest for sustainable investments and particularly support ASEAN's infrastructure needs.

The ASEAN Standards were developed in collaboration with the International Capital Market Association (ICMA) based on ICMA's Green Bond Principles (GBP), Social Bond Principles (SBP) and Sustainability Bond Guidelines (SBG), which are internationally accepted and widely used for the development of national green bond guidelines or standards issued globally. The ASEAN Standards aim to provide more specific guidance on how the GBP, SBP and SBG are to be applied across ASEAN.

Sustainable Development Goals (SDG) Bonds

SDG bonds are green, social or sustainability bonds whose use of proceeds further aligns with and contributes to specific SDGs. Whilst not all green, social or sustainability bonds are SDG bonds, some are explicitly SDG-aligned and/or marketed as SDG bonds.

Towards this end, the ACMF issued the *ASEAN SDG Bond Toolkit: A Practical Guide to Issuing SDG bonds in ASEAN* to be a primer for the issuance of SDG bonds in ASEAN. This toolkit does not seek to create a new set of standards or guidelines that replace existing bond principles or frameworks such as the ASEAN Green, Social or Sustainability Bond Standards. Instead, it collates and synthesizes relevant information from them to provide a primer for potential SDG bond issuers in ASEAN, including national development finance institutions and policy banks in ASEAN.

Why ASEAN Green, Social and Sustainability Bonds?

Facilitating Sustainable Projects at Lower Cost of Capital

Green, social and sustainability bonds are well suited for large-scale sustainability projects, which often require capital investment ahead of revenue generation.

According to Climate Bonds Initiative (CBI)'s Sovereign Green, Social, and Sustainability Bond Survey, the cost of funding via the issuance of sovereign green, social and sustainability bonds is similar to or less than for plain vanilla bonds[10]. Some of the costs can be met through programmes funded by multilateral development institutions, who provide technical assistance, as well as country-specific incentives such as grants.

> "Cost of funding via the issuance of sovereign green, social & sustainability bonds is similar to or less than for plain vanilla bonds
>
> Climate Bonds Initiative (CBI)'s Sovereign Green, Social, and Sustainability Bond Survey"

Investor Demand

Investors are increasingly expressing an appetite for sustainable bonds such as green, social and sustainability bonds as evidenced by the repeated oversubscription of green bonds[11]. Further, an increasing number of institutional investors are using sustainable bonds to address their sustainability mandates. As a result, sustainable bond issuances have attracted new investors & new types of investors, creating a market for such bonds. This is also reflected in the sovereign sustainability issuance space as evidenced by the oversubscription of recent sovereign issuances by Indonesia, Malaysia & Thailand.

COP26 Commitments

During COP26, AMS expressed contributions and commitments in various ways. This included, amongst others, some AMS signing on to the Global Methane Pledge to reduce methane emissions and The Global Coal to Clean Power Transition Statement to shift away from unabated coal power generation.

Financing is required to meet these commitments, and issuing sustainable bonds is an avenue to do so. Issuing a sovereign bond labelled under the ASEAN Green Bond Standards, for example, signals a move away from coal power generation given the explicit exclusion of fossil fuel power generation projects under these standards.

Leadership & Strong Signal

Green, social and sustainability bond issuances by governments send a strong signal of a government's support for sustainable financing, which would encourage project owners to align their practices with the government's by incorporating sustainability aspects into their infrastructure projects. Globally, the banking supervision space has also started to shift towards climate-related policies, including taking into consideration climate risks when providing credit.

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[10] Climate Bonds Initiative. (2021). *Sovereign Green, Social, and Sustainability Bond Survey*.
[11] Climate Bonds Initiative. (2020). *Green Bond Pricing in the Primary Market*.

Who have utilised green, social and sustainability bonds worldwide at the sovereign level?

22 national governments have issued sovereign green, social and sustainability bonds

USD96b worth of sovereign green, social and sustainability bonds issued

14 other sovereign governments across the world have indicated their intention to issue[12]

AMS' inaugural sovereign green and sustainability bonds issued in ASEAN aligned with the ASEAN Standards

INDONESIA

2018

World's first sovereign Green Sukuk - Proceeds are for projects identified as having climate change benefits

In 2021, issued inaugural SDG bond - Proceeds will be used for projects that may qualify as eligible SDG expenditures under its SDGs Government Securities Framework.

THAILAND

2020

Proceeds have both green and social components, which include financing green infrastructure through the Mass Rapid Transit Orange Line (East) Project, as well as social impact projects to assist with COVID-19

MALAYSIA

2021

World's first sovereign USD Sustainability Sukuk

Proceeds are for eligible social & green projects aligned to the UN SDGs, supporting Malaysia in meeting its commitments to the Paris Agreement

[12] Climate Bonds Initiative. (2021). *Sovereign Green, Social, and Sustainability Bond Survey*.
Images of all country flags from Countryflags.com

GREEN BONDS: OBSERVATIONS & WHAT TO EXPLORE[13,14]

- Entities do not automatically become green bond issuers simply by being in the business of providing green solutions or making green products (e.g. solar energy companies). Rather, for such bonds to be labelled as "green bonds", the Green Bond Principles and/or the ASEAN Green Bond Standards would have to be complied with. Generally, the labelling process would involve identifying the green projects and assets, developing a framework for the green bond, confirming internal processes and controls, reporting on green credentials, reporting the impact, engaging the external reviewer, seeking certification and post-issuance reporting and disclosure. It should be noted that green bonds do not have to necessarily be climate related as the list of Green Project categories as set out in the Green Bond Principles and ASEAN Green Bond Standards contemplate other environmental objectives in addition to climate change.

- An issuer which has low ESG ratings may still qualify to issue green bonds because the focus of green bonds is the use of proceeds towards the eligible projects. However, the ESG strategies and particularly the areas of the issuer's business or operation resulting in the low ESG ratings, must be disclosed and communicated to investors. This is so that the issuer's profile (which the investors may see as impacting credit quality) can be assessed in its entirety. Investors would also be interested to know if the areas of ESG concerns of the issuer would have any impact on the eligible projects.

- On whether or not the proceeds of green bonds can be applied towards refinancing of projects, the main points to the test are whether or not the projects are still in use, follow the relevant eligibility criteria at the time of issuance, and are still assessed as making a meaningful impact. It is important for issuers to disclose the extent of the expected look-back period for the refinanced projects so that investors have a clear view on what the environmental benefits of such projects are.

- The ADB has identified 2 parallel tracks of work to consider when labelling a bond as “green”. The first track looks at how the issuer has demonstrated that the projects, assets, and expenditures associated with the green bond are aligned with a set of green definitions, or a “taxonomy.” The second track looks at the integrity of the issuer’s internal systems and controls when it comes to the processes involved in labeling a bond. Both are important for a bond to be labelled green.

- The Green Bond Framework is an integral part of a green bond issuance as it sets out the information required to demonstrate the integrity of the green label. The framework would usually have to set out the 4 components consisting of (i) an explanation of the use of proceeds of the green bonds, (ii) how the selection of projects and assets to be funded by the green bonds is made, (iii) how proceeds are being managed, and (iv) the reporting and external review process.

[13] by Rajah & Tann Singapore LLP
[14] References have been made to various parts of the ICMA "Guidance Handbook" (June 2021).

- In order to put to action what is described in the framework, the issuer would have to develop and have in place internal procedures to guide the decision-making processes, monitor how the proceeds are being used and applied, and collate information for reporting purposes. The internal controls and processes of the issuer would usually be part of the external reviewer's assessment. Government/ sovereign issuers may have more complex processes and decision-making structures in place and sufficient time should be set aside to ensure that the framework clearly delineates the processes. This point would be relevant as well for green loans, sustainability linked loans and sustainability linked bonds generally.

- A framework can be created for a one-time issuance or for a number of issuances. Many issuers have created an overarching Green Bond Framework or Sustainable Finance Framework with potential to issue green bonds, social bonds, green sukuk, social sukuk and sustainability-linked instruments.

- It should also be noted that whilst there is a requirement for a bond to be labelled green (or sustainable) that the issuer follows through what it has set out to do in the Green Bond Framework or Sustainable Finance Framework, the bonds documentation (being the indenture etc.) may not have strict obligations on the issuer to comply with such framework. This would mean that the failure to comply with the framework may not necessarily result in an event of default under the bonds.

Green Loans

A "green loan" is a loan whose proceeds are applied, in part or in whole, towards green projects. Green projects are defined in the Asia Pacific Loan Market Association's (APLMA) Green Loan Principles to include renewable energy and energy efficiency projects, clean transportation projects, sustainable water and wastewater management, climate change adaptation purposes and green buildings.

GREEN LOANS: OBSERVATIONS & WHAT TO EXPLORE[15]

- In order for a financier to consider if a green loan facility can be granted, the borrower is typically expected to provide a green loan framework. The green loan framework can be developed with the help of consultants, or by the borrowers themselves, sometimes with the guidance of the financier if the borrowers are unfamiliar with the process. Whilst financiers can be helpful in the process, borrowers must take ownership of the framework and be able to appreciate the features included in the green loan framework.
- The green loan framework should set out the borrower's own environmental sustainability objectives, the proposed use of the loan proceeds and how it would be applied towards the green project, and why the project is an eligible green project. The borrower should briefly state the process by which the project is selected (e.g. the project is evaluated and selected by an investment team, and the management of the borrower evaluates and selects the project with reference to the APLMA Green Loan Principles).
- The borrower should also explain in the green loan framework how the proceeds will be managed and tracked; if there are any interim unallocated net proceeds, how these proceeds will be managed; and whether there is any timeframe in place for the application of such proceeds towards the green project.
- The green loan framework should also provide for the reporting requirements on the use of the loan towards the green project. Reporting should be done at least annually, and the loan documentation typically contains a covenant allowing the financiers to request for further information on the project and the use of proceeds.
- Whilst financiers would encourage external review to be conducted, it is a cost consideration for borrowers. Where a borrower is relatively matured in terms of obtaining green loans and the green projects are easily identifiable (e.g. where there is international certification process), financiers may consider doing away with the requirement of an external review. On the other hand, where financiers are new to green loans and may not have market experience or expertise, they may require external reviewers to assist in the assessment of whether a green loan framework qualifies for a green loan under the APLMA Green Loan Principles.
- In terms of documentation, the market currently acknowledges that a breach of the "green covenants" would not result in an event of default which requires an immediate repayment of the loans. Instead, the loans and facility are declassified and no party may then publicise the loan as a "green loan". It is important that such "declassification" clause be set out clearly in the loan documentation so that the parties are clear about the consequences of a breach of the green covenants and not publicising the loan as green when the clause is triggered, to avoid misleading investors or other stakeholders.

[15] by Rajah & Tann Singapore LLP

Sustainability-Linked Bonds and Loans

Sustainability-linked bonds (SLBs) or sustainability-linked loans (SLLs) are bond or loan instruments respectively, which incentivise the borrower's achievement of ambitious, predetermined sustainability performance objectives without the need to identify a specific project for which the proceeds will be utilised. The borrower's sustainability performance is measured using sustainability performance targets (SPTs), which include key performance indicators, external ratings and/or equivalent metrics, which measure improvements in the borrower's sustainability profile.

Why Sustainability-Linked Bonds and Loans?

General budget spending	Sovereign SLBs would be issued for general budget spending like any other government debt, but with a link to SPTs, which could include countries' NDCs
Outcomes focused	SLBs could complement the SDG bond market and other labeled-bond markets by linking them directly to outcomes rather than to expenditures
Encourage improvement in sustainability profile	SLBs and SLLs assist and encourage borrowers to improve their sustainability profile or commitment as the financing terms are aligned to their SPTs
Motivation to meet targets	Given that the bond/ loan's financial and/or structural characteristics vary depending on whether the selected SPTs are achieved, the borrower would be incentivized to reap such benefits and/ or avoid penalties in the event SPTs are not met

Incentives include Lower Coupon Payout and Interest Rate Rebates

Lower coupon payout	Contribution to Sustainability Efforts to Reach NDCs	Interest rate rebate
Bonds could be structured such that the issuer makes a lower coupon payout if the issuer meets its SPTs	Bonds could be structured such that failure to achieve SPTs results in the issuer contributing to sustainability initiatives such as R&D or purchase of carbon offsets	Loan borrower can receive incentives in the form of interest rate rebates, if the borrower is able to demonstrate that it has achieved its SPTs

Whilst SLBs and SLLs may not directly fund specific projects, the setting of SPTs could encourage countries to fund more sustainable projects to improve their sustainability profile, which in turn can contribute towards meeting their NDCs.

SUSTAINABILITY-LINKED BONDS: OBSERVATIONS & WHAT TO EXPLORE [16,17]

- KPIs selected by an issuer for sustainability-linked bonds should be material and significant and relevant to the business of the issuer. Therefore, whilst reference may be sought from goals and objectives set out in international agreements or examples in the market, what may be relevant to one issuer may not be entirely relevant to another issuer. It would be useful when narrowing KPIs, to consider doing a materiality assessment of a KPI on the issuer's business activities.

- The terms, calculation methodologies and conditions in relation to KPIs and SPTs should be clear and fixed upon issuance of the sustainability linked bonds. If there are to be changes in the course of the bond issuance, disclosure to investors should be made and consent should be sought particularly if the changes are expected to impact the meeting of the KPIs and the SPTs.

- Issuers which have borrowed SLLs and wish to use proceeds of sustainability linked bonds to refinance the SLLs should bear in mind that there are some differences in Sustainability Linked Loan Principles and the Sustainability-Linked Bond Principles. ICMA explains that the Sustainability-Linked Bond Principles require more detailed indications on the definition and calibration of the KPIs and SPTs, and post issuance verification of the issuer's performance against SPTs have to be made available to investors in the case of sustainability linked bonds issuance. The seemingly more stringent requirements for sustainability linked bonds are because sustainability linked bonds are characterized as being more public in nature and are expected to have broader distribution and in this regard, there needs to be a higher level of transparency and accountability.

[16] by Rajah & Tann Singapore LLP
[17] References have been made to various parts of the ICMA "Guidance Handbook" (June 2021).

SUSTAINABILITY-LINKED LOANS: OBSERVATIONS & WHAT TO EXPLORE[18]

- A feature of the SLL which may be attractive to a borrower is that achieving the agreed SPTs may result in a reduction of the interest rate margin for the borrower. Rajah & Tann Singapore LLP have advised on SLLs which have a structure where the interest rate margins are linked to selected SPTs disclosed in the respective borrowers' annual sustainability reports. The margins on loans drawn from the credit facility may be reduced on a tiered basis if selected SPTs as well as other conditions are satisfied.

- Another structure that can be adopted for SLLs is to provide for an increase in margin or imposition of stricter covenants on a borrower (e.g. stricter financial covenant ratios) if the borrower fails to meet an agreed SPT or if the ESG metrics of the borrower perform worse than the original level.

- Where the SLL's structure requires an increase in margin, lenders of the SLL could require the proceeds from the increment be applied towards the borrower's efforts in achieving the SPTs or be utilised towards its other ESG purposes, or the borrower to place certain sums in a secured account which can only be withdrawn if SPTs are met.

- The parties of each deal may agree on, a case-by-case basis, the appropriate consequences for a borrower's failure to meet an SPT, but it should be noted that the failure to do so is rarely treated as an event of default. It is also to be noted that there is a possibility for SPTs to be varied during the term of the loan to reflect the borrower's business activities, such as acquisitions or disposals of assets or entry into new industries or businesses. To the extent possible, such variations should be built into the loan agreements from the outset, so that all parties are made aware of what these targets are meant to be.

- Another feature of an SLL is that a borrower will also very likely be required to adhere to more complex and detailed reporting and compliance requirements in respect of the SPTs throughout the term of the loan, which could entail the borrower having to engage external consultants to review, verify or certify the borrower's progress in achieving the SPTs.

[18] by Rajah & Tann Singapore LLP

GREEN LOAN OR SUSTAINABILITY-LINKED LOAN?[19]

When considering the type of sustainable financing to use, market participants may factor in the following:

- The purpose of the loan and the intentions of the borrower - A green loan is more suited if the proceeds are to be used in whole or in part for green projects while an SLL can be used for more purposes which do not need to be "green" related. An SLL is typically recommended if the loan is intended to finance the borrower's ESG strategy as a whole.

- Whether the borrowing entities have any clear sustainability objectives and whether it is sensible to apply the objectives to formulating ambitious but achievable targets in the SLL - Borrowers must ensure that the delineation of the SPTs in the SLL, be it in respect of the targets or related undertakings, is precise, unambiguous, and not general. The consequences for breaching the SPTs requirements should be clearly set out. Further, borrowers who are not able to monitor compliance with their SPTs internally would have to incur additional costs for hiring external parties to do so.

- Type of reporting standards - Although there are currently no standardised reporting frameworks, regulators and various organisations and bodies are starting to formulate their own standards. Borrowers should bear in mind that any changes in the regulatory landscape, particularly during the tenure of an SLL, could potentially impact the ability of the borrowers to achieve the SPTs. The use of recognised global or regional frameworks could increase the investor pool.

- Impact of syndication/sell-down of loans - Lenders should give thought as to how the SPTs and SPT-related covenants in an SLL could impact their ability to syndicate or sell down the loan.

[19] by Rajah & Tann Singapore LLP

Sustainability Bonds and Loans

In a Nutshell

Green Bonds

Avenue for capital-raising and investments in new or existing green projects which bring environmental benefits

Find out more about the ASEAN Green Bond Standards here

Social Bonds

Avenue for capital-raising and investments in new or existing social projects which bring positive social outcomes

Find out more about the ASEAN Social Bond Standards here

Sustainability Bonds

Avenue for capital-raising and investments in a combination of green and social projects

Find out more about the ASEAN Sustainability Bond Standards here

SDG Bonds

Avenue for capital-raising and investments in projects that contribute towards the SDGs

Find out more about the ASEAN SDG Bond Toolkit here

Green Loans

Loans made available to exclusively finance or refinance green projects

Find out more about the APLMA Green Loan Principles here

Social Loans

Loans made available to exclusively finance or refinance social projects

Find out more about the APLMA Social Loan Principles here

Sustainability-Linked Bonds

Avenue for governments to fund their general budget while facilitating social & environmental outcomes

Find out more about the ICMA Sustainability-Linked Bond Principles here

Sustainability-Linked Loans

Loans made available to support financing needs while facilitating social & environmental outcomes

Find out more about the APLMA Sustainability-Linked Loan Principles here

Multilateral Development Banks

Multilateral Development Banks (MDBs) play a key role in driving sustainable finance for sustainable projects. MDBs can facilitate 'greening' financial sectors to help private capital flow for both climate change mitigation and adaptation, as well as play a critical part in supporting countries to embed sustainability solutions in their projects and their recoveries from the impact of COVID-19.

Role of Multilateral Development Banks
Provide direct financing, concessional financing and grants that directly fund progress towards sustainability goals
Contribute towards catalysing additional public, and private sector resources, which can deliver significant sustainable development impact
Provide policy advice and technical assistance to support countries' capacity building

Green Climate Fund (GCF)
GCF can structure its financial support through a flexible combination of grant, concessional debt, guarantees or equity instruments to leverage blended finance and crowd-in private investment for climate action in developing countries
Core GCF principle is to follow a country-driven approach, where countries lead GCF programming and implementation, to ensure climate solutions are implemented according to priorities set by the countries themselves
Country ownership of GCF financing decisions enables developing countries to turn NDC ambitions into climate action
GCF has set up a Private Sector Facility, which is designed to fund and mobilise private sector actors, including institutional investors, project sponsors and financial institutions.

The Private Sector Facility promotes private sector investment through concessional instruments, including low-interest and long-tenor project loans, lines of credit to banks and other financial institutions, equity investments and risk mitigators, such as guarantees, first-loss protection, and grant-based capacity-building programmes.

Multilateral Development Banks can act as market facilitators to create liquidity, catalyse investments and build investor confidence.

ASEAN Catalytic Green Finance Facility (ACGF)

A facility under the ASEAN Infrastructure Fund (AIF) dedicated to helping ASEAN governments create bankable green infrastructure projects

Project Origination	• Identifies and screens infrastructure projects • Creates a project pipeline • Develops project financing models
Project Funding	• Utilizes AIF funds to de-risk projects • Mobilizes co-financing from development partners • Catalyses private sector investment
Policy & Knowledge Support	• Trains government officials in green finance • Hosts investor roundtable events • Delivers policy advice and creates knowledge resources

Focus

Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Thailand, Viet Nam

Project Type

Sovereign backed projects from governments, cities & state-owned enterprises

Sector Type

Infrastructure in energy, water, transport, urban and multisector projects

Projects must demonstrate:

- Contribution to climate change mitigation and/or adaptation, and other environmental sustainability objectives
- Potential for ACGF support to improve bankability, as measured against standard financial indicators
- Potential to catalyse further resources including private, commercial & institutional capital

ACGF Green Recovery Program, with financing from the Green Climate Fund and other partners

Post-COVID-19, financing for green infrastructure, which will be critical in meeting NDCs, is severely constrained by public budgets. By catalysing increased climate finance from both the private and public sectors, the programme will support at least 20 high-impact, low-emission sub-projects in the region.[20]

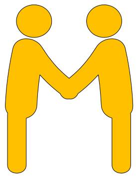
[20] *FP156: ASEAN Catalytic Green Finance Facility (ACGF): Green Recovery Program*. Green Climate Fund. Retrieved from https://www.greenclimate.fund/project/fp156.

Philanthropies

Philanthropies can play a catalytic role in mobilizing private sector investment into climate-related sectors at scale to achieve countries' NDCs and the goals of the Paris Agreement.

Public financing on its own is not enough to meet the demand for sustainable infrastructure. Partnerships with the private sector is essential to provide climate-friendly solutions in building sustainable infrastructure. Philanthropies can support governments to act as the catalyst to put up concessional capital in such blended finance structures.

Early investments from philanthropies and governments can act as evidence on opportunities for returns to private investors. Such a catalyst can result in private investors no longer needing philanthropies or governments to support financing a transaction, but will act on their own, and reach greater scale.



Catalytic Philanthropy

Charitable funds can now act as a catalyst to generate much greater public and private sector investment in climate solutions

Policy banks

Governments can also encourage and support **policy banks** and lending institutions (such as development finance institutions (DFIs) and agricultural banks) to finance AMS' SDG efforts via sustainable financing methods such as via the issuance of SDG bonds, which can contribute towards financing sustainable infrastructure projects.

DFIs such as Bank Pembangunan Malaysia Berhad (BPMB) and platforms such as SDG Indonesia One are examples of policy banks created by the Governments of Malaysia and Indonesia respectively to finance and develop sustainable infrastructure in their respective countries.

SDG Indonesia One

The Government of Indonesia through the MOF and PT Sarana Multi Infrastruktur (Persero) seeks to achieve the SDGs through the establishment of an integrated platform called "SDG Indonesia One" which combines public and private funds through blended finance schemes to be channeled into infrastructure projects related to the achievement of SDGs.

Platform that includes 4 pillars tailored to investor and donor interests

Development Facilities	De-Risking Facilities	Financing Facilities	Equity Fund
Encourage preparation of infrastructure projects both at the national level and regional government level	Increase bankability of infrastructure projects to increase attractiveness to private sector to participate in infrastructure projects	Encourage & stimulate greater financing by attracting parties such as commercial banks or private investors to participate in infrastructure projects	Strengthening of capital capacity for new (greenfield) projects and can also act as asset recycling for projects that are already operating (brownfield)

- The platform aims to raise funding from investors, donors, and philanthropists to be channeled to projects in Indonesia that support the achievement of SDGs[21].

[21] *SDG Indonesia One*. Retrieved from https://ptsmi.co.id/sdg-indonesia-one/.

Bank Pembangunan Malaysia Berhad

Development Finance Institution wholly-owned by the Government of Malaysia

BPMB's sustainability strategy builds on several pillars

Pillar 1	*Pillar 2*	*Pillar 3*	*Pillar 4*
Align financing activities to SDGs and UNEP FI Principles for Responsible Banking to embed sustainability at the strategic, portfolio and transactional levels	Commit to catalyse investment for sustainable, resilient and inclusive recovery and growth via the capital markets	Implement integrated reporting & disclosures to improve accountability & transparency around sustainability opportunities, risks & SDG impact of its financed activities	Promote corporate resiliency and sustainability within its own walls by reducing the environmental footprint of its own operations

- BPMB currently manages a RM2 billion Sustainable Development Financing Fund, which primarily targets enterprises within the sectors of infrastructure, maritime, oil & gas and technology which are able to contribute positively to any one of the 17 SDGs.
- As a DFI, BPMB is able to mobilise private financing for strategic, and potentially higher-risk investments by taking a place in the capital structure and role in the financing of projects that would be different from commercial banks and institutional investors.
- In 2021, BPMB issued its inaugural SDG sukuk, under its Sustainable Development Sukuk Framework, proceeds of which will be used to support Malaysia's transition towards a more inclusive, low-carbon, resource efficient economy[22].
- Given the strong interest in the sustainability sukuk, BPMB exercised its option to upsize the transaction from its initial target issue size of RM300 million to RM450 million[23].

[22] Bank Pembangunan Malaysia Berhad. (2021). *Sustainable Development Sukuk Framework*. Retrieved from https://www.bpmb.com.my/documents/21475/136058/BPMB+Sustainable+Development+Sukuk+Framework.pdf/d2dedb46-c4ba-4a67-93ca-4746a28f2f73

[23] Bank Pembangunan Malaysia Berhad. (2021). *Bank Pembangunan Malaysia Launches Impact Assessment Framework – Measuring Impact on National Development (Mind) & The Sustainable Development Sukuk Framework*. Retrieved from https://www.bpmb.com.my/press-release?p_p_id=56&p_p_lifecycle=0&p_p_state=maximized&p_p_mode=view&p_p_col_id=column-2&p_p_col_pos=2&p_p_col_count=3&_56_returnToFullPageURL=%2Fpress-release&_56_groupId=21475&_56_articleId=137690&_56_version=1.4&_56_articleTitle=BANK+PEMBANGUNAN+MALAYSIA+LAUNCHES+IMPACT+ASSESSMENT+FRAMEWORK+%E2%80%93+MEASURING+IMPACT+ON+NATIONAL+DEVELOPMENT+%28MIND%29+%26+THE+SUSTAINABLE+DEVELOPMENT+SUKUK+FRAMEWORK

ACHIEVEMENTS

AMS through their respective governments, state-owned enterprises or government-linked companies have utilised various financing avenues to fund or support infrastructure projects in their respective countries.

Given the varying levels of market development across AMS, countries have progressed and utilised varying aspects of sustainable finance.

This section highlights some case studies of AMS utilising or supporting sustainable infrastructure projects via sustainable finance avenues, and/or showcases some commitments AMS have made towards sustainability, which will require financing. It also highlights how AMS have benefitted from grants to facilitate their sustainability efforts.

BRUNEI

Economic Blueprint for Wawasan Brunei 2035

In 2020, the Ministry of Finance and Economy Brunei Darussalam published the Economic Blueprint for Wawasan Brunei 2035 to act as a guide for stakeholders to build on the country's economic successes through well-defined aspirations and policy directions.

- One of the policy directions set out in the Blueprint is on promoting and investing in environmental and green-friendly industries, where industries are encouraged to shift to green/eco-friendly activities such as energy efficient technologies, renewable energy creation, sustainable public transport and others.
- In addition, Brunei envisions to develop the non-oil and gas sector by discovering new economic activities as well as strengthening five priority sectors: Downstream Oil and Gas, Food, Tourism, Info-communications and Technology (ICT) and Services.[24]

CAMBODIA

ASEAN Catalytic Green Finance Facility

In 2019, ACGF helped prepare the 100-megawatt Cambodia National Solar Park Project's development and bidding process, which resulted in the lowest tariff for grid-connected solar photovoltaic across Southeast Asia.

- The project financing amount was USD26.71 million[25].
- In addition to a USD7.64 million loan provided by ADB, the financing package for the project includes a USD11 million loan and a USD3 million grant from the Strategic Climate Fund.
- Further, a USD500,000 technical assistance grant was provided by the Republic of Korea e-Asia and Knowledge Partnership Fund to support the capacity development of Electricite Du Cambodge, as well as the Electricity Authority of Cambodia, the national electricity regulator, in solar photovoltaic technology and solar park planning.
- Project was also prepared with grants from the governments of Canada and Singapore.
- Expanding solar generation is aligned with the country's goal of increasing access to affordable and reliable sources of electricity[26]

[24] Ministry of Finance and Economy, Brunei Darussalam. (2020). *Towards a Dynamic and Sustainable Economy, Economic Blueprint for Brunei Darussalam*.
[25] *National Solar Park Project: Procurement Plan*. (2020). Retrieved from https://www.adb.org/sites/default/files/project-documents/51182/51182-001-pp-en.pdf
[26] Asian Development Bank. (2019). *ADB-Supported Solar Project in Cambodia Achieves Lowest-Ever Tariff in ASEAN*. Retrieved from https://www.adb.org/news/adb-supported-solar-project-cambodia-achieves-lowest-ever-tariff-asean

INDONESIA

Sovereign ASEAN-aligned SDG Bond

In September 2021, the Government of Indonesia issued its inaugural EUR500 million SDG bond.

- Final order book saw demand of more than EUR 1.2 billion, representing an oversubscription rate of 2.4x the allocated amount.
- The issuances were allocated 84% to EMEA, 13% to APAC, and 3% to US. By investor type, 71% was allocated to asset managers/fund managers, 16% to banks/brokers, 7% to insurance/pension funds, and 6% to central banks/SSAs.
- Proceeds will be used projects that may qualify as eligible SDGs expenditures under the Republic's SDGs Government Securities Framework.[27]

Green Bond

PT Sarana Multi Infrastruktur (Persero), one of the Special Mission Vehicles under the MOF engaged in financing and preparing infrastructure projects issued an IDR500 billion green bond.

- Proceeds were used towards financing renewable energy and low carbon transportation projects. For renewable energy, proceeds were used to finance two micro-hydro power plants. For the low carbon transportation category, proceeds were used to partially finance the construction of the Jakarta, Bogor, Depok, Bekasi Light Rail Transit project.[28]

In 2015 Indonesia introduced a system for "tagging" of ministry budgets (Budget Tagging Process) to identify expenditures on projects that deliver specified climate change benefits in accordance with the Republic of Indonesia's climate objectives. The Budget Tagging Process was developed with the support of the UN Development Programme and involves a detailed assessment of the climate benefits of projects undertaken by Line Ministries.

[27] Ministry of Finance Indonesia. (2021). *The Republic Of Indonesia Issues Inaugural EUR500 Million Sustainable Development Goals (SDG) Through SEC-Registered Shelf Take-Down*. Retrieved from https://www.djppr.kemenkeu.go.id/page/load/3234

[28] PT Sarana Multi Infrastruktur (SMI). (2020). *Green Bond Report 2020*.

LAO PDR

Grant – Green Climate Fund

Lao PDR, through its Ministry of Natural Resources & Environment, Ministry of Finance and UNEP obtained USD10 million grant support from Green Climate Fund to adopt ecosystem-based adaptation measures and mainstream integrated flood management strategies into planning frameworks to decrease climate-induced flooding[29].

- The project is using nature-based solutions in four cities to build resilience towards ever-increasing floods caused by climate change.
- It is the largest ecosystem-based adaptation project in Lao PDR, and the first-ever urban ecosystem-based adaptation project to be approved by the Green Climate Fund[30].
- Benefits 74,600 people & restores over 2.4 acres of urban wetland & stream ecosystems[31].

[29] Green Climate Fund.(2019). *Building resilience of urban populations with ecosystem based solutions in Lao PDR*.
[30] UN Environment Programme. (2019). *Major new project to use nature-based solutions to help Laos adapt to climate change*. Retrieved from https://www.unep.org/news-and-stories/press-release/major-new-project-use-nature-based-solutions-help-laos-adapt-climate?__cf_chl_managed_tk__=pmd_57d4e10400c0a911b85e244e03f3a374e3215bfa-1629081323-0-gqNtZGzNA2KjcnBszQli
[31] Green Climate Fund.(2019). *Building resilience of urban populations with ecosystem based solutions in Lao PDR*.

MALAYSIA

Sovereign ASEAN Sustainability Sukuk

In April 2021, the Government of Malaysia issued the world's first sovereign U.S. Dollar Sustainability Sukuk, via the issuance of USD800 million 10-year Trust Certificates and USD500 million 30-year Trust Certificates.

- Proceeds will be used for eligible social and green projects aligned to the United Nation's SDG Agenda.
- Enables Malaysia to not only meet its commitments as a responsible nation and signatory to the Paris Agreement, but also further its efforts to advance its people's socio-economic well-being.
- Subsequent to a virtual roadshow covering Asia, the Middle East, Europe and the US, the sukuk attracted a diverse group of investors. The allocation was well-spread globally, with 55% of the principal amount of the 10-year Sukuk distributed to investors in Asia, 33% to EMEA and 12% to the US, whilst 46% of the principal amount of the 30-year Sukuk was distributed to investors in Asia, 33% to EMEA and 21% to the US. [32]

Sustainability-Linked Loan

In October 2020, Sarawak Energy, an electric utility company of the Malaysian state of Sarawak, secured an RM100 million SLL in the form of a revolving credit facility from CIMB Bank Berhad.

- SPTs aimed at improving the environmental and social performance from FY2020 to FY2023.
- Serves as a reminder for Sarawak Energy to keep its grid emission intensity in alignment with the Paris Agreement and its pledge to 'Business Ambition for 1.5°Celsius'. It also keeps Sarawak Energy on track in its goal to fully electrify Sarawak by 2025.
- Rebate against the loan interest will be granted by CIMB Bank Berhad if SPTs are met.
- Sarawak Energy intends to use the interest rebates received from CIMB Bank Berhad for its youth education sustainability programmes, as a way of giving back to the community. [33]

[32] Ministry of Finance Malaysia. (2021). *World's First Sovereign U.S. Dollar Sustainability Sukuk Issuance by The Government of Malaysia*. Retrieved from https://www.mof.gov.my/en/news/press-release/world-s-first-sovereign-u-s-dollar-sustainability-sukuk-issuance-by-the-government-of-malaysia

[33] Sarawak Energy. (2020). *Sarawak Energy Secures Its First Sustainability-Linked Loan (SLL) of RM100 Million from CIMB*. Retrieved from https://www.sarawakenergy.com/media-info/media-releases/2020/sarawak-energy-secures-its-first-sustainability-linked-loan-sll-of-rm100-million-from-cimb

MYANMAR

Grant – Green Climate Fund

Enhance Capacity of Myanmar to Advance the Process of Formulation and Implementation of National Adaptation Plan through UNEP

- The Green Climate Fund readiness and preparatory support project is to enhance institutional and technical capacity of the Government of Myanmar to undertake the process of formulation and implementation National Adaptation Plan.
- The process of formulation and implementation of the National Adaptation Plan will support integration of climate change adaptation into existing strategies, policies and programmes particularly into development planning processes.[34]

[34] Green Climate Fund. (2020). *Readiness Proposal with United Nations Environment Programme (UNEP) for Republic of the Union of Myanmar*.

PHILIPPINES

ASEAN Green Bond

AP Renewables Inc. issued a PHP10.7 billion bond to support the Tiwi and MakBan geothermal power plants, which have a combined capacity of ~700MW.

- AP Renewables Inc. (APRI) is a subsidiary of the listed AboitizPower Corp (APC), which is a large energy developer in the Philippines.
- The Tiwi and MakBan geothermal power plants were acquired from the Government of the Philippines, financed from equity investments by APC. Debt could not be raised initially due to potential lenders' low risk appetite and the impact of the global financial crisis on the debt market in the Philippines at that time.
- In 2016, USD250 million of APRI's equity was refinanced using an A-loan from ADB of USD40 million equivalent in local currency, as well the ASEAN Green Bond issuance.
- Together with risk-sharing participants, ADB provided credit enhancement for the unrated ASEAN Green Bond in the form of a 75% guarantee of the principal & interest.
- The bond was fully subscribed by BPI Capital.[35]

ASEAN Catalytic Green Finance Facility

The EDSA Greenways Project in the Philippines, approved by ADB in December 2020, met the requirements for ACGF support and included financing from the ASEAN Infrastructure Fund.

- ADB approved a USD123 million loan, including USD15 million for the construction of covered walkways, which will provide alternate routes for passengers in "high-density traffic locations" in Metro Manila as well as encourage people to switch from private vehicles to public transport.
- The project is part of the Philippine Government's "Build, Build, Build" infrastructure development program and it aims to provide safe, inclusive, and equitable access to people while lowering CO2 emissions.[36]

[35] Asian Development Bank. (2020). *AP Renewables, Inc. Tiwi and MakBan Geothermal Power Green Bonds Project (Philippines)*.

[36] Asian Development Bank. (2020). *$123 Million ADB Loan to Help Build Elevated Walkways in Manila*. Retrieved from https://www.adb.org/news/123-million-adb-loan-help-build-elevated-walkways-manila

SINGAPORE

Green Bonds

In Singapore's Budget 2021 Statement, it was highlighted that the Singapore Government will take the lead by issuing green bonds on select public infrastructure projects[37].

- SGD19 billion of public sector green projects have been identified as a start.
- One such green project to be financed with green bonds is Tuas Nexus Integrated Waste Management Facility.

In September 2021, under The National Environment Agency ("NEA") issued SGD350 million & SGD1.3 billion in 10-year & 30-year green bonds at a coupon rate of 1.67% & 2.50% respectively.

- NEA is the leading public organisation responsible for ensuring a clean and sustainable environment for Singapore. It is the first statutory board to issue green bonds in support of Singapore's green finance market.
- NEA's bonds were well-received, with combined order books amounting to over SGD2 billion. At issuance date, NEA's green bond is the longest tenor green bond denominated in Singapore Dollar till-date.
- The proceeds of the green bonds will go towards the development of sustainable waste management infrastructure, such as the Tuas Nexus Integrated Waste Management Facility, which is Singapore's first integrated facility to treat incinerable waste, source-segregated food waste and dewatered sludge.
- NEA's green bond framework sets out NEA's objectives in issuing green bonds and how it proposes to issue and manage the green bonds in accordance with the four core components of the Green Bond Principles 2018 issued by ICMA.[38]

[37] Ministry of Finance, Singapore. (2021). *Budget 2021 Emerging Stronger Together*. Retrieved from https://www.mof.gov.sg/docs/librariesprovider3/budget2021/download/pdf/fy2021_budget_statement.pdf
[38] National Environment Agency. (2021). *NEA To Establish S$3 Billion Multicurrency Medium Term Note Programme And Green Bond Framework*. Retrieved from https://www.nea.gov.sg/media/news/news/index/nea-to-establish-3-billion-multicurrency-medium-term-note-programme-and-green-bond-framework

Sustainability-Linked Bond

In February 2021, Surbana Jurong Group, a global urban, infrastructure and managed services consulting firm issued a SGD250 million sustainability-linked bond (SLB).

- The 10-year SLB with a coupon rate of 2.48% is the first Singapore dollar SLB in Singapore and first public SLB issuance from a Southeast Asian based company.
- The bond was more than six times oversubscribed, drawing over SGD1.7 billion in orders.
- The proceeds of the bond will be used to fund future growth, refinance existing credit lines and provide working capital whilst boosting the Issuer's efforts to translate the UN SDGs into concrete, measurable actions. [39]

Sustainability Performance Targets

1	10% reduction in Scope 1 & 2 GHG emissions intensity expressed as a total amount of tCO_{2e} per full-time employee (net of carbon offsets) generated by the Surbana Jurong Group operating out of the Relevant Businesses from a base financial year ending 31 Dec 2022, by financial year ending 31 Dec 2029.
2	Scope 1 & 2 GHG amounts (net of carbon offsets) in the Surbana Jurong Campus over which the Issuer has direct control being zero or less than zero emissions by 30 Aug 2030.

If the sustainability goals are not met, Surbana Jurong has committed to pay investors a premium payment of 0.75 per cent of the redemption amount at maturity[40].

[39] Surbana Jurong Group. (2021). *Surbana Jurong Group bond, Southeast Asia's first public sustainability-linked bond, is more than six times oversubscribed*. Retrieved from https://surbanajurong.com/resources/news/surbana-jurong-group-bond-southeast-asias-first-public-sustainability-linked-bond-is-more-than-six-times-oversubscribed/

[40] Surbana Jurong Private Limited. (2021). *Issue of S$250,000,000 2.48% Sustainability-Linked Notes due 2031 under the U.S.$1,000,000,000 Multicurrency Debt Issuance Programme*.

THAILAND

Sovereign ASEAN Sustainability Bond

In 2020 & 2021, the Government of Thailand issued sustainability bonds worth THB157 billion where proceeds have both green & social components.

- The proceeds will finance green infrastructure through the Mass Rapid Transit Orange Line (East) Project, as well as social impact projects to assist with COVID-19 recovery, such as public health measures, job creation programs & local public infrastructure development.

ASEAN Social Bond

The National Housing Authority issued an ASEAN social bond and a sustainability bond in 2020 and 2021 totalling THB11.9 billion, one of the first social bonds issued by a state-owned enterprise in ASEAN.

- The social bond will finance affordable housing in Thailand and promote sustainable communities. The sustainability bond will be used to finance affordable and green housing projects, including energy-efficient housing and eco-friendly building.
- It is hoped that providing affordable housing within cohesive communities will also help reduce the impact of COVID-19 and increase resilience to future pandemics, which will be felt most devastatingly in poor and densely populated urban areas.[41]

Technical assistance through the ASEAN Catalytic Green Finance Facility via bond framework development and external reviews supported the issuances by the Government of Thailand and the National Housing Authority.[42]

ASEAN Green Bond

BTS Group Holdings issued two green bonds in 2019 and 2020 to finance parts of its railway construction as the country's low-carbon transport sector.

- BTS Group Holdings is an example of how green bonds were utilised to finance state-owned green infrastructure projects in Thailand.
- Proceeds from the green bonds are utilised for investment and debt repayment of the two monorail mass transit projects; the Pink line Project, Khae Rai-Min Buri section and the Yellow line Project, Lad Prao-Sam Rong section.
- The projects aim to elevate Bangkok's electric mass transit network to promote travel by public transportation with electric energy, which will reduce the use of fossil-fueled vehicles, thereby resulting in the reduction of carbon emission in Bangkok. [43]

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[41] National Housing Authority. (2021). *National Housing Authority Sustainable Finance Framework*.
[42] ADB & ASEAN Catalytic Green Finance Facility. (2021). *Accelerating Green Finance in Southeast Asia*.
[43] BTS Group. (2020). *BTS Group Announce the Success of the 2nd Green Bond Issuance with more than 3.3 times Oversubscription*. Retrieved from https://www.btsgroup.co.th/en/update/news-event/631/bts-group-announce-the-success-of-the-2nd-green-bond-issuance-with-more-than-33-times-oversubscription

VIET NAM

Green Bonds

The People's Committee of Ba Ria Vung Tau Province in September 2016 issued a VND80 billion (USD4 million) 5-year green bond, followed by the Ho Chi Minh City Finance and Investment State Owned issuing a VND523.5 billion (USD23 million) 15-year green bond in October 2016.

- Both these green bonds which were issuance by Vietnamese local government entities were the first VND-denominated green bonds, which were also listed on the Hanoi Stock Exchange.
- These issuances were part of a pilot program between the Ministry of Finance and the German International Cooperation Agency, aiming to prepare the market for future issuance.
- Proceeds from the 5-year green bond were allocated to a water resource management project, and proceeds from the 15-year green bond were allocated to 11 projects related to water and adaptation infrastructure.[44]

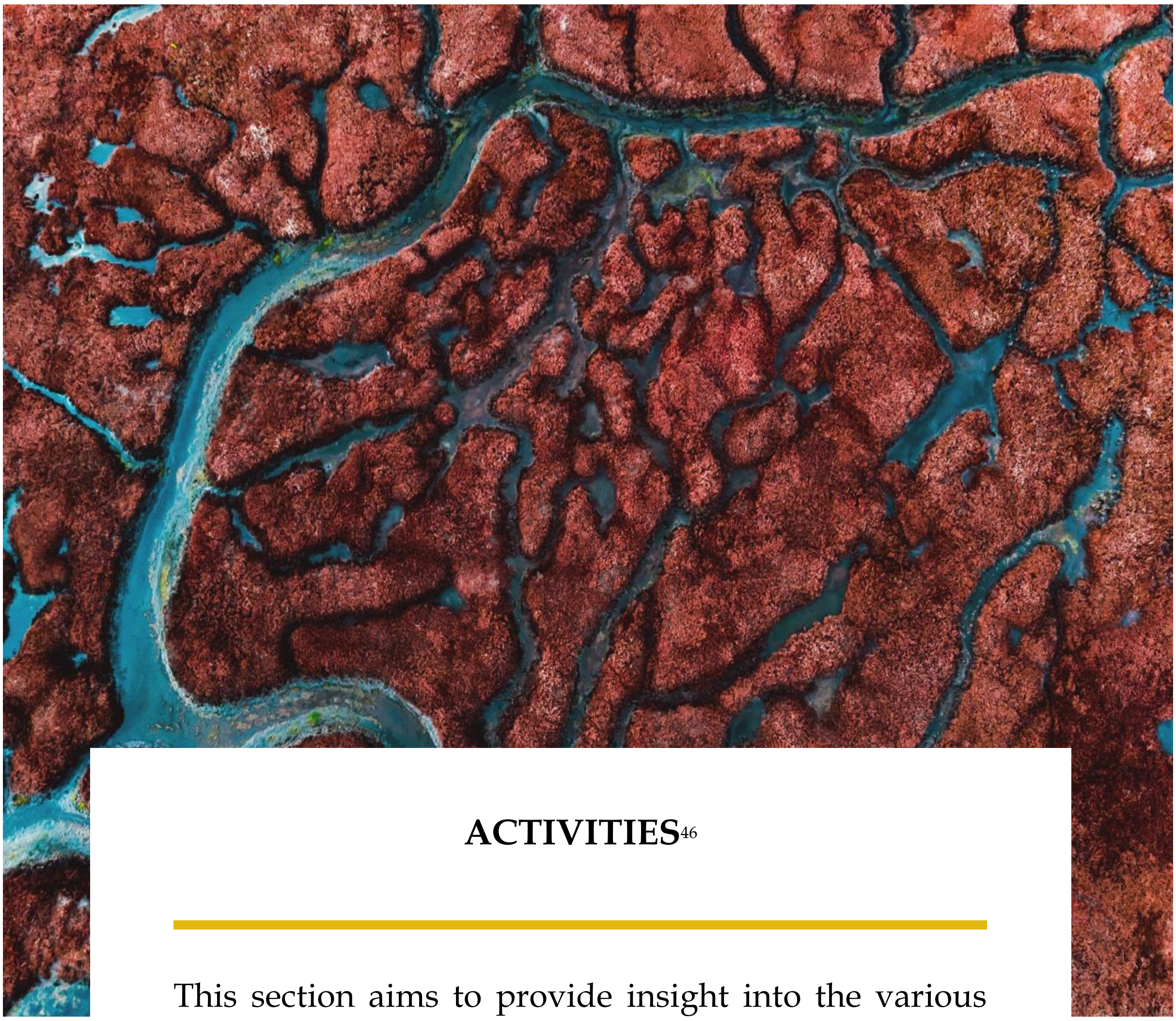
Grant – Green Climate Fund, World Bank

World Bank and Green Climate Fund provided Viet Nam with USD86.3 million (USD11.3 million grant and USD75 million guarantee) to spur energy efficiency investments.

- Grant will be used to build capacities for the private sector to identify, appraise and execute energy efficiency projects.
- It will also provide technical assistance to the Ministry of Industry and Trade as well as relevant authorities to strengthen policy frameworks and regulations with the aim of creating an enabling environment to accelerate the energy efficiency market in Viet Nam.
- The remaining grant funds and the guarantee will be used to establish a risk sharing facility to provide partial credit guarantees to support local banks who may risk potential defaults on loans for energy efficiency projects.[45]

[44] Climate Bonds Initiative. (2019). *Green Infrastructure Investment Opportunities*. Retrieved from https://www.climatebonds.net/files/reports/final_english_giio_vietnam_report.pdf

[45] The World Bank. (2021). *World Bank, Green Climate Fund provide Viet Nam with US$86.3 million to spur energy efficiency investments*. Retrieved from https://www.worldbank.org/en/news/press-release/2021/03/08/wb-gcf-provide-vietnam-with-us863-million-to-spur-energy-efficiency-investments



ACTIVITIES[46]

This section aims to provide insight into the various projects and activities that governments can consider financing via sustainable financing avenues.

It sets out the various activities globally that have utilised sustainable finance, with a focus on issuances of green, social and sustainability bonds by governments.

In addition, it also highlights some activities that can be financed via sustainable financing, especially following the economic and social impact of COVID-19.

[46] Input towards this chapter was provided by PwC Malaysia.

Sustainable Financing Activities Globally

The proceeds of green, social and sustainability bond instruments are exclusively applied to finance green, social or a combination of green and social projects, including projects related to the pandemic. Such bond instruments are usually aligned with the International Capital Market Association's (ICMA) Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines, and for ASEAN issuances, the ASEAN Green Bond Standards, ASEAN Social Bond Standards and ASEAN Sustainability Bond Standards.

Green bonds are generally used to fund projects in the areas of renewable energy, green buildings, clean transportation, energy efficiency, pollution prevention and control, and sustainable water management. Social bonds focus on projects such as employment generation and access to essential services.

The table below highlights the various type of projects that have been financed by sovereign green, social and sustainability bonds, including pandemic bonds:

Green Bond	Social Bond	Sustainability Bond	Pandemic Bond
• Infrastructure • Mass Rapid Transit (MRT) • Waste and water treatment • Renewable energy	• Loans to small & medium enterprises (SMEs) • Affordable home • Digital payment systems	• Combination of green and social projects	• Healthcare • Business recovery programmes

Source: PwC Malaysia analysis

Below are some case studies of green, social and sustainability bonds, which were issued by sovereigns outside the ASEAN region.

Chile Sustainability Bond

Chile raised a total of about USD4.25 billion in Euro and U.S. dollar markets back in January 2021, the biggest sustainability bond at the time issued by a Latin American sovereign in foreign debt markets. The nation borrowed USD2.25 billion in a two-part dollar-denominated sale that included USD1.5 billion of sustainability bonds, as well as EUR1.65 billion (USD2 billion) in European markets to fund green and social projects.

As per Chile's sustainable bond framework, the government can use social bond proceeds to fund projects aimed at supporting the elderly or people with special needs, low-income families, food security and programmes designed to alleviate unemployment, among others.

Meanwhile, green bonds can fund initiatives like clean transportation, renewable energy and green buildings. For example, Chile's previous green bond issuance in 2019 was used to finance projects related to metro lines, electromobility, installation of solar panels, sustainable buildings and water monitoring systems.[47,48]

Egypt Green Bond

Egypt is taking strides towards the achievement of its 2030 development agenda, which is in line with the global sustainability goals. In 2020, the Government of Egypt launched its first sovereign green bond offering, which was 5 times oversubscribed.

Egypt turned to international markets to raise USD3.8 billion from the sale of dollar-denominated bonds in early 2021. It also sold USD750 million of green bonds in 2020.

The proceeds from the transaction are being spent on environmentally-friendly green projects, including in clean transportation, renewable energy, energy efficiency, pollution control and reduction, climate change adaptation, and the sustainable management of water and sanitation, in light of the "Egypt Vision 2030" which gives priority to green investment projects.[49,50]

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[47] Bloomberg. (2021). *Chile Sells Biggest Latin American Sovereign Sustainability Bond*. Retrieved from https://www.bloomberg.com/news/articles/2021-01-20/chile-sells-biggest-latin-american-sovereign-sustainability-bond

[48] Environmental Finance. (2020). *Green bond of the year, sovereign - Republic of Chile*. Retrieved from https://www.environmental-finance.com/content/awards/green-social-and-sustainability-bond-awards-2020/winners/green-bond-of-the-year-sovereign-republic-of-chile.html

[49] Reuters. (2020). *Egypt becomes first Arab country to issue Green bonds with $750 million deal*. Retrieved from https://www.reuters.com/article/egypt-bonds-int-idUSKBN26K1MJ

[50] Renewables Now. (2020). *Egypt issues 1st sovereign green bond in USD-750m deal*. Retrieved from https://renewablesnow.com/news/egypt-issues-1st-sovereign-green-bond-in-usd-750m-deal-715514/

Fiji Green Bond

To protect its 900,000 citizens and their livelihoods, in 2017, Fiji developed and launched a sovereign green bond—the first developing nation to do so. The International Finance Corporation and the World Bank supported this effort.

Fiji's sovereign green bond raised a total of 100 million Fijian dollars (USD50 million) to support climate change mitigation and adaptation. Projects being financed with proceeds from the green bond include investments in crop resilience, flood management in sugarcane fields, reforestation, and rebuilding schools to better withstand violent weather.

Fiji will also use bond proceeds for projects supporting its commitment to achieve 100 percent renewable energy and reduce its carbon emissions in the energy sector by 30 percent by 2030. [51,52]

Hungary Green Bond

In June 2020, Hungary's government issued a 15-year EUR1.5 billion (USD1.7 billion) green eurobond to finance various environmentally-friendly investments funded by the central budget, which has since been oversubscribed more than 5 times.

Proceeds from the bonds will be funnelled to selected projects including:

- The Rural Development Programme – to provide support to individual farm owners and local institutions to implement energy efficiency measures through education and advisory services;
- The Irinyi Plan – to provide subsidies to SMEs for technology, development in waste separation and reutilisation as energy resource; and
- Expenditures to promote energy efficiency, clean transport services and modal shift towards public transportation.[53,54]

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[51] The World Bank. (2017). *Fiji Issues First Developing Country Green Bond, Raising $50 Million for Climate Resilience*. Retrieved from https://www.worldbank.org/en/news/press-release/2017/10/17/fiji-issues-first-developing-country-green-bond-raising-50-million-for-climate-resilience

[52] International Finance Corporation. (2017). *A Green Bond to Help Fiji Secure a Greener Future*. Retrieved from https://www.ifc.org/wps/wcm/connect/news_ext_content/ifc_external_corporate_site/news+and+events/news/cm-stories/fiji-green-bond-for-a-greener-future

[53] *Hungary Green Bond Framework*. (2020). Retrieved from https://www.akk.hu/download?path=64709b3f-e69d-4969-b271-9d1db8f469bd.pdf

[54] Budapest Business Journal. (2020). *Hungary issues EUR 1.5 bln green eurobond*. Retrieved from https://bbj.hu/economy/finance/debt/hungary-issues-eur-1-5-bln-green-eurobond

Mexico SDG Bond

Mexico renewed its commitment to the SDGs by issuing a 15-year SDG Sovereign Bond for a total value of EUR1.25 billion (USD1.4 billion) in July 2021.

The operation was oversubscribed by 2.6 times. The first issuance back in September 2020 was a EUR750 million 7-year SDG bond, which was the first ever SDG Bond by a sovereign, garnering great attention as it was oversubscribed 6.4 times.

The proceeds raised through Mexico's SDG Bonds issuances will finance projects located in 1,345 cities like training to small and medium farmers, educational training centers, provision of targeted health programmes, digital payment systems, construction of infrastructure run by indigenous and afro-Mexicans, development of rural roads, and others.[55,56]

Miami Forever Bond

A Municipal Mangrove Bond Fund could give municipalities access to finance for projects involving mangrove regeneration and cost-effective green infrastructure, and enable them to provide blue carbon offsets.

In 2017, residents of the city of Miami approved the city's plan to issue the USD400 million USD Miami Forever Bond. From that amount, USD192 million will be directed to 'green-grey infrastructure', including sea walls and replanting mangroves, in order to mitigate the impacts of sea-level rise and flooding.[57]

Poland Green Bond

Poland has been issuing green bonds since 2016. More recently, it has issued a EUR1.5 billion (USD1.7 billion) 10-year and EUR500 million (USD560 million) 30-year Green Bond on 28 February 2019. The bond was issued in line with the Issuer Green Bond Framework, with a second party opinion obtained from Sustainalytics.

Poland's green issuance has contributed to the achievement of a balance between anthropogenic greenhouse gas emissions and emission sinks, particularly support for clean transport and renewable energy sources and emission sinks – afforestation.

The green bond proceeds were also spent on refinancing the excise tax exemption for electricity generated from renewable energy sources.[58]

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[55] UNDP. (2021). *Second bond issuance of 1,250 million euros to achieve the Sustainable Development Goals in Mexico*. Retrieved from https://www.latinamerica.undp.org/content/rblac/en/home/presscenter/pressreleases/2021/second-bond-issuance-of-1-250-million-euros-to-achieve-the-susta.html

[56] Natixis. (2021). *Mexico's € 750m 7-year inaugural SDG Bond met strong investors' appetite*. Retrieved from https://www.latinamerica.undp.org/content/rblac/en/home/presscenter/pressreleases/2021/second-bond-issuance-of-1-250-million-euros-to-achieve-the-susta.html

[57] Earth Security. (2021). *The Mangroves 40 Cities Network and a Municipal Mangrove Bond Fund*. Retrieved from https://www.blueclimateinitiative.org/sites/default/files/2021-01/Earth%20Security%20Group-M40-Mangroves-o.pdf

[58] Societe Generale. (2019). *Pioneering Poland Pumps Up Environmental Credentials and Considers Local Green Bonds*. Retrieved from https://wholesale.banking.societegenerale.com/en/insights/clients-successes/clients-successes-details/news/pioneering-poland-pumps-environmental-credentials-and-considers-local-green-bonds/

Republic of Benin SDG Bond

In July 2021, Benin successfully launched its inaugural €500 million SDG Bond, the first SDG issuance from an African sovereign. The issuance represents a key milestone for the issuer as the notes were priced with an estimated greenium of 20bps.

This **12.5-year bond** was issued at a coupon rate of 4.95%, and a significant share of the bond (~91%) was allocated to investors with sustainable investment strategies (i.e. incorporating ESG criteria in their investments). Benin's SDG Bond Framework is aligned with the Sustainability Bond Guidelines.[59]

Other Activities

Going forward, ASEAN countries can also leverage on green, social and sustainability bonds to finance post-COVID-19 recovery programmes (projects), such as those outlined in the ASEAN Comprehensive Recovery Framework (ACRF)[60] and its implementation plan, as depicted in the table below.

ACRF Strategies	ACRF implementation plan includes:
• Enhancing the health system • Strengthening human security • Maximising the potential of intra-ASEAN market and broader economic integration • Accelerating inclusive digital transformation • Advancing towards a more sustainable and resilient future	• Bolstering transnational supply chain resilience • Promoting e-commerce, the digital economy, and sustainable infrastructure • Exploring the development of an ASEAN SMEs recovery facility

Source: ACRF

[59] Natixis. (2021). *Republic of Benin's trailblazing €500m 12,5-Y inaugural issuance under its new SDG Bond Framework*. Retrieved from https://gsh.cib.natixis.com/our-center-of-expertise/articles/republic-of-benin-s-trailblazing-500m-12-5-y-inaugural-issuance-under-its-new-sdg-bond-framework
[60] *ASEAN Comprehensive Recovery Framework*. (2022). Retrieved from https://asean.org/wp-content/uploads/2021/09/ASEAN-Comprehensive-Recovery-Framework_Pub_2020_1.pdf

The ACRF strategies and implementation plans can be translated into the following initiatives and projects that can facilitate a sustainable recovery for ASEAN countries:

- **Support SME recovery and redeployment to the digital economy**
  SMEs are the backbone of ASEAN economies. Depending on the country, they account for 89-99% of all businesses. Their contributions to each ASEAN state's GDP ranges from 30% to 53%[61]. SME financing is acknowledged as an example of a project that can be supported via social bonds under the ASEAN Social Bond Standards.

- **Green infrastructure Investment**
  Infrastructure is the backbone of Southeast Asia's economic growth, but the region faces a huge investment shortfall. The ADB estimates that Southeast Asia will require USD184 billion per year from 2016 until 2030 to support investments in infrastructure projects, and this will increase to USD210 billion per year to equip new infrastructure with climate-compatible components.

- **Facilitate upskilling of companies and labour force redeployment**
  The move to a digital and low carbon economy will mean massive change in the labour market. The digital market and green transition could create millions of jobs but would require major investments in reskilling. Access to skills training, raising digital and environmental awareness as well as digital and climate literacy for current workers, even those not affected by job displacement, will be essential.

[61] *ASEAN's perspective on economic recovery*. (2020). Retrieved from https://www.brookings.edu/blog/order-from-chaos/2020/12/17/aseans-perspective-on-economic-recovery/

ADB has also outlined sustainable projects that can help address Asia's pandemic recovery as well as the sustainable use of natural resources, which bodes well with green, social and sustainability bonds, such as:

- **Job creation**
  Sustainable and secure job creation is a key goal of recovery strategies. It can be created directly (e.g. infrastructure construction projects) or indirectly as ancillary economic activities (e.g. trade in agribusiness commodities or ancillary tourism activities).
- **Natural capital**
  Restore, regenerate and prevent degradation of natural capital such as oceans, forest, rivers, and biodiversity, which can provide a sustainable source of income through fishing, agriculture and tourism.
- **Climate change**
  Managing climate change and enabling climate resilience through projects that reduce GHG emissions (renewable energy and electric vehicles), development of carbon sinks (reforestation) as well as addressing waste, air, and water pollution[62].

As highlighted in the previous section on "Achievements", ASEAN has seen a number of sovereign green, social and sustainability bonds issued, which were met with strong demand from investors. The encouraging take-up of sovereign green, social and sustainability bonds opens up an avenue for governments in the region to mobilise funds needed to meet their economic recovery, social and climate change goals, including recovering from the effects of COVID-19.

[62] Asian Development Bank. (2020). *Green Finance Strategies for Post-COVID-19 Economic Recovery in Southeast Asia*. Retrieved from https://www.adb.org/sites/default/files/publication/639141/green-finance-post-covid-19-southeast-asia.pdf

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