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# Asian Impact Webinar: Investors' and Underwriters' Perspectives on Sustainable Finance in ASEAN

November 24, 2022, 3:00 PM, Manila time

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# Introduction

(Background and Objective)





# **BACKGROUND & OBJECTIVE**



# SURVEY ON GREEN BONDS AND SUSTAINABLE FINANCE IN ASEAN

INSIGHTS ON THE PERSPECTIVES OF INSTITUTIONAL INVESTORS AND UNDERWRITERS

NOVEMBER 2022



- Objectives of the regional Survey:
  - To identify market drivers, impediments, and development priorities for ASEAN's sustainable finance market
  - To assist development partners in identifying potential areas of support to accelerate the green bond market's development in the region
- Survey duration: from November 2021 to June 2022
- Respondents: across several ASEAN members
  - 314 responses from institutional investors
  - 96 responses from underwriters, advisors, and securities issuers ASEAN
- The survey report has been jointly developed by ADB and GGGI - <u>https://www.adb.org/publications/survey-greenbonds-sustainable-finance-asean</u>



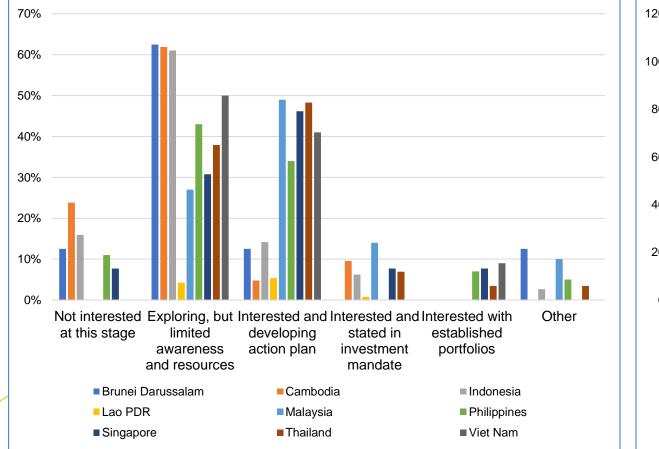
# **Survey Highlights**

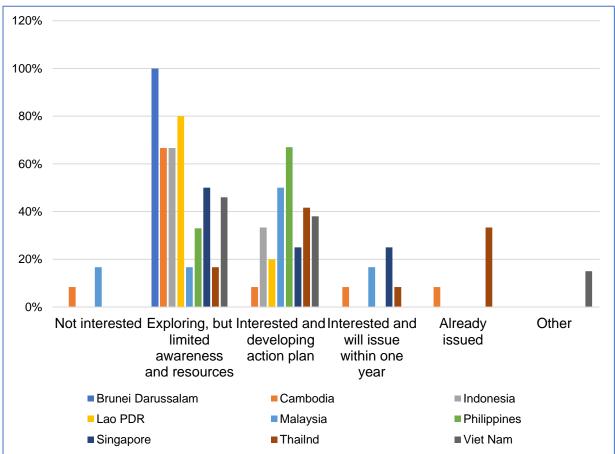


## **DIVERGENT INTERESTS IN GREEN BONDS ACROSS THE REGION**

**INTEREST IN INVESTING IN GREEN BOND** 

**INTEREST IN ISSUING GREEN BOND** 



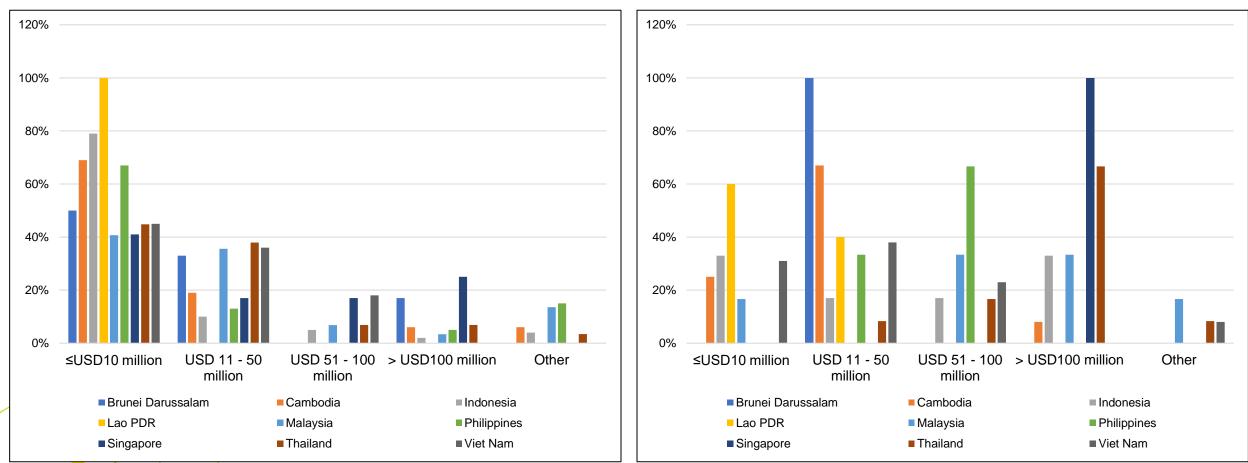




# PREFERRED SMALL TICKET INVESTMENT VS. LARGER TICKET ISSUANCE

**OPTIMAL INVESTMENT SIZE** 

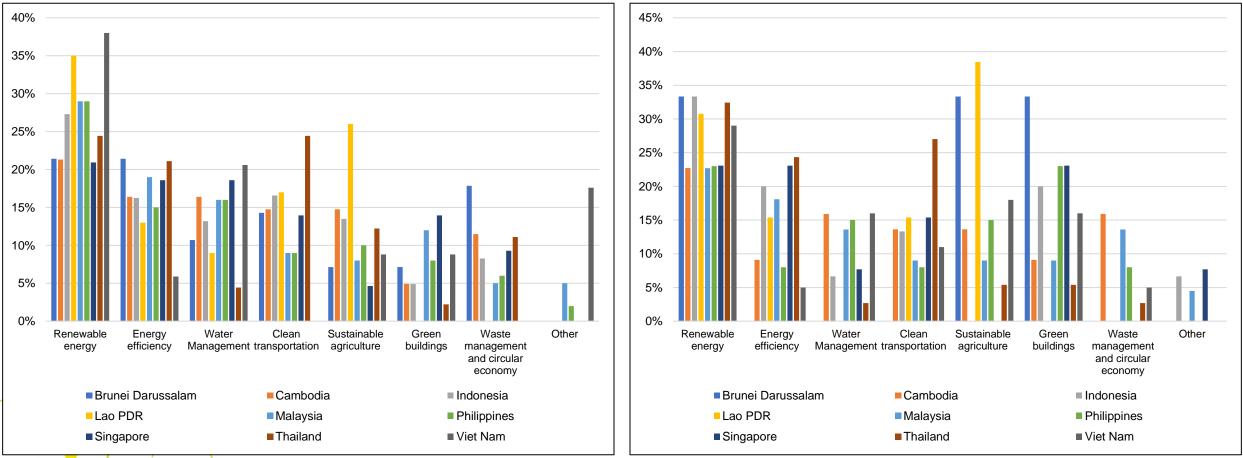
**OPTIMAL ISSUANCE SIZE** 





# **REGIONAL OUTLOOK ON POTENTIAL SECTORS: RENEWABLES ENERGY, ENERGY EFFICIENCY, CLEAN TRANSPORTATION**

### **MOST PROMISING SECTORS FOR GREEN BOND INVESTMENT**



### MOST PROMISING SECTORS FOR GREEN BOND ISSUANCE



## INADEQUATE SUPPLY OF GREEN BONDS IS ONE OF THE MAIN FACTORS HINDERING **MARKET GROWTH**

### MAIN OBSTACLES PREVENTING INVESTMENT IN GREEN BONDS

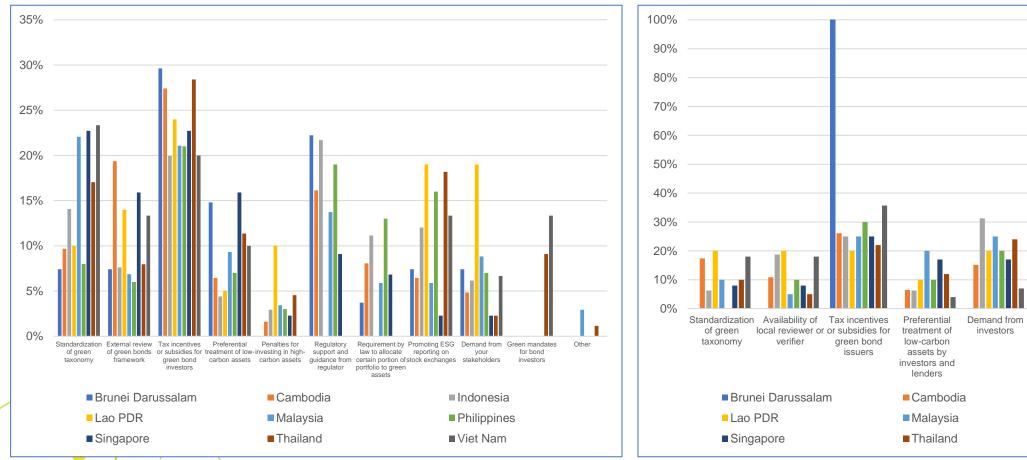
### 60% 60% 50% 50% 40% 40% 30% 30% 20% 20% 10% 10% 0% 0% Absence of Lack of internal Inadequate Higher risk Other No clear Lack of internal Lack of eligible Lack of Other No clear Absence of policy guidance guidance and supply of green inherent in benefits of guidance and project knowledge or policy guidance benefits of green bonds as from regulators resources for bonds or green bonds as resources to awareness on from regulators green bonds pipelines related to limited green opposed to such type of opposed to consider new areen bonds related to green bonds bond conventional products green bonds conventional investment bonds issuances bonds Brunei Darussalam Cambodia Indonesia Brunei Darussalam Cambodia Indonesia Lao PDR Malaysia Singapore Lao PDR Malaysia Singapore Philippines Thailand ■ Viet Nam Philippines Thailand Viet Nam



**KEY OBSTACLES FOR ISSUING GREEN BONDS** 

## TAX INCENTIVES CAN BE THE PRIMARY MECHANISM TO FOSTER REGIONAL GREEN BOND MARKET

**KEY DRIVERS FOR GREEN BOND INVESTMENT** 



### **KEY DRIVERS FOR GREEN BOND ISSUANCES**



Promoting ESG

reporting on

stock

exchanges

IndonesiaPhilippines

Viet Nam

Demand from

stakeholders

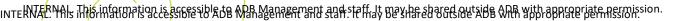
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## **KEY FINDINGS**

- Respondents from more advanced countries are more prepared to invest and underwrite green bonds
- Majority of respondents prefer small ticket sizes, while underwriters are keener to work on bigger transactions
- Renewable energy, energy efficiency, and clean transportation are viewed as the most promising growth sectors in the region's green bond market.
- Tax incentives could be an effective means of increasing the supply of and demand for green bonds.
- Key benefits of green bonds highlighted by respondents:
  - **Investors**: portfolio diversification opportunities
  - **Issuers**: opportunities to attract new investors
  - All market participants: Opportunities to integrate the SDGs into investment strategies and business operations, leading to strong organizational positioning of greener image
- Development partners can play a crucial role in assisting interested entities with technical assistance and capacity building, particularly those from less developed countries.





# Recommendations

## RECOMMENDATIONS

### ROLE OF INSTITUTIONAL INVESTORS IN VITALIZING SUSTAINABLE FINANCE MARKET

- Public investors can lead by example
- International insurers and asset managers can actively contribute to the development of the sustainable bonds in emerging markets
- DFIs can act as anchor investors for GSS bond transactions

### ESTABLISHING POLICY GUIDANCE, DEFINITIONS, AND GUIDELINES FOR SUSTAINABILITY DISCLOSURE

- Commitments by governments through regular issuances of sustainable bonds
- Set good example by regulators
- Develop clear set of green and social definitions

### STRENGTHENING THE SUPPLY OF GREEN BONDS VIA MARKET-BASED MECHANISMS

- Concessional finance can be mobilized to reduce risk associated with sustainable infrastructure projects e.g., through de-risking facility, credit enhancements
- Financial institutions can be major issuers of sustainable bonds

### STREAMLINE THE ISSUANCE PROCESS VIA CAPACITY BUILDING AND OTHER TECHNICAL ASSISTANCE

- Technical, hand-on support from development partners
- Local green bond verifiers
- Standardized bond documentations for multijurisdictional bond offerings
- Knowledge partner, capacity building activities

