

Green Bonds and Nationally Determined Contributions in Latin America and the Caribbean

Inter-American Development Bank: Green Bond Transparency Platform

December 8, 2022

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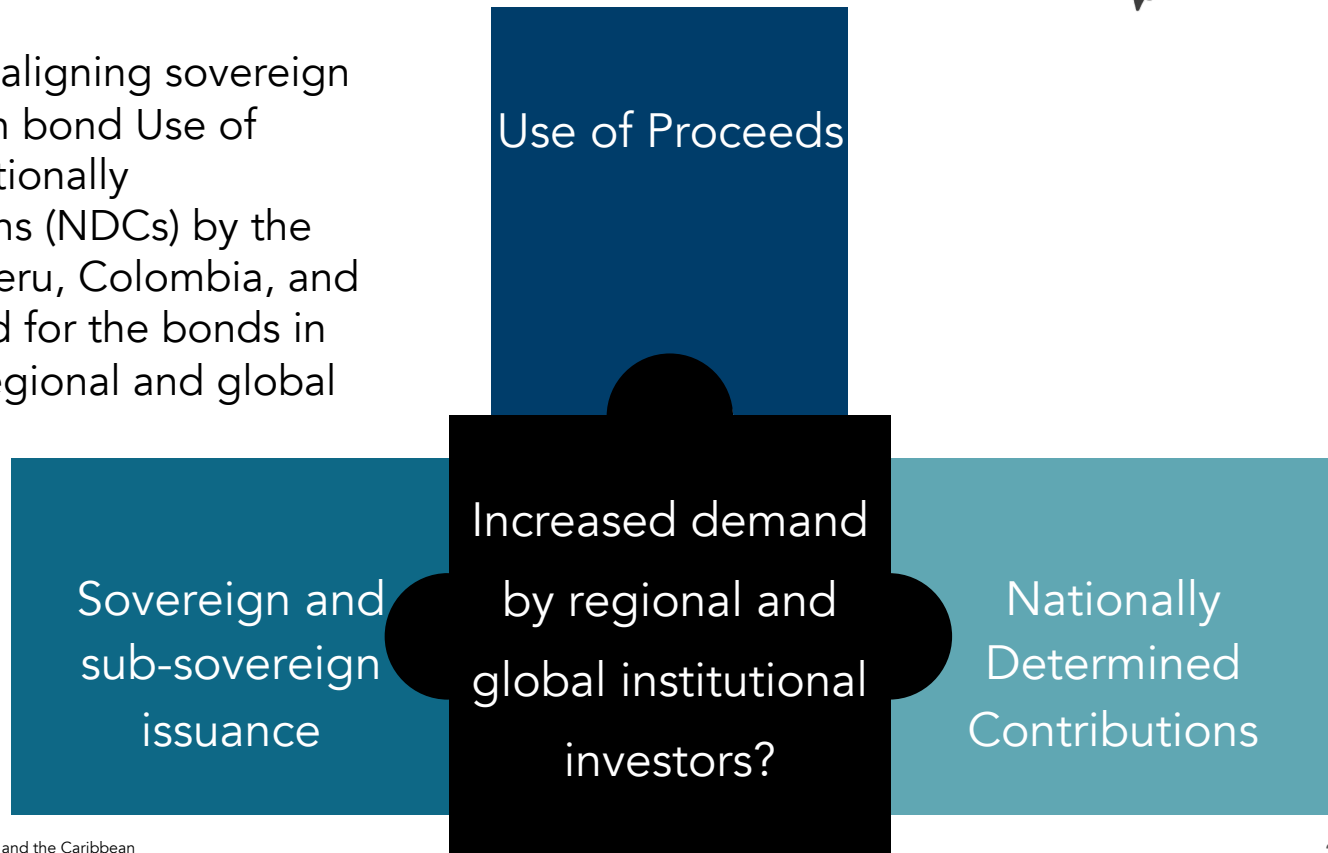
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Responsible Alpha

ESG Integration™ enabling institutions to begin their transition to a low-carbon, sustainable, and equitable future.

Key Question: Green bond alignment with NDCs attractive?

Guiding question: Does aligning sovereign and sub-sovereign green bond Use of Proceeds (UOP) with Nationally Determined Contributions (NDCs) by the governments of Chile, Peru, Colombia, and Mexico increase demand for the bonds in the primary market by regional and global institutional investors?



Research Methods



**Rigorous
Survey**

Employing rigorous social sciences academic and professional survey techniques, Responsible Alpha developed a survey that can be (re)used multiple times enabling determining benchmarks and growth.

**Semi-
Structured
Interviews**

Survey results were further informed by semi-structured interviews to ground truth key assumptions and provide color on key results.

**Extensive
Outreach
and Broad
Response**

Working with Latin American industry leaders and trade associations – such as PRI – and our own detailed contact list, we received extensive survey responses from a broad set of regional and global industry actors.

Timeline

Process



THESIS

Developed thesis with collaboration and support from IADB GBTP – September and October 2022



SURVEY DEVELOPMENT

Key input from IADB GBTP – October and November 2022



SURVEY and INTERVIEWS

November 2022



DISCUSSION and COLLABORATION

IADB GBTP
December 8, 2022

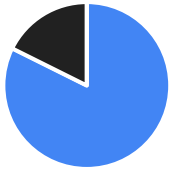


INVESTOR ENGAGEMENT

Q1 2023

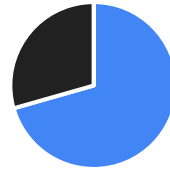
Results: Alignment with SDGs and NDCs

Alignment with SDGs



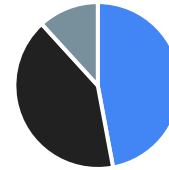
- Important
- Neither Important nor Unimportant
- Unimportant

Alignment with SDG Targets



- Important
- Neither Important nor Unimportant
- Unimportant

Alignment with NDCs



- Important
- Neither Important nor Unimportant
- Unimportant

Question: If you invest or intend to invest in green bonds, how important are the following factors in making an investment decision?

Results: Important.

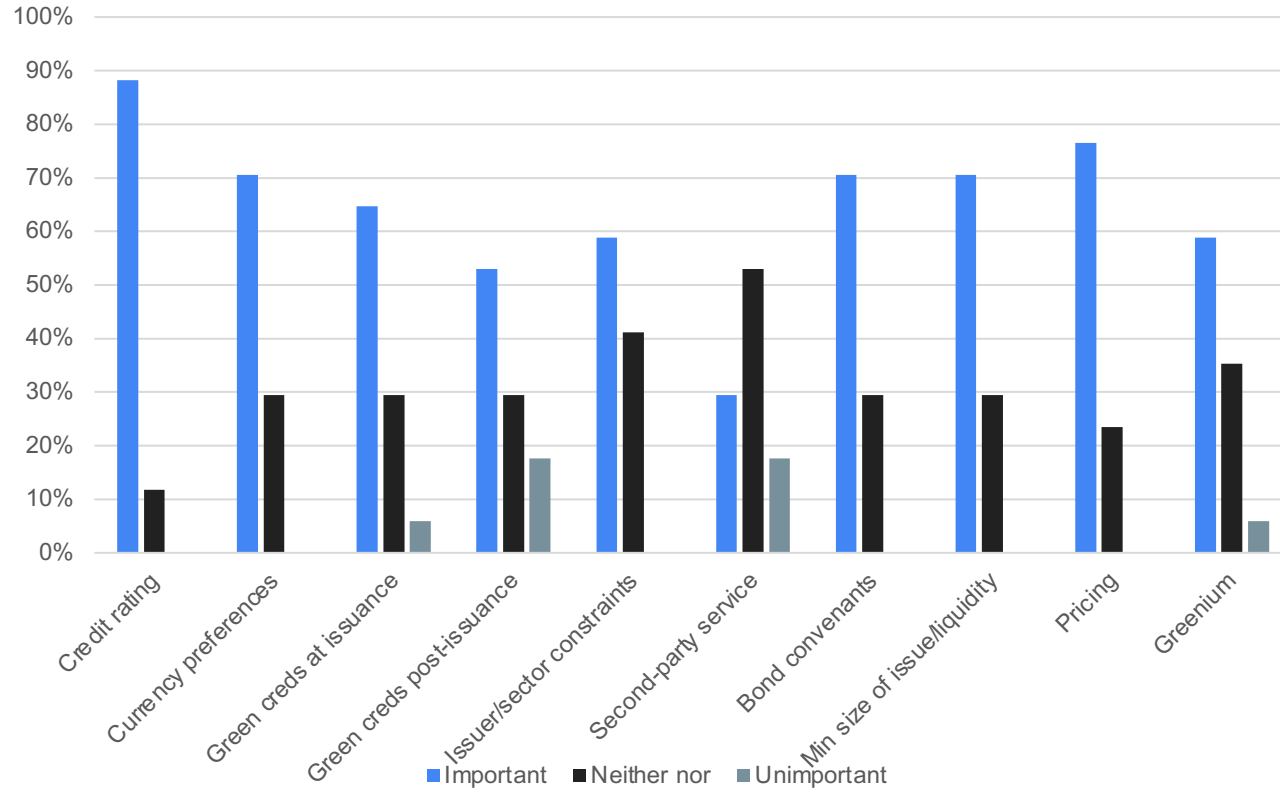
- Alignment with SDGs.
- Alignment with SDGs targets.
- Alignment with NDCs.

Results: Issuance and Greenness

Question: If you invest or intend to invest in green bonds, how important are the following factors in making an investment decision?

Results: Important.

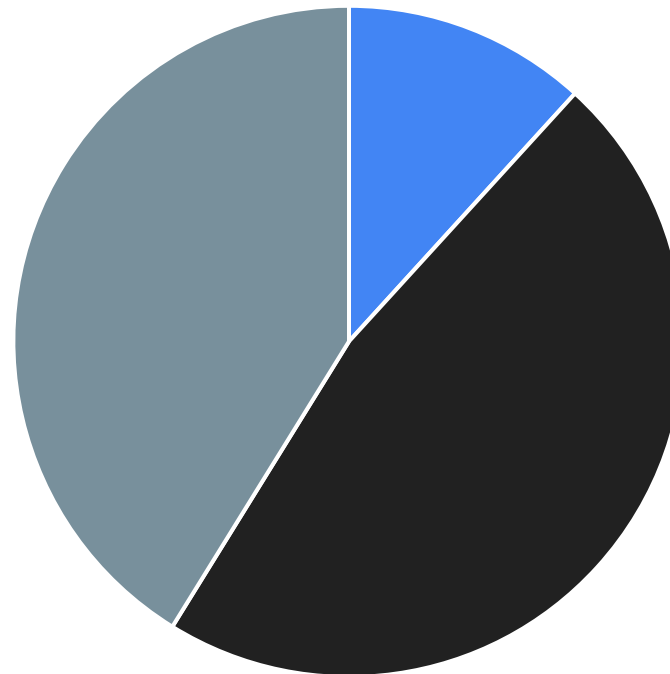
- Credit ratings.
- Currency.
- Green credentials at issuance and post-issuance.
- Bond covenants.
- Liquidity.
- Pricing.
- Greenium.



Results: NDCs

Question: Do you assess sovereign and sub-sovereign debt by each country's Nationally Determined Contribution (NDCs)?

Results: Important yet requires more engagement.



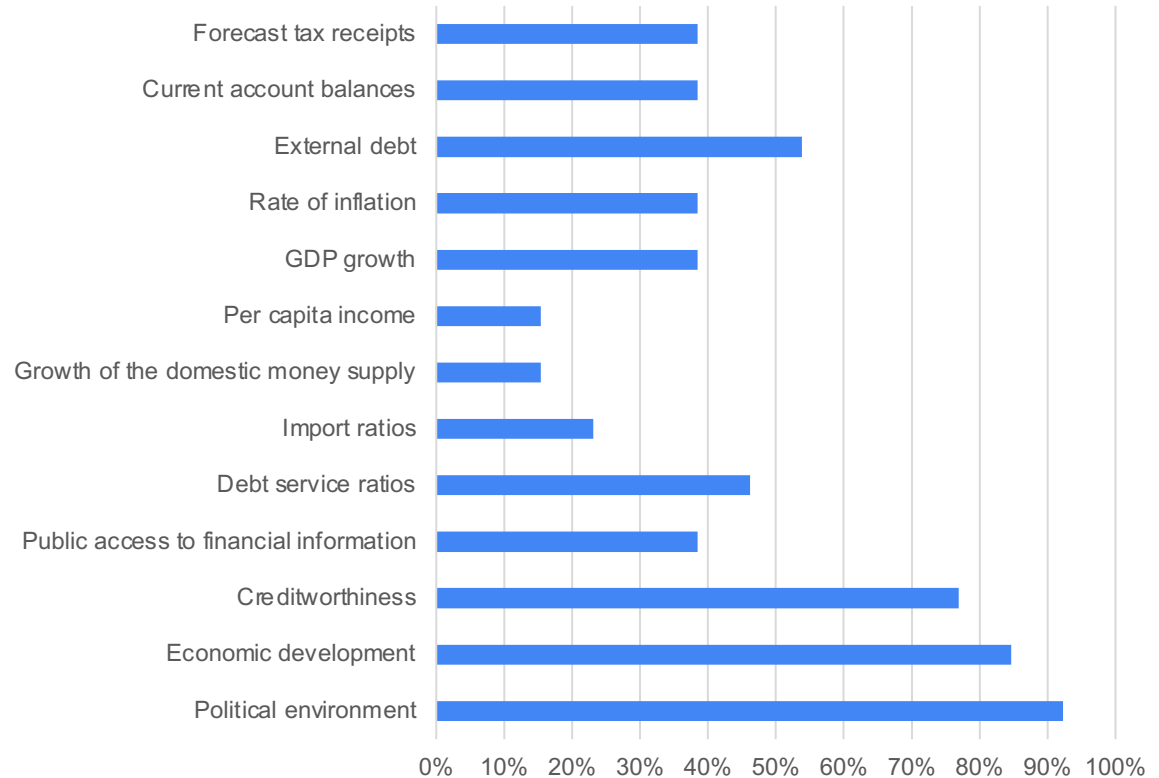
■ Yes ■ No ■ Not yet

Results: LAC Sovereign and Sub-Sovereign Risks

Question: What considerations are most relevant when assessing Latin American and Caribbean (LAC) sovereign and sub-sovereign fixed income?

Results: Standard risks for any sovereign and sub-sovereign issuance globally:

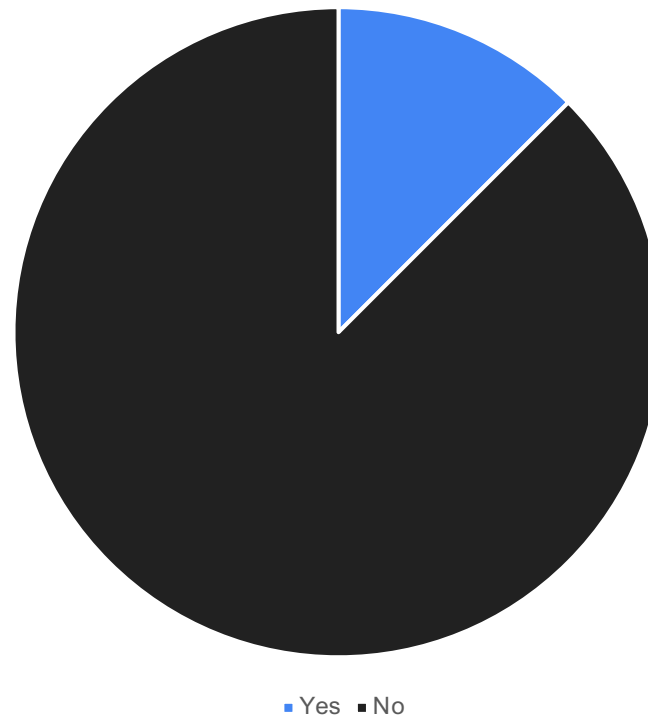
- Political economy.
- Economic development.
- Creditworthiness.
- Debt service ratios.
- External debt.
- Inflation.
- Current account balances.
- Tax receipts.



Results: Monitoring

Question: Does your responsible investing, sustainability, climate risk, and/or ESG monitoring group link country-level Nationally Determined Contributions to sovereign and sub-sovereign internal risk ratings?

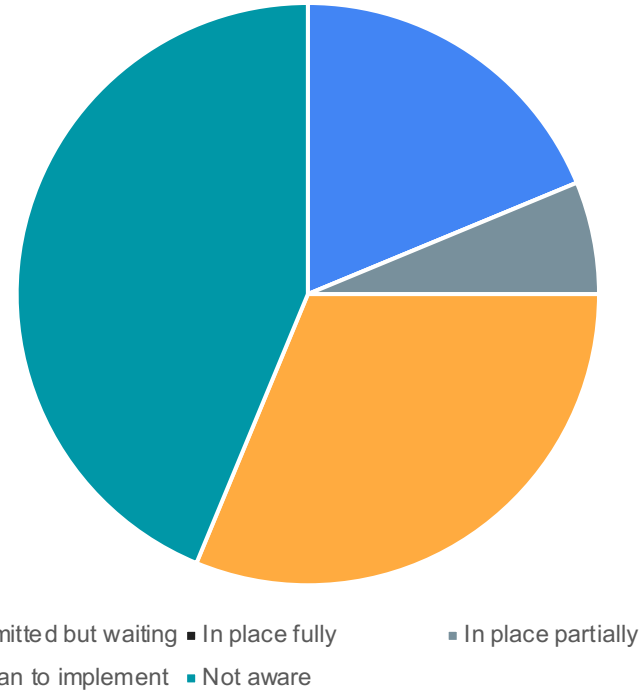
Results: Not yet seen as key concern, requires more engagement.



Results: Investor Commitment

Question: What is your approach to sovereign and sub-sovereign green bonds that align use of proceeds with Nationally Determined Contributions?

Results: Committed but waiting, requires engagement and education.

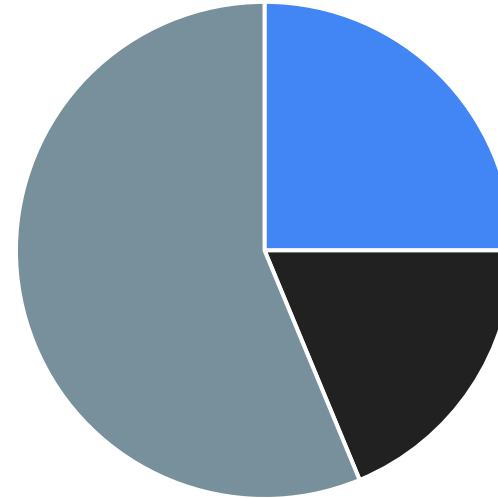


■ Committed but waiting ■ In place fully ■ In place partially
■ No plan to implement ■ Not aware

Results: “Green” Use of Proceeds Increases Demand

Question: If use of proceeds alignment with Nationally Determined Contributions is clearly articulated in the green bond offerings, do you envisage that you will buy more green bonds as a result?

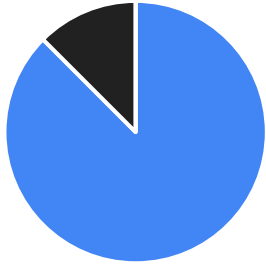
Results: With Use of Proceeds transparent, increases demand.



■ Yes ■ No ■ Maybe

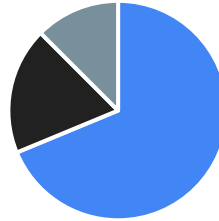
Results: Alignment – *Ask Them Again to Double Check*

Alignment with SDGs



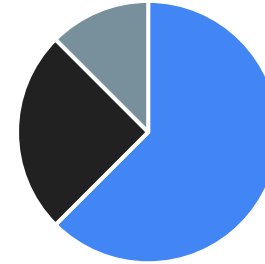
- Important
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- Unimportant

Alignment with SDG
Targets



- Important
- Neither Important nor Unimportant
- Unimportant

Alignment with NDCs



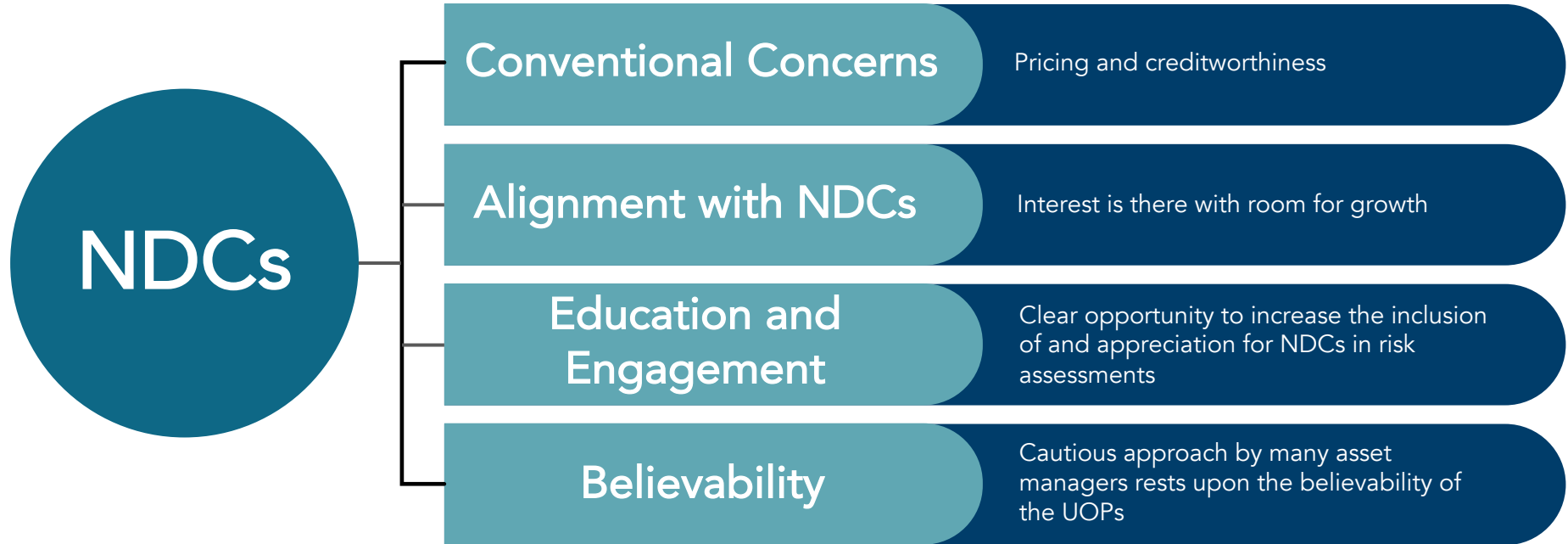
- Important
- Neither Important nor Unimportant
- Unimportant

Question: If you invest or intend to invest in green bonds, how important are the following factors in making an investment decision?

Results: Important. Second time asked they see greater importance in alignment.

- Alignment with SDGs.
- Alignment with SDGs targets.
- Alignment with NDCs.

NDC Alignment: Summary



Contact us

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