

SUPPORTING THE DEVELOPMENT OF THEMATIC BONDS AND SUKUK IN EMERGING MARKETS



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WHO IS THE INTERNATIONAL FINANCE CORPORATION?

- IFC is a member of the World Bank Group with a mission to promote development through investment in private sector
- Owned by 185 member countries and has an AAA credit rating
- Provides debt and equity investments and resource mobilization for the private sector in emerging markets for over 60 year.
- Global presence in almost 100 countries and working with over 2,000 private sector clients



International
Development
Association

Loans and grants to
governments of
developing countries

International Bank for
Reconstruction and
Development

Loans to governments of
middle-income countries

International
Finance
Corporation

Debt and equity investments and
advisory services to private sector in
developing countries

Multilateral Investment
Guarantee Agency

Guarantees of foreign
direct investment's non-
commercial risks

International Centre for
Settlement of Investment
Disputes

Conciliation and arbitration
of investment disputes

SDG - THE COMPASS OF GLOBAL DEVELOPMENT



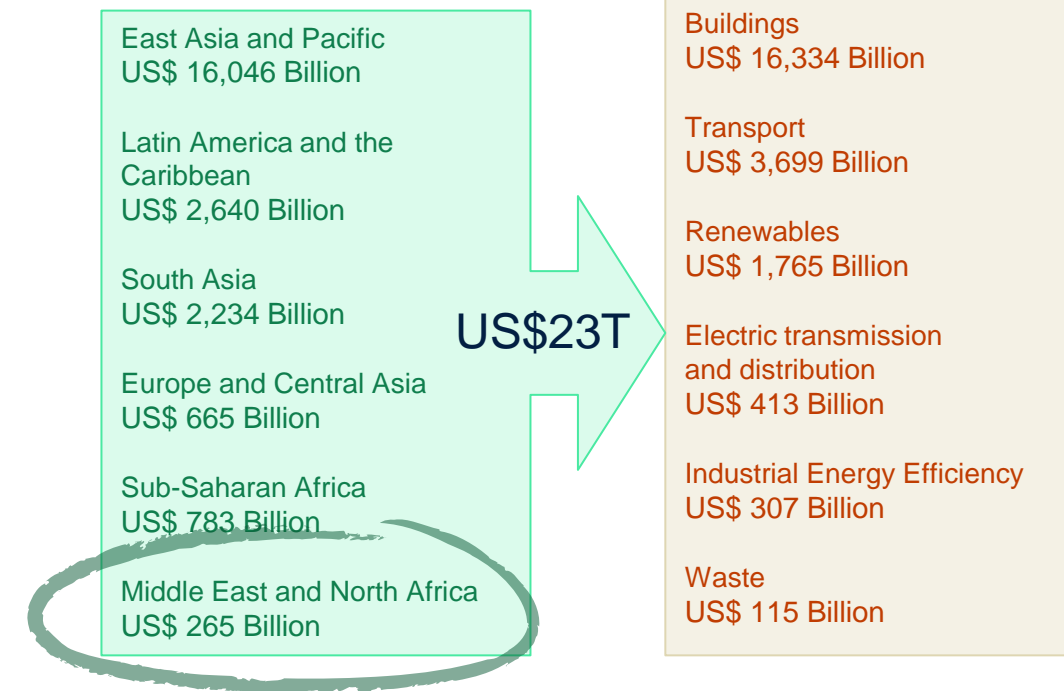
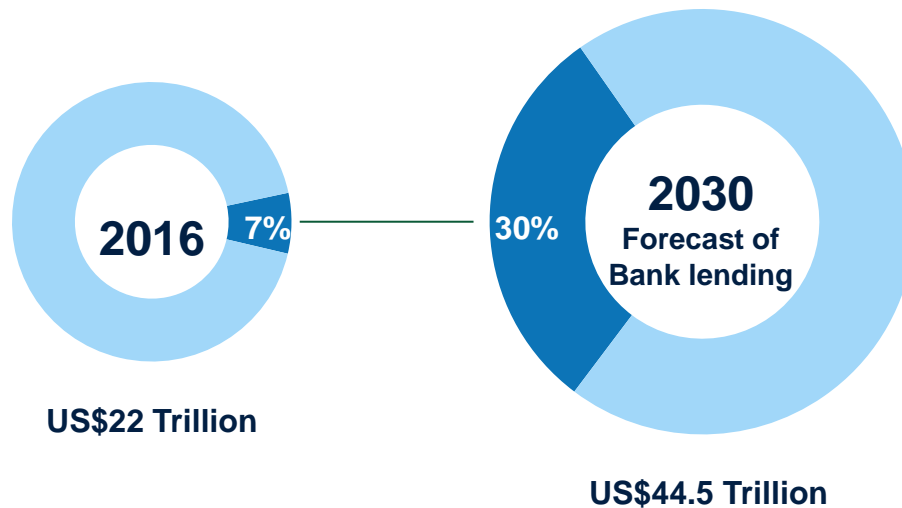
GREEN & CLIMATE-SMART TRANSITION PRESENTS HUGE INVESTMENT OPPORTUNITIES

- IFC study found that **21 countries*** in EM account for **89% share** of EM GHG emissions, and need **US\$23 trillion investment in climate finance by 2030** (this hasn't included financing needs for Climate Smart Agriculture and Adaptation)
- This presents the **single largest growth opportunity for banks in EM** – Could grow the share of green lending portfolio from 7% to 30% by 2030, increasing profitability and gaining market share
- **“Green Banking” will enable outperformance by successful banks** – not just by better managing environmental risks, but by being at the forefront of trillions of dollars of new business related to climate lending

Total Market Opportunity	Financing Source	
	Banks	Capital Markets
US\$ 23 Trillion	US\$ 13 Trillion	US\$ 10 Trillion



- Bank loans
- Bank lending for climate

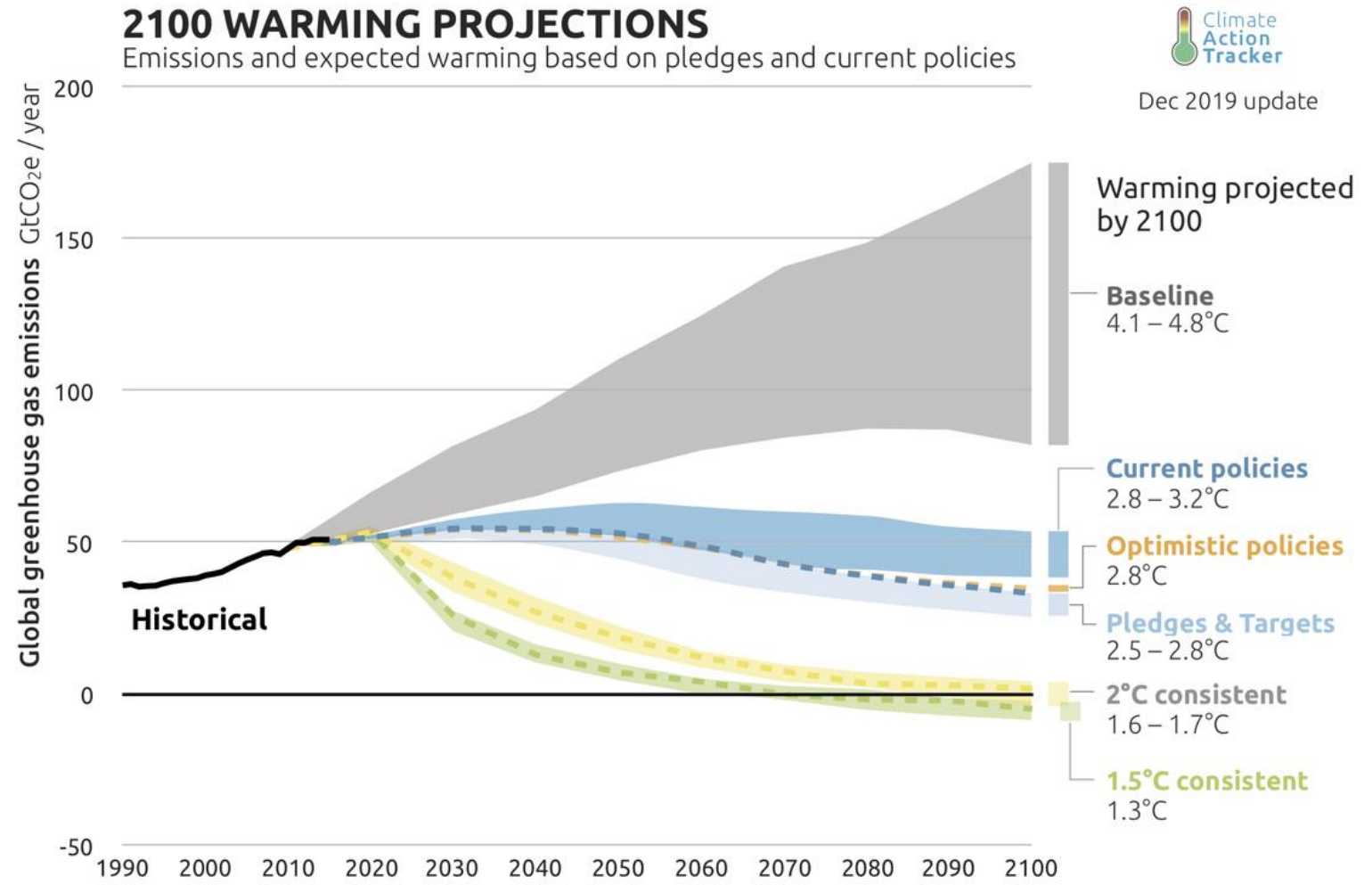


Source: IFC Report and G20 Input Paper *Raising US\$23 Trillion – Greening Banks and Capital Markets for Growth*. An IFC report that analyzes the level of bank and capital markets financing required to finance the NDCs. Adding climate smart agriculture and adaptation investment needs, SSA financing demand will be likely 1 trillion USD.

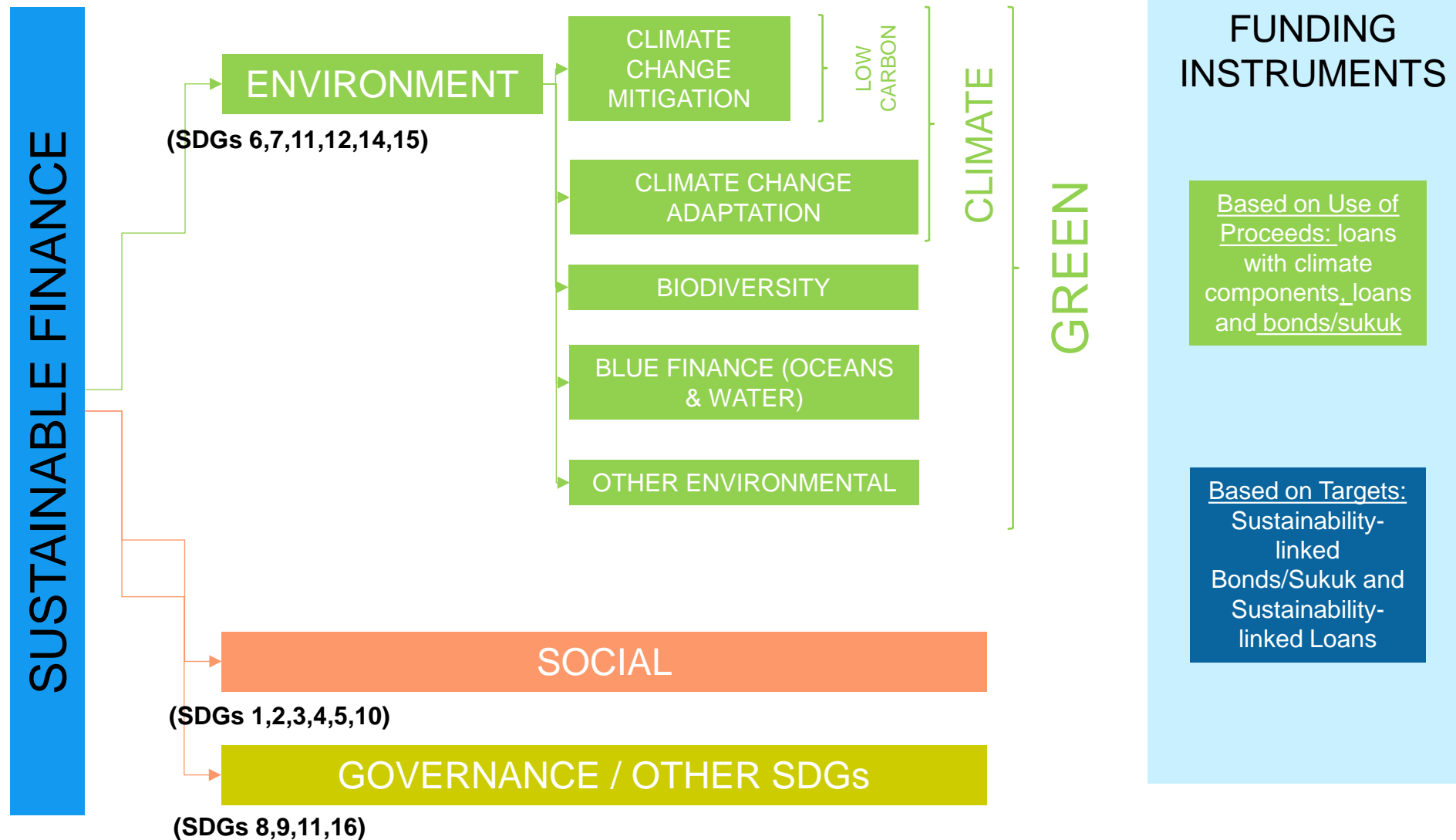
RENEWED FOCUS ON PARIS AGREEMENT ALIGNMENT

EMISSIONS NEED TO DECLINE BY 7.6% PER YEAR

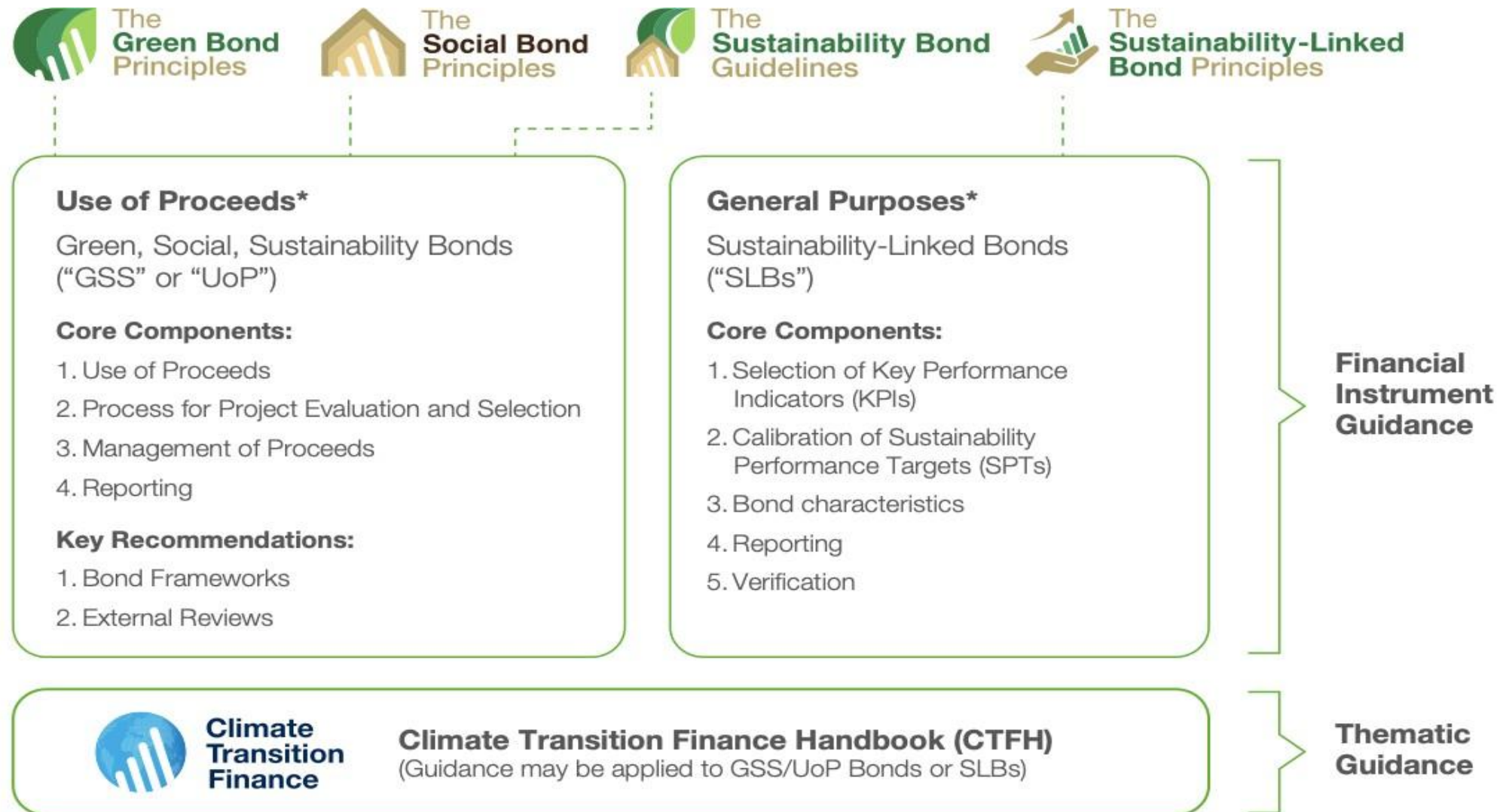
- The aim of the Paris Agreement is to limit global warming
 - ✓ to well below 2 °C above pre-industrial times
 - ✓ to pursue efforts to limit the increase to 1.5°C
 - ✓ to strengthen countries' ability to deal with the impacts of climate change and support them in their efforts
- Between 2020 and 2030 global emissions should decrease by 7.6% per year to achieve the 1.5 °C scenario
- By 2050, global emissions would have to decline by about 60%



SUSTAINABLE FINANCE – WHAT IS WHAT?



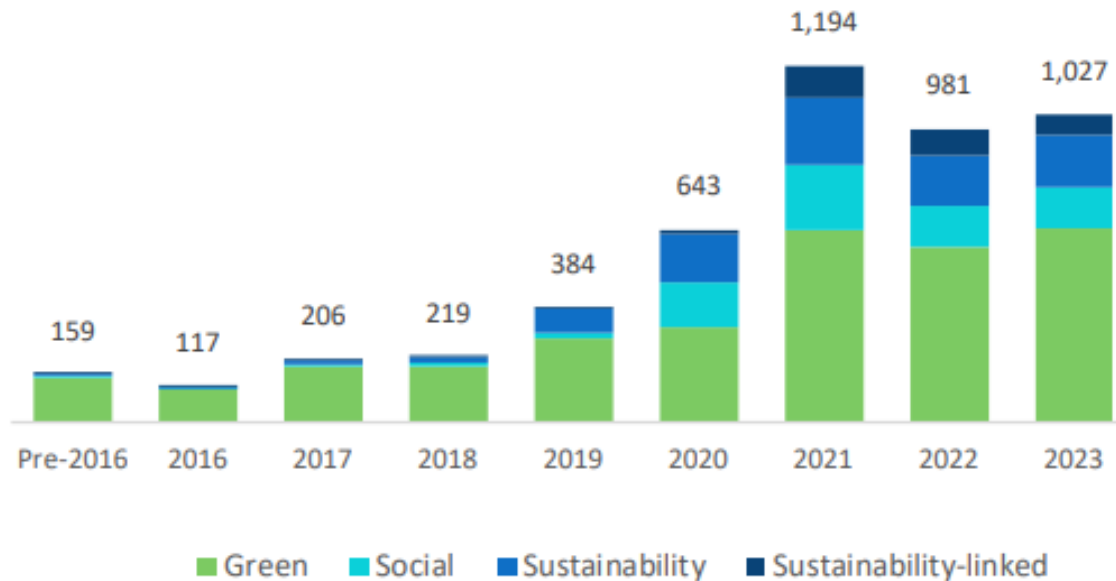
THEMATIC BONDS AND SUKUK: THE ARCHITECTURE OF THE “PRINCIPLES”



EM SUSTAINABLE BOND MARKETS IN THE GLOBAL CONTEXT

Sustainable Bond Market Evolution

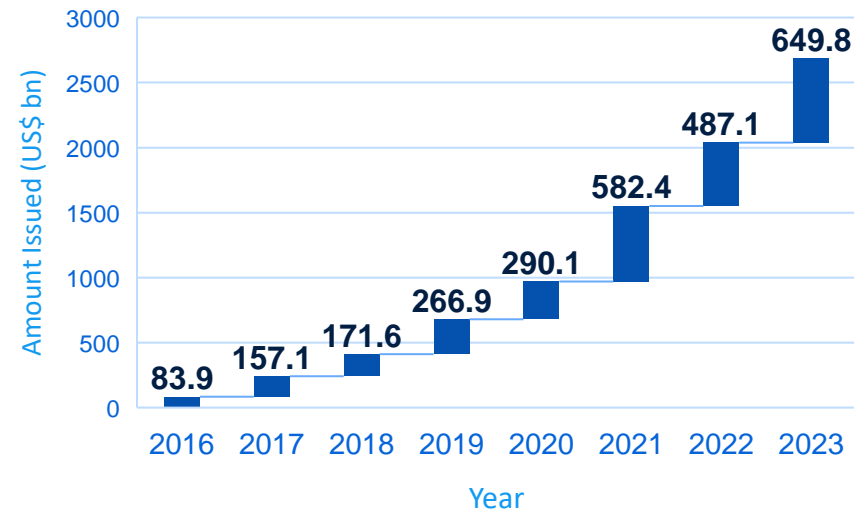
Global GSSS bond annual issuance, USD bn



Source: World Bank based on data from Bloomberg and Bloomberg NEF

Sustainable bond market grows rapidly (US\$ billion), with green bonds accounting for the largest market share

Source: Climate Bonds Initiative; Bloomberg L.P.; Environmental Finance Magazine; and IFC analysis.



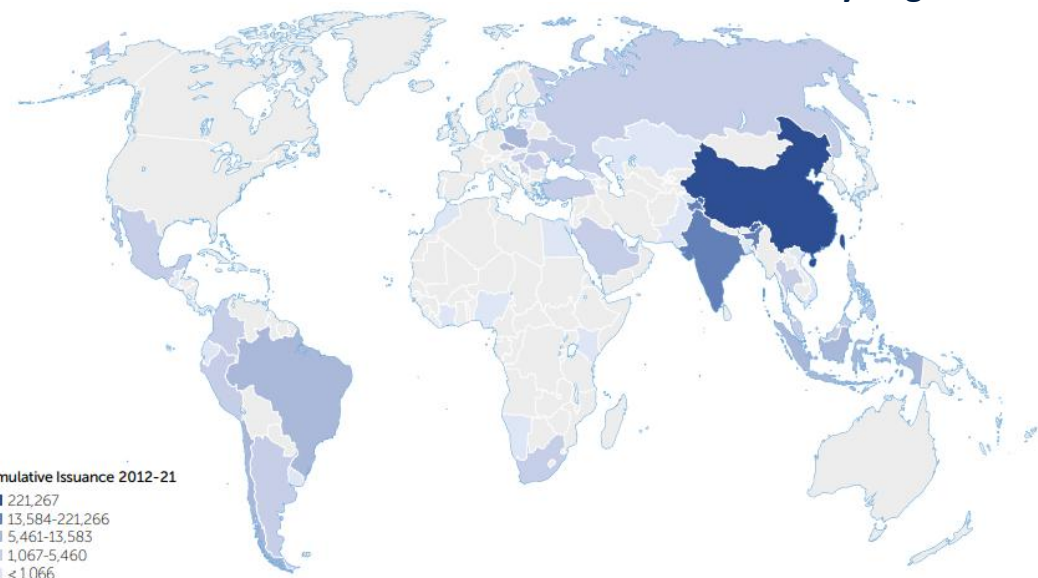
The global green bond market has exceeded USD 4.9 trillion in cumulative issuance (US\$ billion, incl. 2023)



Blue bonds emerge as a subset of green bonds and draw attention to water and marine protection issues

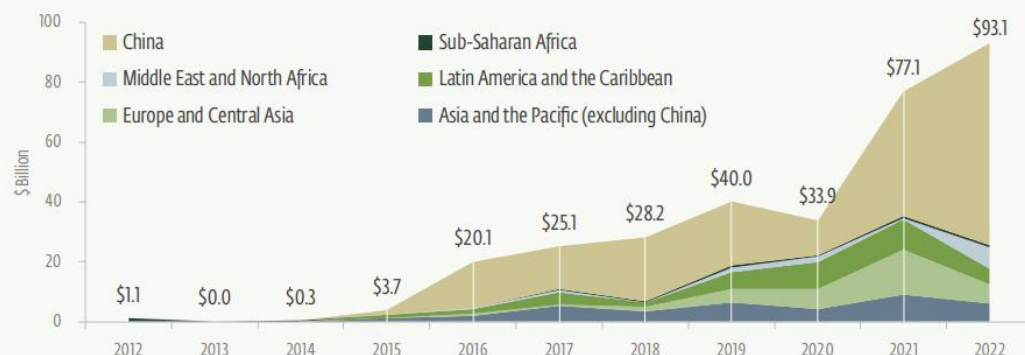
GREEN, SOCIAL, SUSTAINABILITY AND SUSTAINABILITY-LINKED IN EMERGING MARKETS

2012-2021 Cumulative Green Bond Issuances by Region



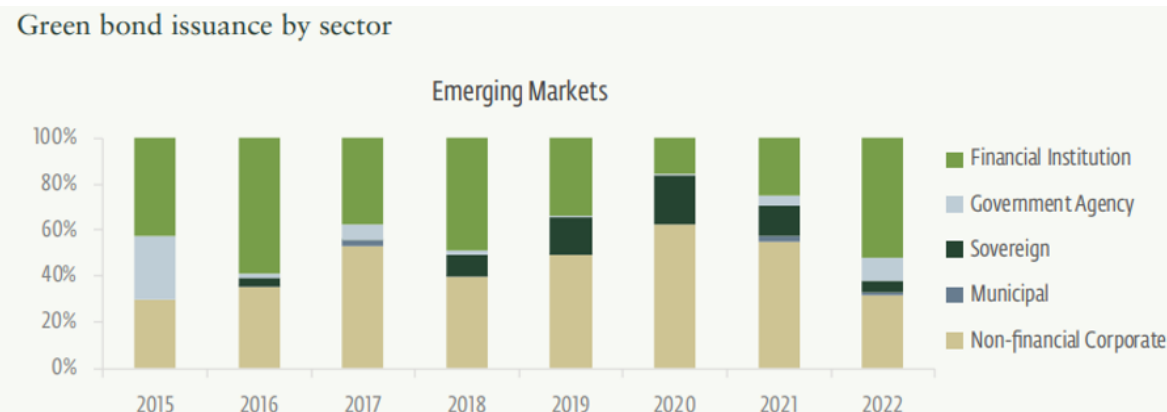
China Was the Only Emerging Market to Increase Green Bond Issuance in 2022

Annual green bond issuance in emerging markets 2012–2022

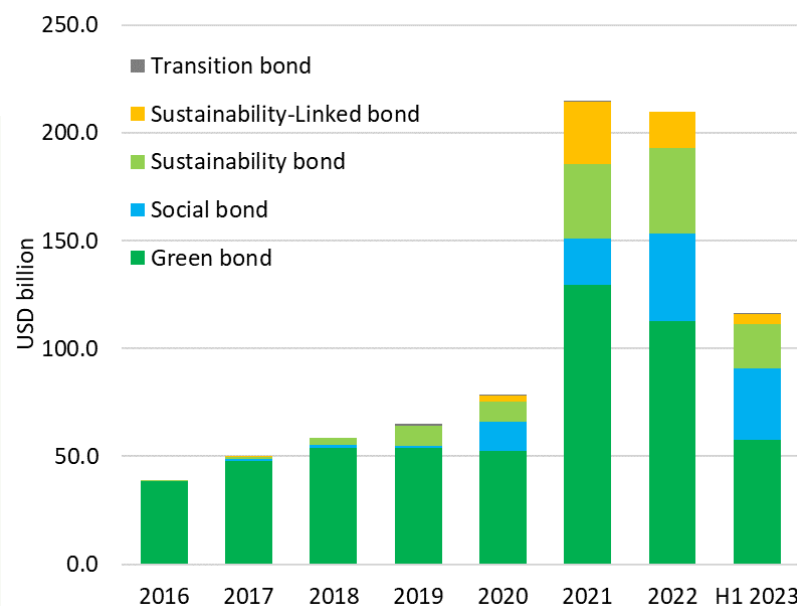


Source: Emerging Markets Green Bond Report 2021 and 2023, Environmental Finance (June 2023)

Green Bond issuance driven by FIs in 2022



EM sustainable bond issuance by type

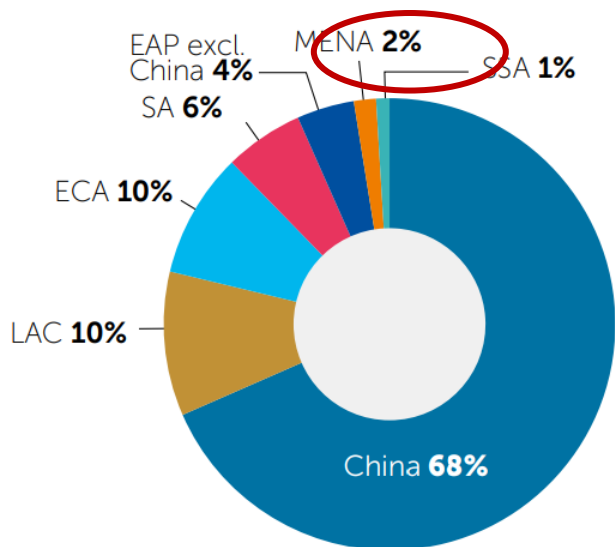
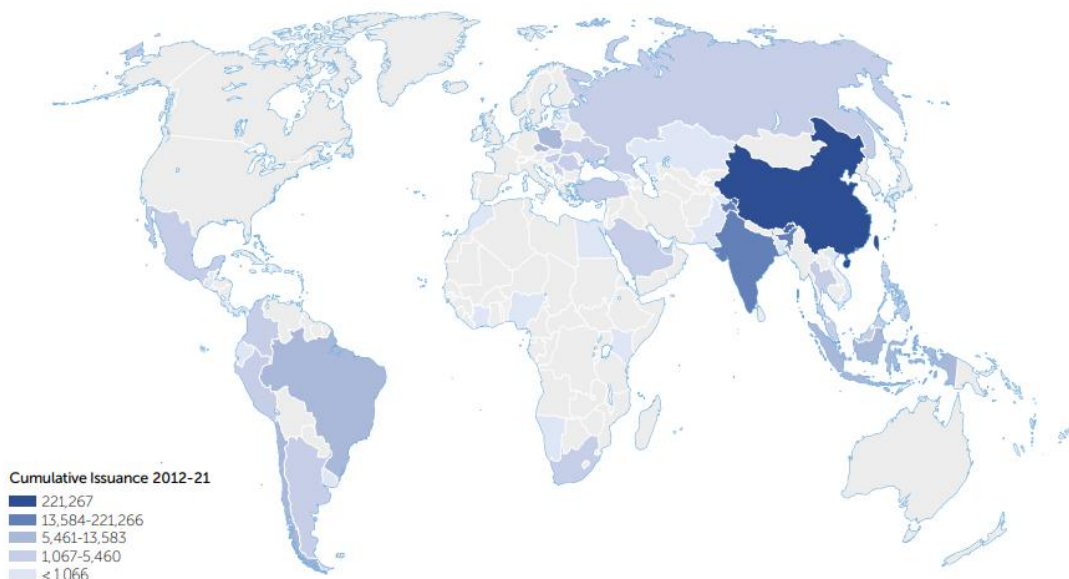


Creating green bond markets:

- ✓ sustainable finance policies and frameworks;
- ✓ green bond issuance momentum;
- ✓ capital market development;
- ✓ governance and political stability.

GREEN, SOCIAL, SUSTAINABILITY AND SUSTAINABILITY-LINKED IN EMERGING MARKETS

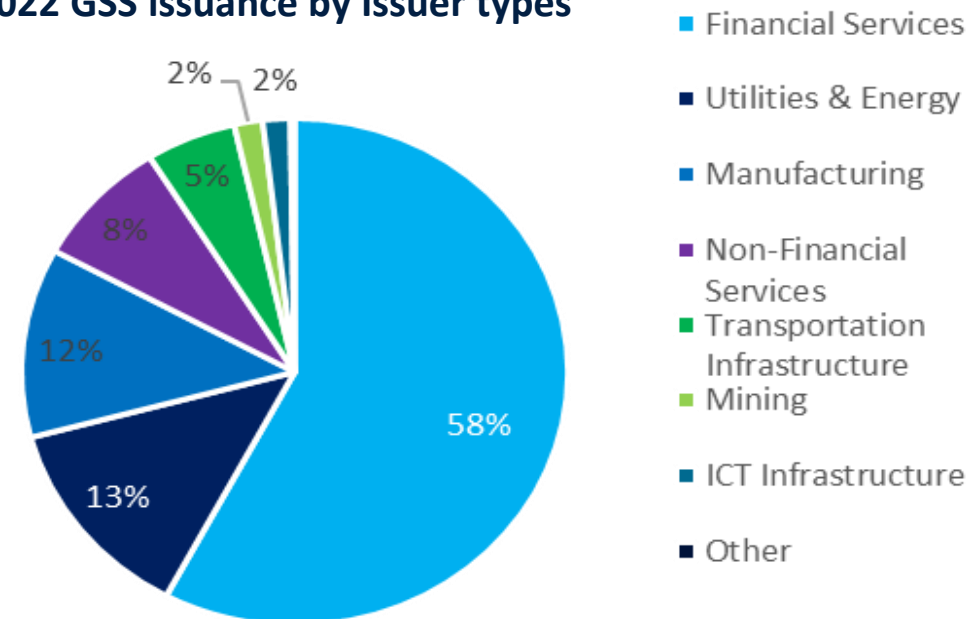
2012-2021 Cumulative Green Bond Issuances by Region



The MENA region only accounts for about 2% of total GSS bond/sukuk issuances

Source: Emerging Markets Gre

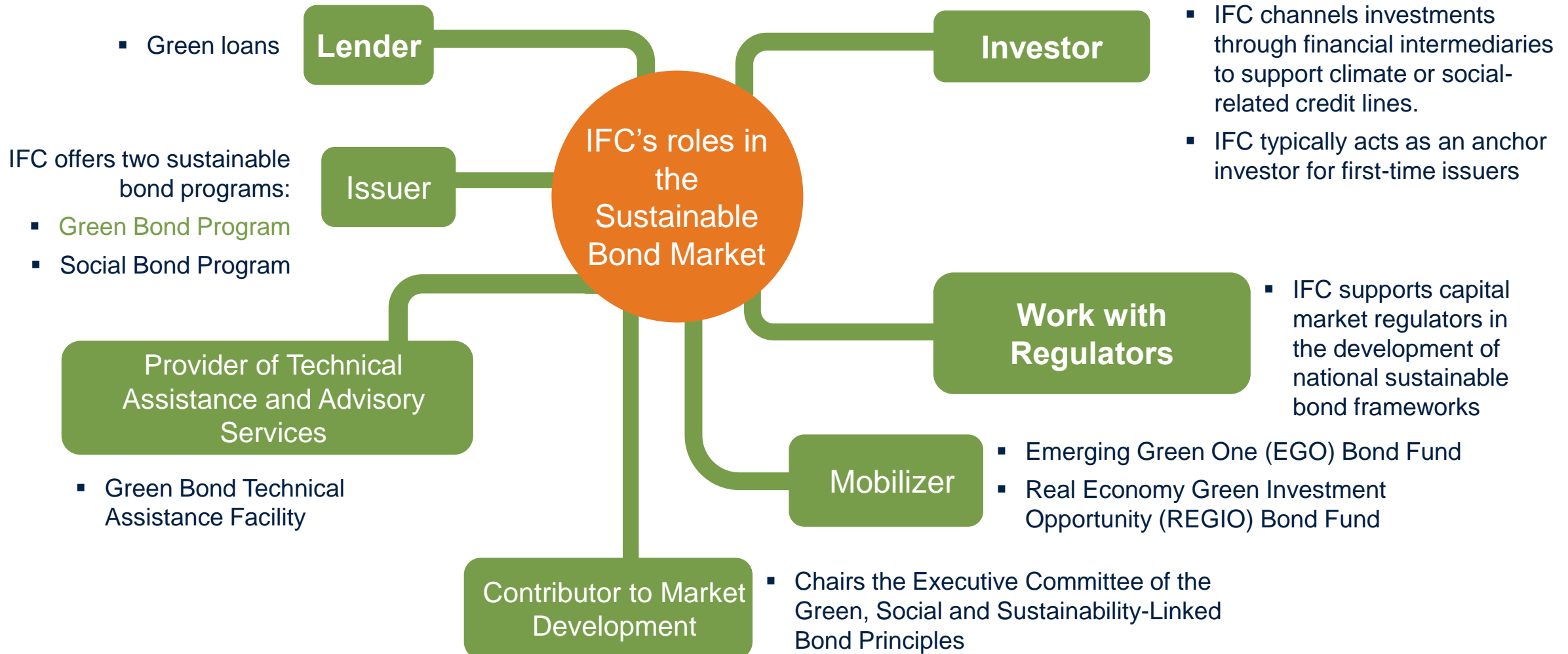
2022 GSS issuance by Issuer types



- The financial sector leads the non-sovereign bond/sukuk issuances. Issuance by FIs increased from \$334 billion in 2021 to \$370 billion in 2022
- In EM real economy issuers represent around 57% sustainable bonds by # of bonds and 41% by value of bonds.

Source: CBI, March 2022

WHAT IS IFC'S ROLE IN THE SUSTAINABLE BOND MARKET?



IFC AS AN ISSUER AND INVESTOR IN GREEN BONDS



IFC is a pioneer in the green bond market and one of the largest global issuers of green bonds.



IFC has issued 172 green bonds in 20 currencies for US\$10.4 billion. In Feb 2013, IFC issued a US\$1.0 billion green bond, the largest issued at that time by any entity and the first liquid benchmark green issue that helped main-stream green bonds as a market instrument.



In 2014, IFC became the first international investor in an EM green bond when it subscribed to a US\$50 million equivalent Indian Rupee green bond issued by Yes Bank, which became the first EM cross border green bond issuance.



In partnership with Amundi, IFC has set-up the world's largest green bond fund with a US\$2 billion investment strategy to support green bonds issued by banks active in EMs.



In partnership with HSBC, IFC created the first global green bond fund with a US\$500 million size targeting “real economy” issuers in EM (REGIO).