

Financial markets and sustainable and green recovery

Maria Netto





Regulation and market
good practices

Transparency, financial
materiality and risk
assessment



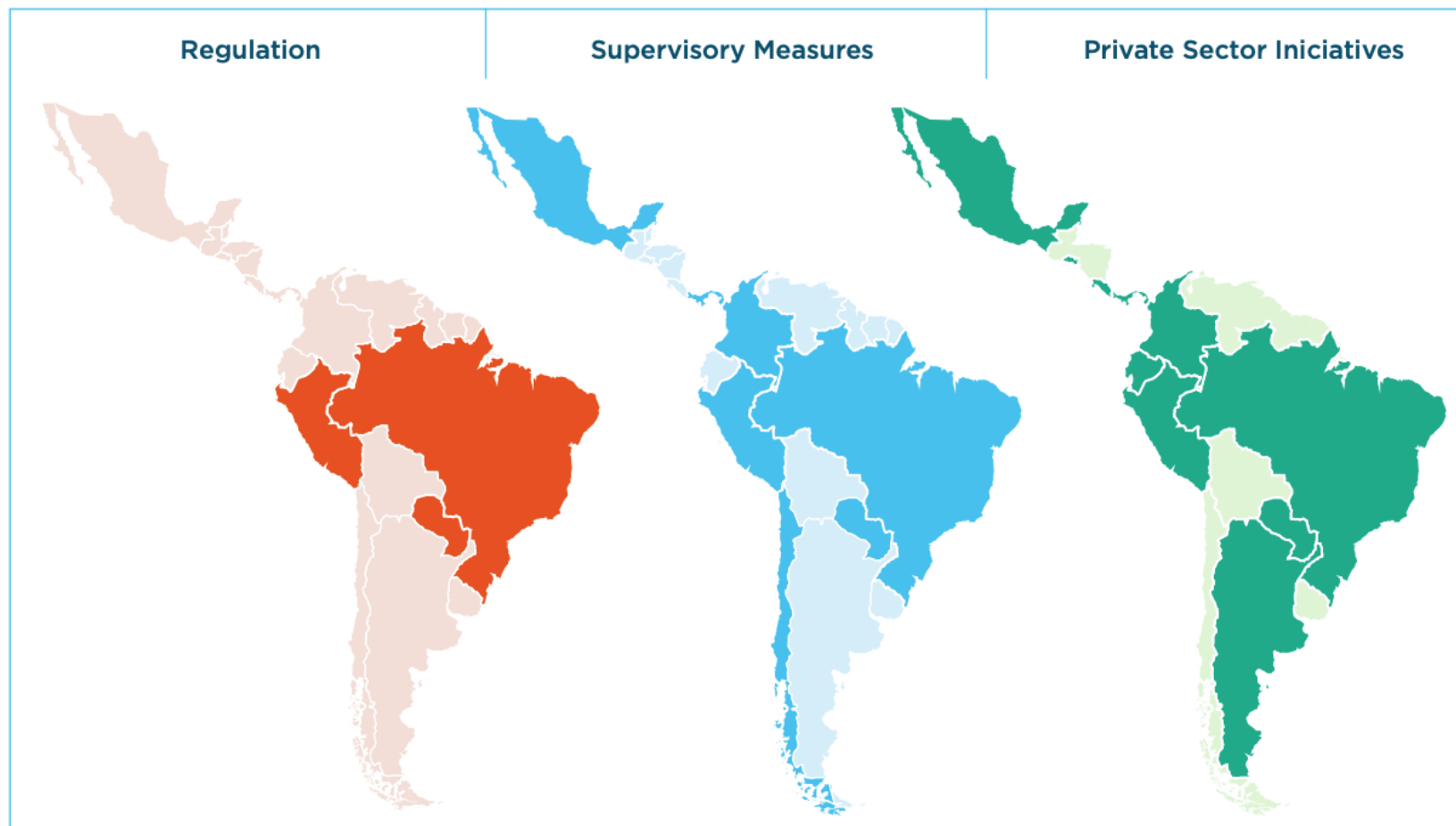
Bond standards and
principles



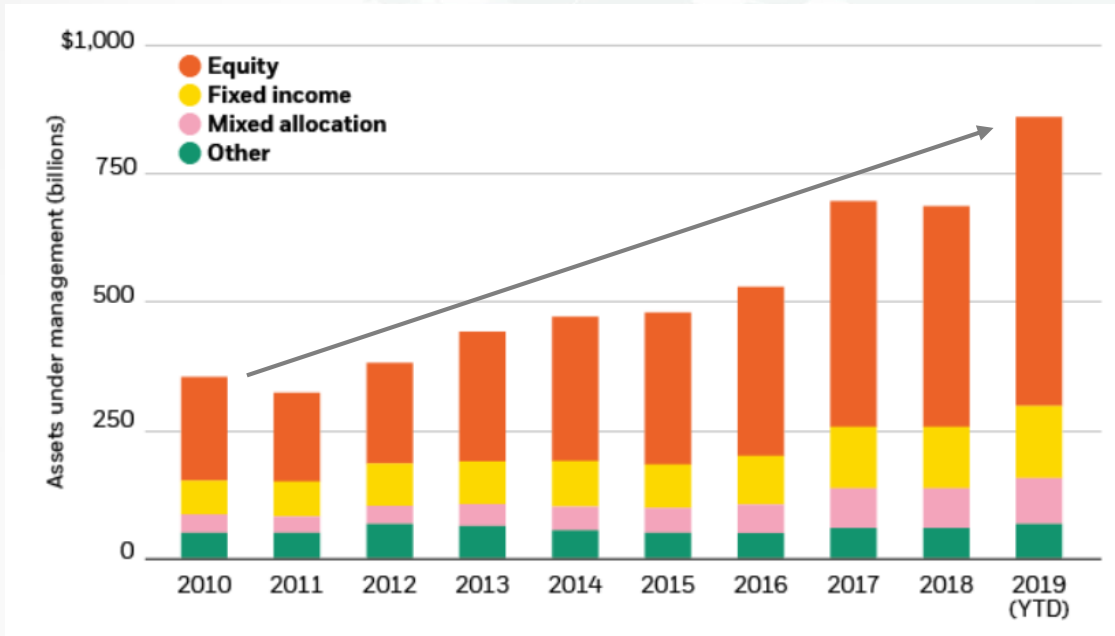
Governance, fiduciary
duty and stewardship
code



LAC trends: taxonomy and ESG frameworks



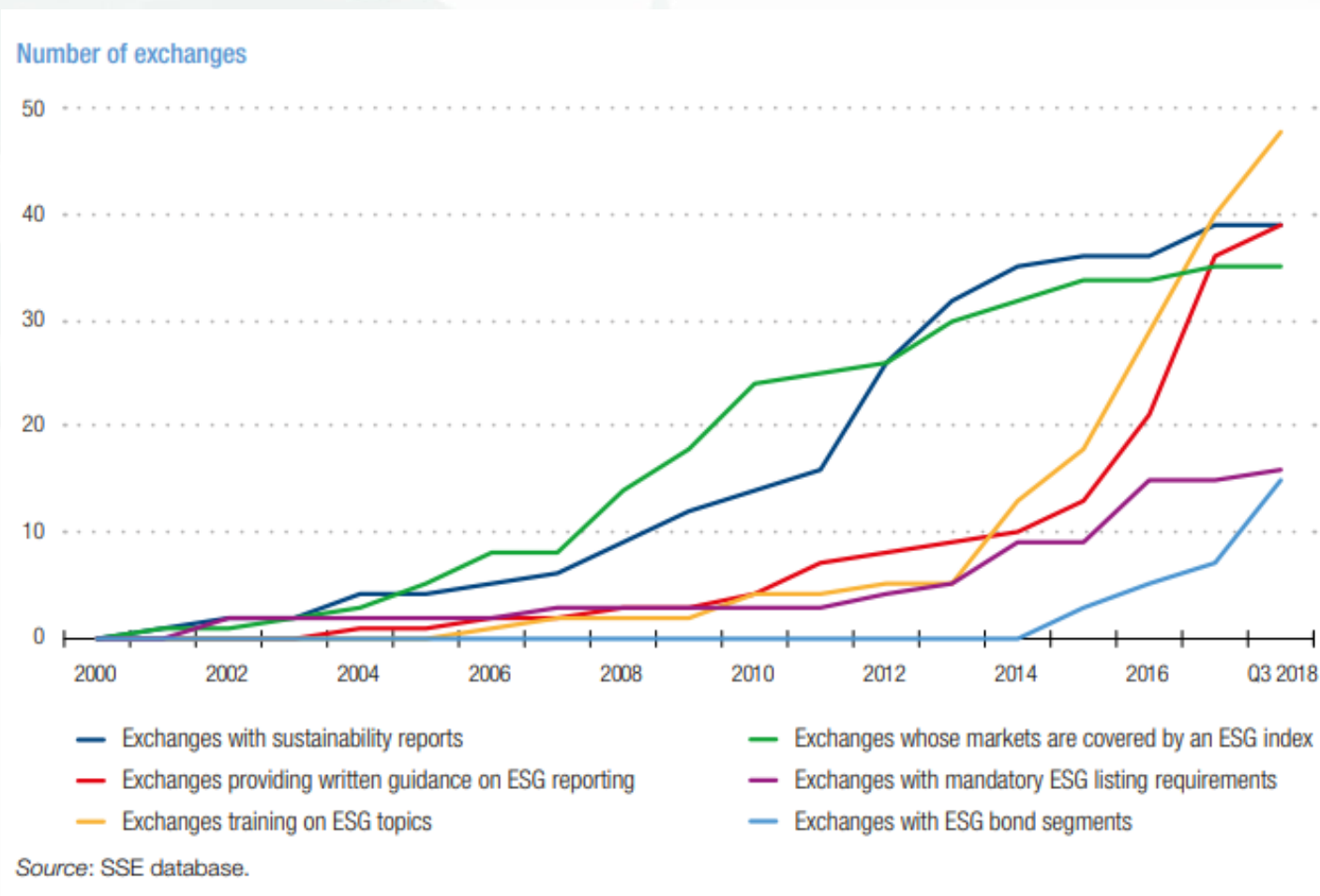
Market trends: growth of sustainable and green funds



Source: Blackrock, 2019, Sustainability the bond that endures

- Global assets based on ESG data reach \$40.5 trillion in 2020.
- ESG investments will be the most representative type of investment in Europe, the United States, Canada, Japan and New Zealand in the coming years
- The overall average size of ESG funds is now about \$250 million in assets under management¹
- In Brazil, investments in sustainable funds reached R\$ 543.4 million - +29% compared to the same month of 2019

Market trends: involvement of stock exchanges



Covid-19 recovery: ESG outperformance during pandemic

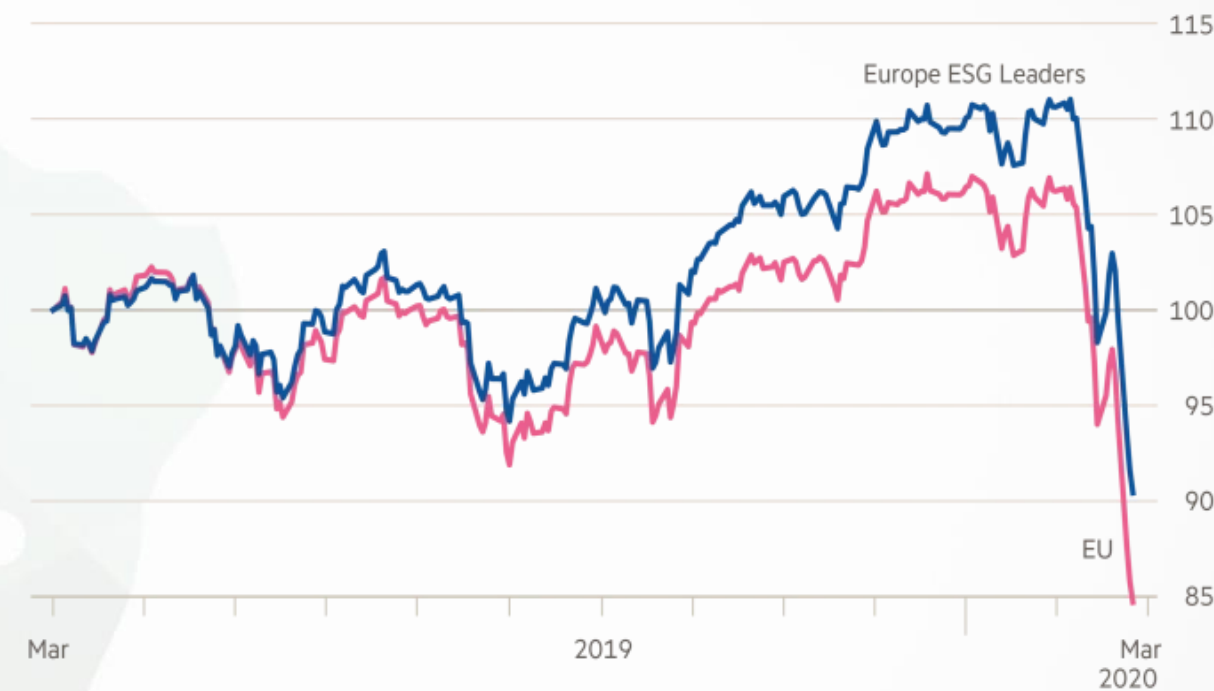
Several ESG funds outperforming the S&P 500 in 2020

YTD price change (%)	Fund (ticker)
-5.4	Brown Advisory Sustainable Growth Fund (BAFWX)
-7.4	Nuveen Winslow Large-Cap Growth ESG Fund (NVLIX)
-10.7	Green Century Equity Fund (GCEQX)
-10.7	Putnam Sustainable Leaders Fund (PNOPX)
-11.2	iShares MSCI USA ESG Select ETF (SUSA)
-11.9	Parnassus Core Equity Fund (PRBLX)
-12.1	Calvert US Large-Cap Core Responsible Index Fund (CSXAX)
-12.5	iShares ESG MSCI USA ETF (ESGU)
-12.7	SPDR S&P 500 Fossil Fuel Reserves Free ETF (SPYX)
-12.9	Vanguard ESG U.S. Stock ETF (ESGV)
-13.0	Ave Maria Growth Fund (AVEGX)
-13.0	American Century Sustainable Equity Fund (AFDAX)
-13.7	S&P 500
-13.8	TIAA-CREF Social Choice Equity Fund (TISCX)
-14.2	Vanguard FTSE Social Index Fund (VFTNX)
-15.3	Neuberger Berman Sustainable Equity Fund (NBSLX)
-16.4	DSA U.S. Sustainability Core 1 Portfolio (DFSIX)
-17.8	Parnassus Endeavor Fund (PARWX)

Source: S&P

ESG investing shows resilience

MSCI ESG 'Leaders' Europe index has outperformed the respective EU index



Source: MSCI, Financial Times

Thematic bonds: an opportunity for sustainable investments



Green bonds:
activities with positive
environmental impacts



Social bonds:
activities with positive
social impacts
Gender, diversity, social inclusion, etc..



Sustainable or SDG bonds



Thematic bonds: powerful tool to mobilize and direct private capital for sustainability

- The sustainable bond market grows rapidly in volume and variety, reaching \$328 billion in 2019, up to 57% per year.

Global Annual Thematic Bond Issuance
in billions of US\$



- LAC issuance volume expands at a faster rate than international market, but the LAC market is still a small share of global market.

Annual Issuance of Thematic Bonds in LAC
in billions of US\$



Source: IDB analysis based on Bloomberg Database

Thematic bonds: an opportunity to finance covid-19 response and recovery

FINANCIAL TIMES

Ethical and responsible investment

Fund managers pile into \$65bn Covid-19 bond market

Companies and governments rush to issue debt to help ease the effects of the pandemic

Forbes CENTROAMERICA

Guatemala coloca 1,200 millones de dólares en bonos del tesoro por COVID-19

El estado de Guatemala colocó en el mercado internacional en eurobonos 8,600 millones de quetzales, para financiar los programas de emergencia por el COVID-19.

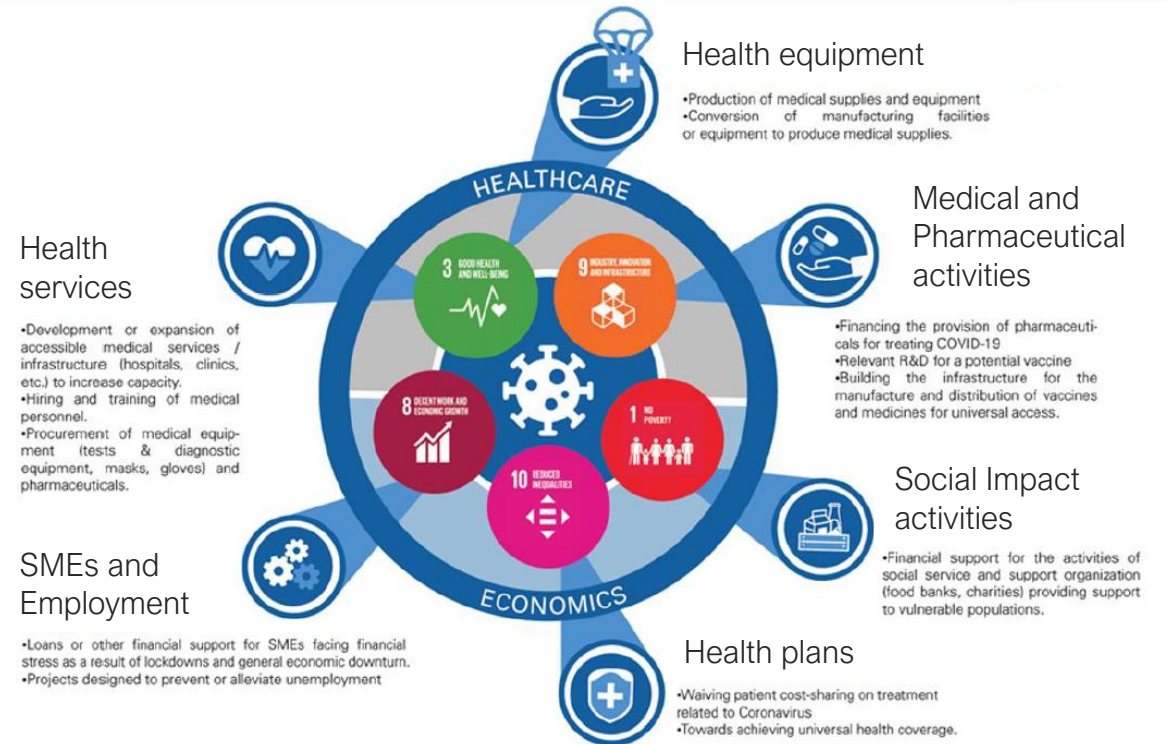
19 May, 2020

S&P Global
Market Intelligence

Social bond surge appears here to stay as COVID-19 crisis shifts funding needs

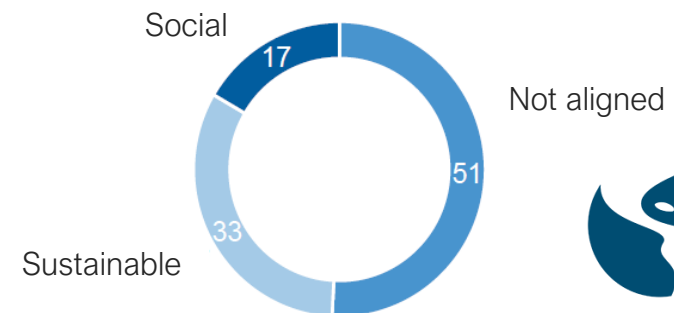
BID Mejorando vidas

Ecuador emite el primer Bono Social Soberano del mundo, con apoyo de una garantía del BID



Source: UNCTAD, 2020

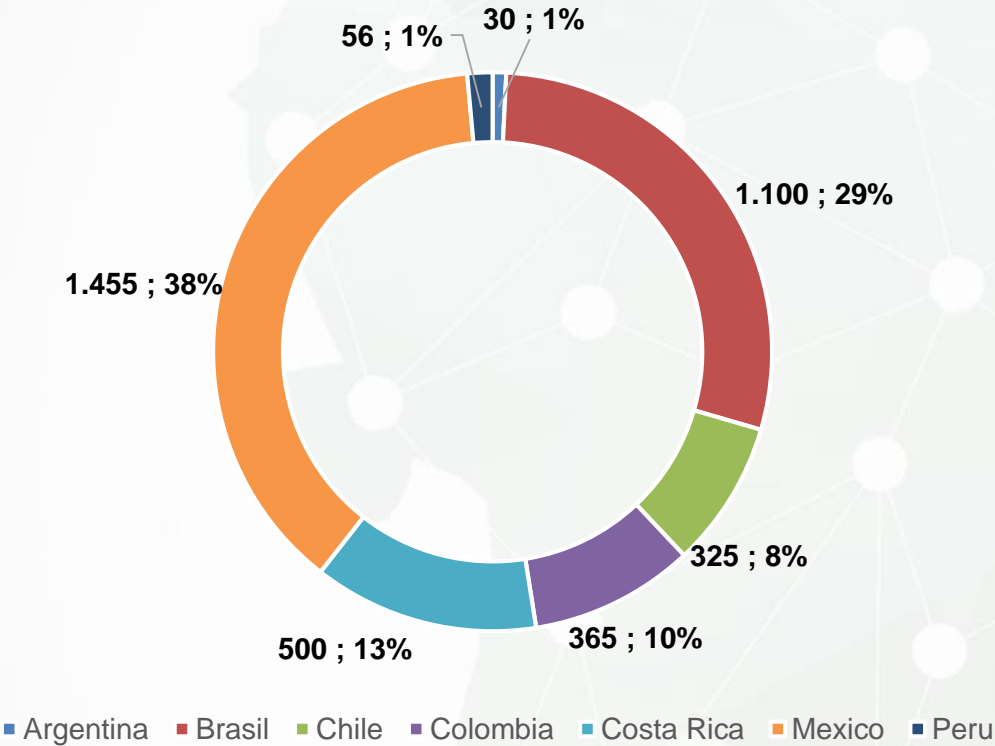
ICMA
International
Capital
Market
Association



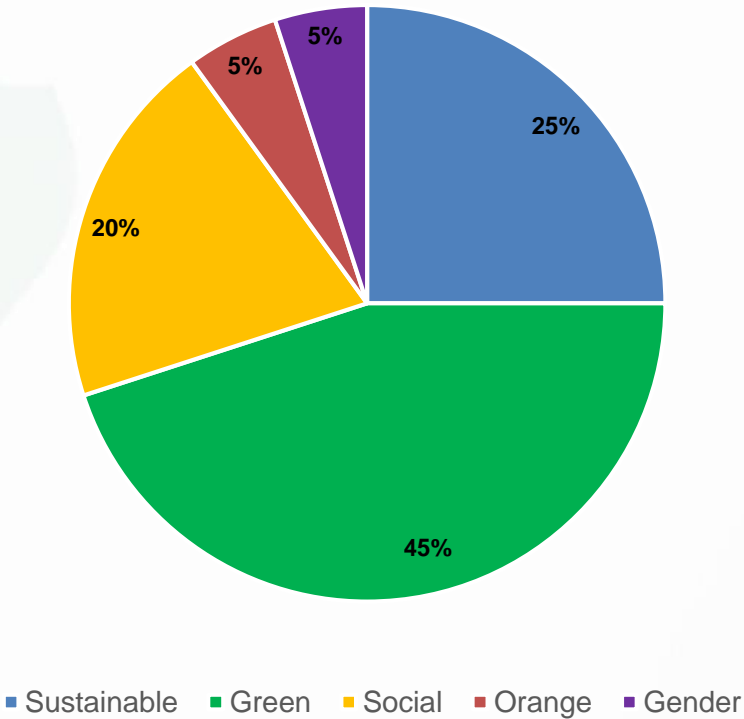
IDB
Inter-American
Development Bank

Thematic bonds: already an opportunity for NDBs

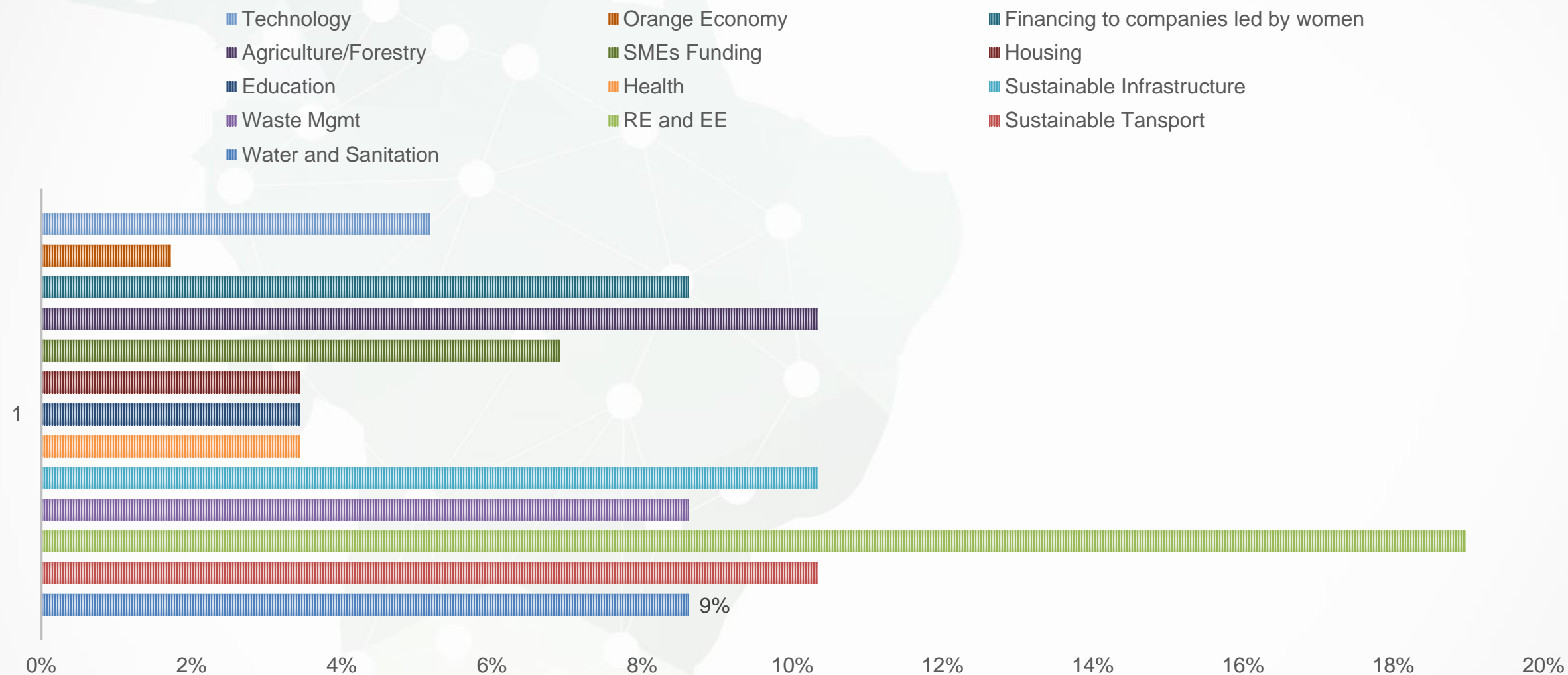
Thematic Bonds Issuances by National Development Banks
(In US\$ M)



Thematic Bonds Issuances by National Development Banks (Bond type)

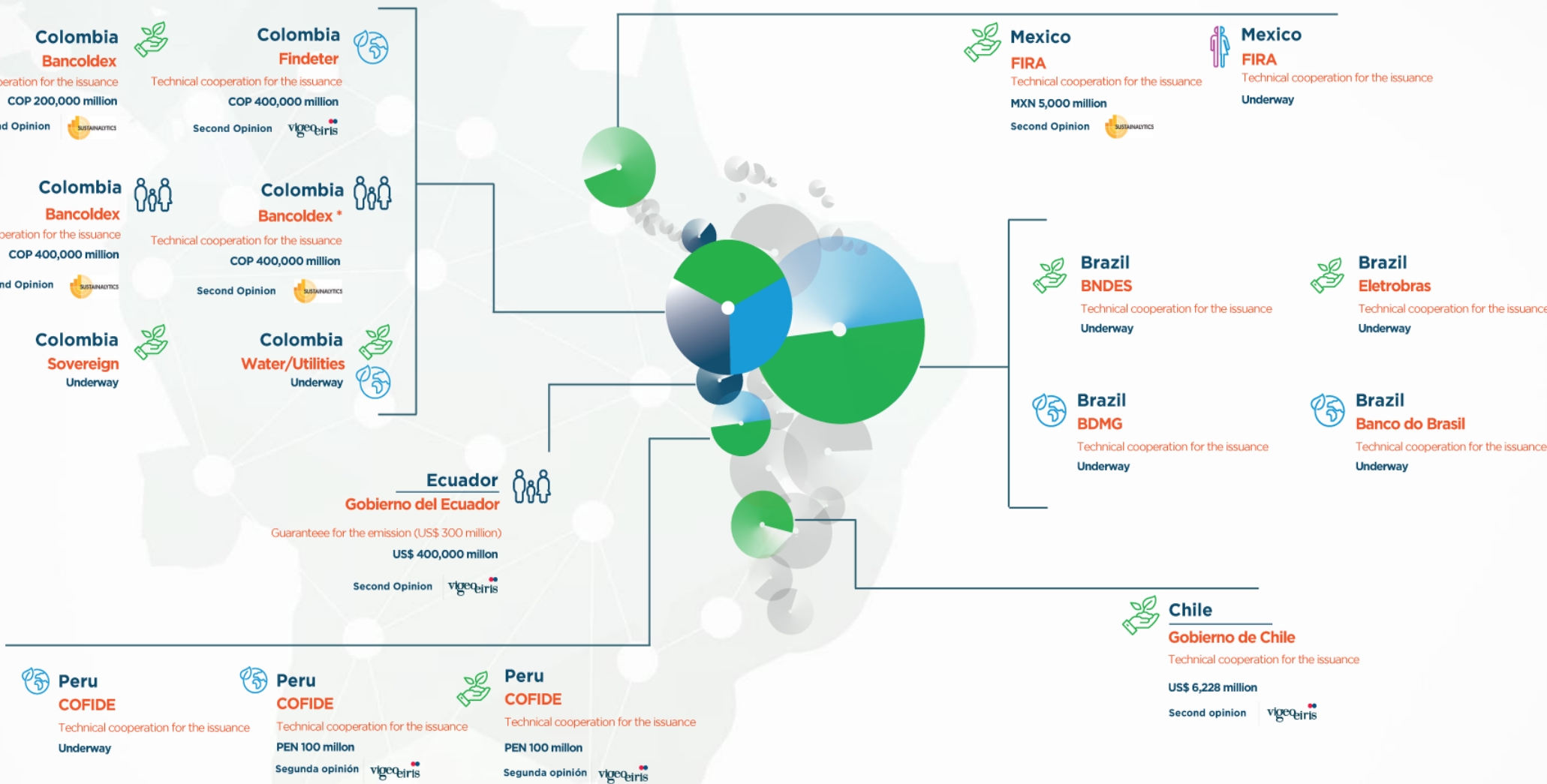


Thematic bonds: NDBs already supporting many different sectors



IDB: committed to support thematic bonds in LAC

Green, Social and Sustainable Bonds supported by IDB



IDB: holistic support approach



Financial solutions: guarantees, anchor investments, covered bonds, mobilization

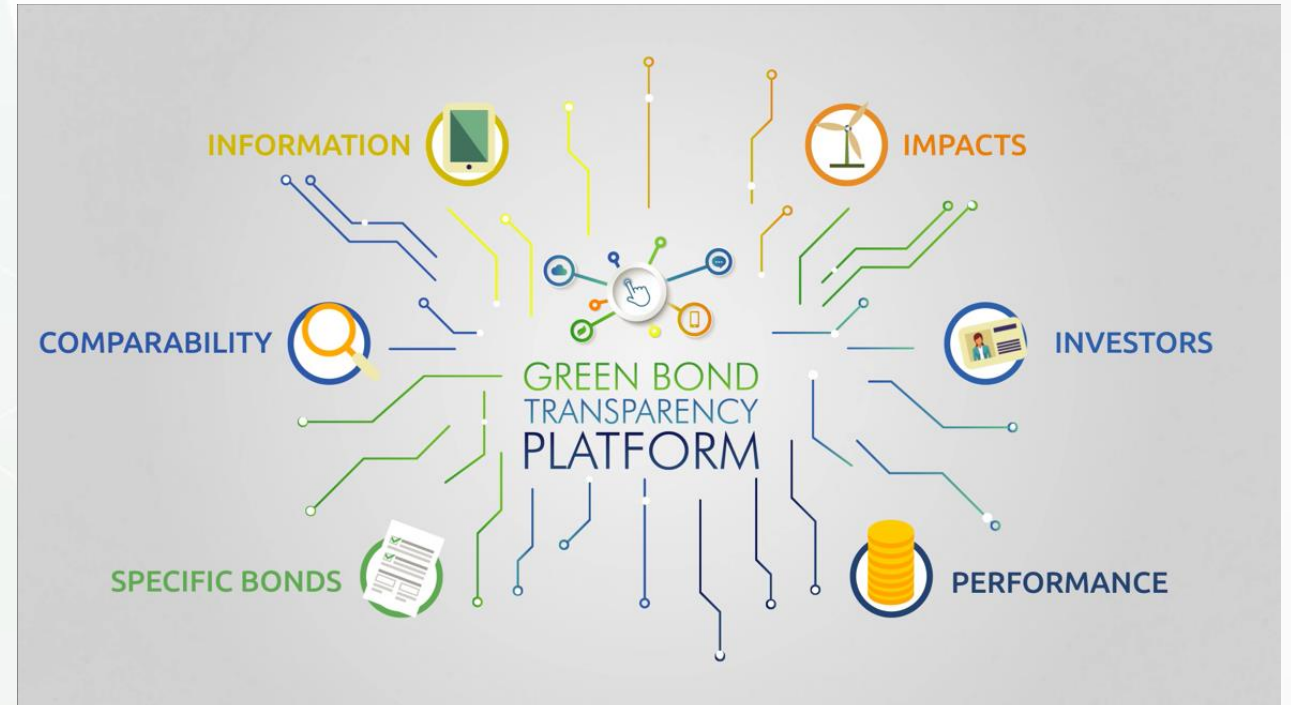


Non-Financial solutions: pre-and post-issuance technical assistance for private and public issuers, SDG tracking system and ESG frameworks and ratings.



Public-Private dialogues and development of regulation:

LAB 



Thank you!

