



# Green Sukuk – The IsDB Experience

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# Global Green, Social and Sustainability Bonds Market

# Capital Market Instruments in the ESG Landscape

## Environmental, Social and Governance (ESG) Instruments

### Green Sukuk/Bond

100% of the proceeds are used for projects that qualify as Green (incl. Climate Change considerations)

### Social Sukuk/Bond

100% of the proceeds are used for projects that qualify as Social, such as Healthcare, Poverty Alleviation and Education

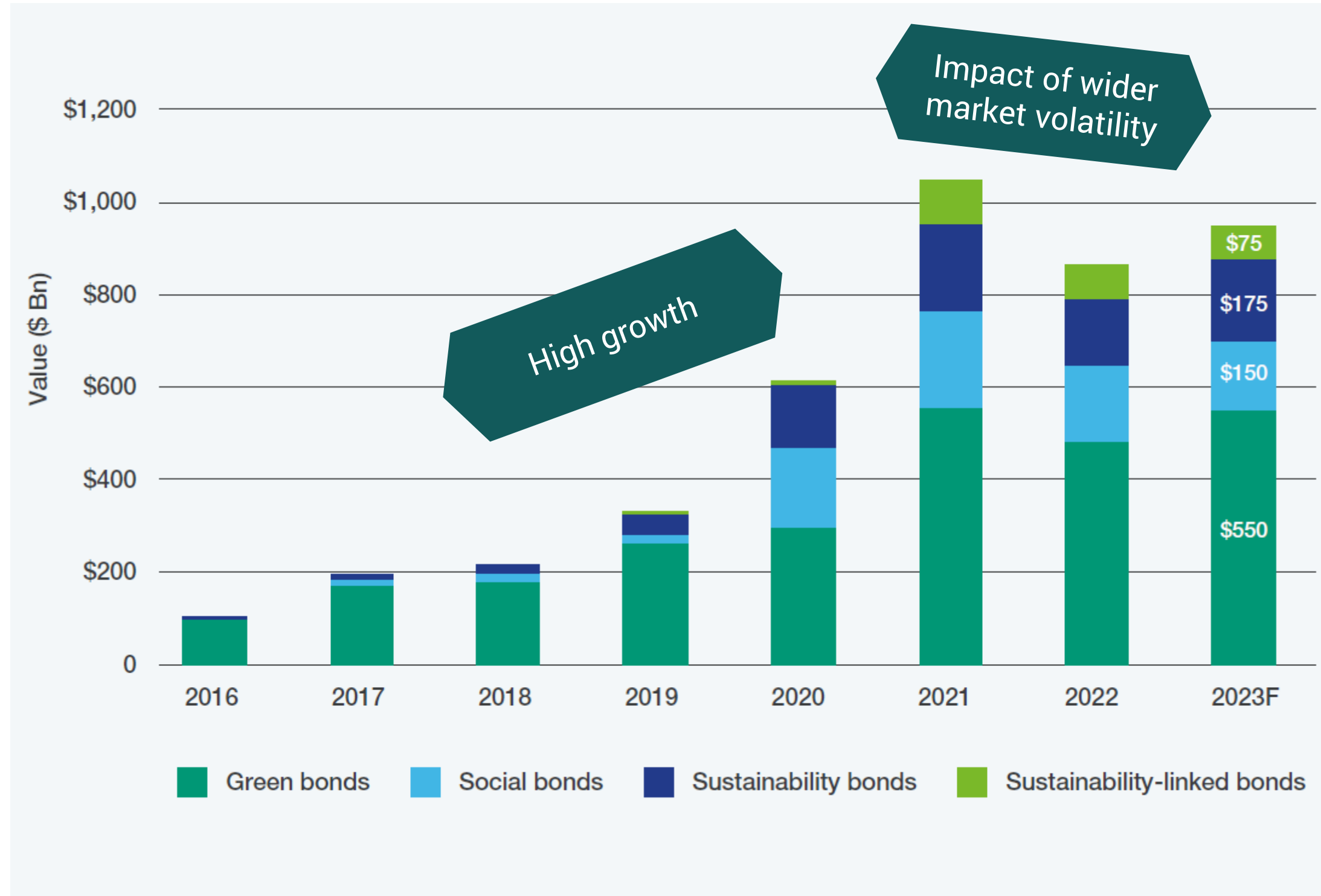
### Social Impact Bond

Results-based. The payout to investors is contingent upon social results being achieved. Results are verified before payout.

### Sustainability Sukuk/Bond

Proceeds are used for a project mix of Green and Social

# GSS Bond Growth - Issuance



Source: Moody's Investors Service and Environmental Finance Data



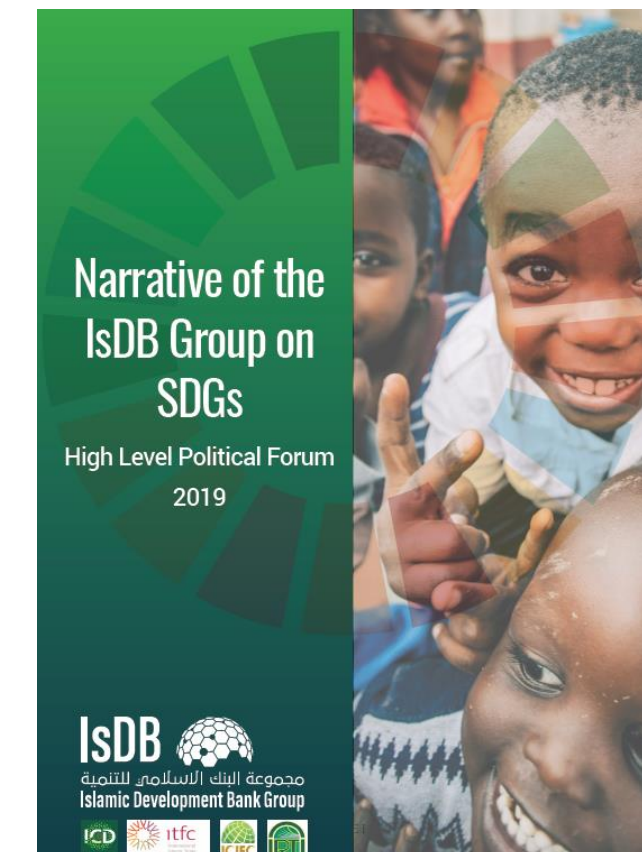
# Sustainability at IsDB

# Sustainable Development Goals

- In September 2015, countries throughout the world, spearheaded by the United Nations, signed up to a new agenda for comprehensive and sustainable human development that included **17 high SDGs** and 169 specific targets.
- These aspirations for human dignity, and '**to leave no one behind**', is fully in line with the principles and objectives of the IsDB.

## SDGs at IsDB

- IsDB is fully committed to the SDGs. It recognizes that development objectives vary from one country to another.
- The SDGs are an integral part of the Bank's strategy, policies and reporting frameworks.
- We support the implementation of this transformative agenda according to the needs and priorities of our 57 member countries, through a collaborative approach, and in partnership with bilateral and multilateral development financing institutions, the private sector and civil society.



# Climate Action Plan

The Bank announced a 5-Year Climate Action Plan from 2020 to 2025 with an ambitious **climate finance target of 35% of total commitments by 2025**. In 2021, 31% of the Bank’s total approvals were for climate action including adaptation and mitigation activities.



## Climate Change Policy (CCP) Pillars and Guiding Principles

CCP overarching goal



CCP Pillars



CCP Guiding Principles

- Country leadership • Selectivity • Adaptability • Proactivity • Capacity-building and knowledge-sharing
- Catalyzing private-sector capital and institutional investors
- Partnerships for climate change action • Accounting for climate change action

# Sustainability at IsDB

## Green

- Climate Action
- Adaptation
- Mitigation



## Social

- Health
- Education
- Women & Youth
- SMEs



## ESG

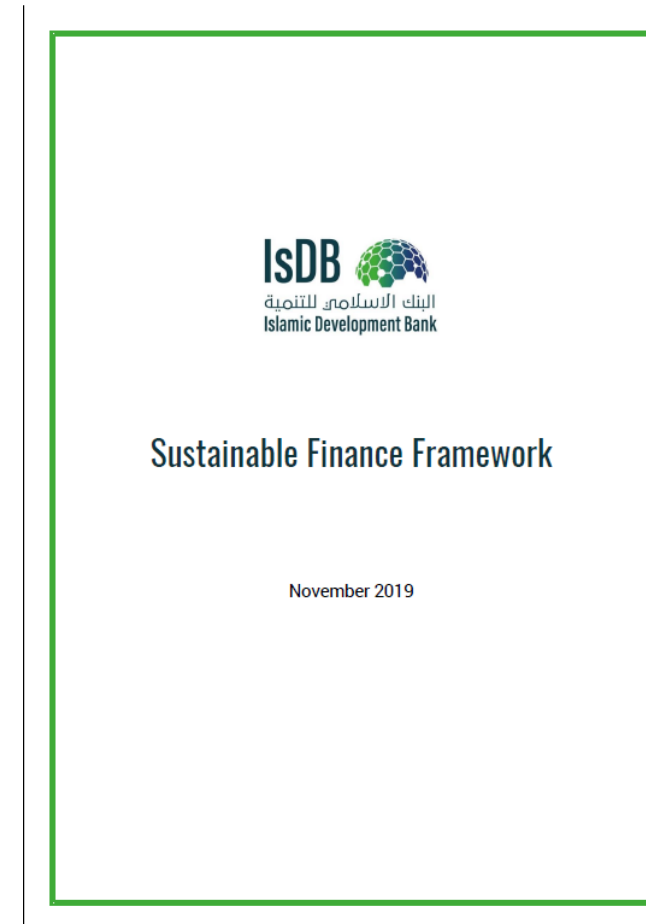
- Environmental and Social Safeguards
- Strong Governance



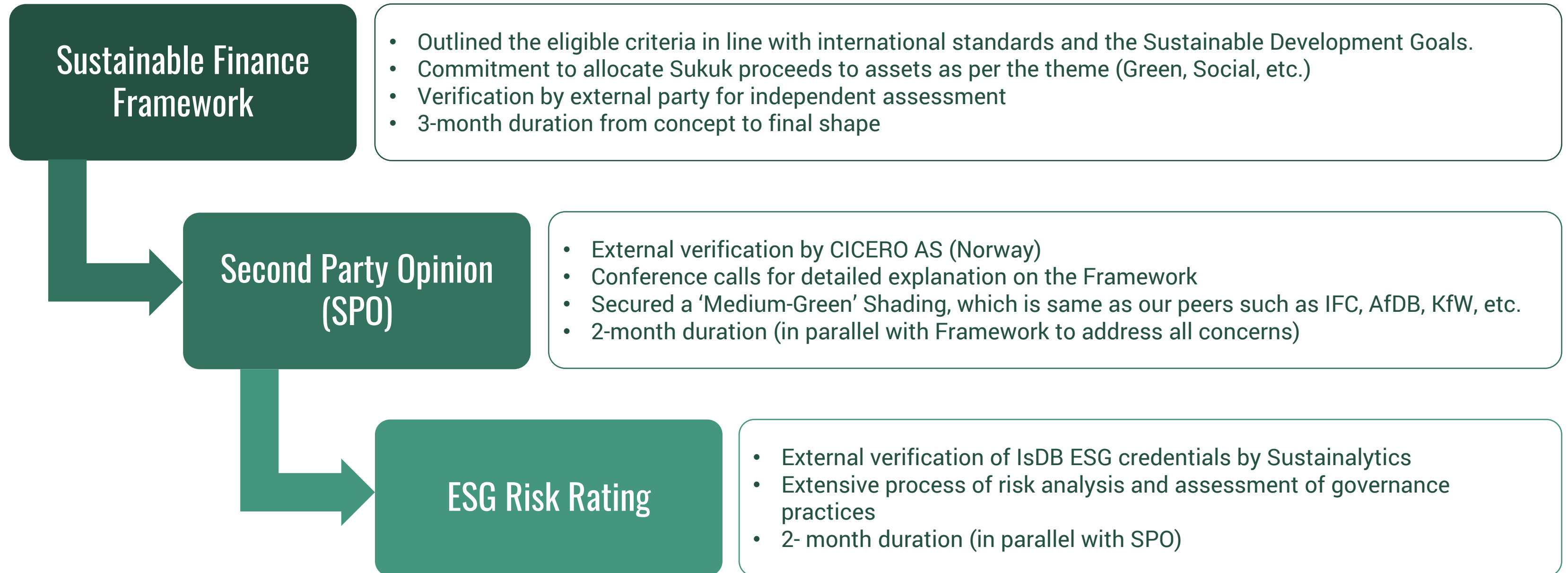


# IsDB Sustainable Finance Framework

- In November 2019, we followed through on our commitment towards sustainability through the issuance of thematic Sukuk to finance sustainable projects and investments in Member Countries.
- The Framework serves as the foundation to issue Green, Social and Sustainability (GSS) Sukuk.
- Created in line with the globally accepted Green, Social and Sustainability Bond Principles as set by the International Capital Market Association.
- Assigned a strong rating of “**Medium-Green Shading**” by an external rating agency. Rating is similar to IFC, AfDB and KfW.



# IsDB's Journey to Green, Social and Sustainability Sukuk



# Thematic Issuances To Date

November 2019  
 First-ever AAA-rated Green Sukuk raising €1 billion with a profit rate of 0.037% (lowest ever achieved)

March 2021  
 Largest Sustainability Sukuk issued ever, raising US\$ 2.5 billion with a profit rate of 1.262%, for financing green (10%) and social development projects (90%) that are eligible under the Sustainable Finance Framework



June 2020  
 First-ever AAA-rated Sustainability Sukuk raising US\$ 1.5 billion with a profit rate of 0.908%, issued to assist Member Countries in tackling the aftermath of the global pandemic triggered by COVID-19

Debut Green Sukuk - <https://www.isdb.org/news/islamic-development-bank-achieves-new-milestone-with-debut-green-sukuk-worth-eur-1-billion-for-green-financing-in-its-member-countries>

Debut Sustainability Sukuk - <https://www.isdb.org/news/islamic-development-bank-issues-us-15-billion-debut-sustainability-sukuk-in-response-to-covid-19>

Largest Sustainability Sukuk - <https://www.isdb.org/news/islamic-development-bank-issues-largest-sustainability-sukuk-ever>

# Key Considerations for Thematic Sukuk

## Asset Pool

- Availability of eligible assets as defined under Framework is critical to scale up, and this requires a strong pipeline of thematic projects

## Shariah Requirements

- Underlying assets for Shariah (tradability) and Use of Proceeds (thematic) may have different profiles

## ESG and Climate Credentials

- Enhancing the ESG profile as an Issuer is critical in attracting new investors. This requires strengthening of internal governance and policies w.r.t. ESG and Climate considerations, as well as regular update of the Framework to align with the evolving global standards.

## Reputational Risk

- Transparency is paramount via periodical reporting

## Investors of all Shades

- Different maturity levels, from public profiling to serious Green and Social investors. Customized messaging is required.

## Mainstreaming ESG

- Building internal capacity across different units of operations

# Potential

- The investors base for thematic investment are growing and issuers should grab this opportunity.
- Since ESG-linked instruments promote ethical values and transparency, it should be lapped up by the Islamic finance industry.
- Global consensus for a 'resilient' and 'green' recovery moving forward

# Challenges

- Changing Dynamics of Development Finance and Putting SDGs back on track
- Enabling Environment
  - ESG Frameworks and evolving regulatory environment
  - Islamic Finance Eco-system
- With pre-determined intended use of proceeds in the form of projects and periodical reporting, it serves as self imposed discipline for both the issuers and investors to be more transparent.

## Documents link

<https://www.isdb.org/what-we-do/investor-relations>

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THANK YOU  
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