



CONCEPT NOTE

Sustainable Thematic Bond Issuance Training

12-13 December
Mövenpick Hotel Colombo

Background

Sri Lanka's Roadmap for Sustainable Finance sets out an ambitious agenda to develop the country's sustainable finance market, by focusing on the development of tools and policy guidance that is needed to effectively manage environmental, social and governance (ESG) risks and meet the country's climate objectives. The roadmap sets out key priorities, such as the development of a Green Finance Taxonomy which was launched in May 2022. The roadmap also sets the objective of adopting international standards on sustainable bonds, and developing the necessary domestic guidance and operational tools.

Despite these ambitions, the current economic crisis in Sri Lanka is threatening the socio-economic development and achievement of the SDGs. In 2022, Sri Lanka's sovereign credit rating was downgraded, further constraining its access to international financial markets. While the government is working with the IMF and other creditors to urgently address the crisis and regain debt sustainability, the next several months will be critical. At the same time, Sri Lanka is looking forward to a time when debt sustainability levels are stabilized, and the country can move forward in achieving its sustainable finance vision.

The United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) is supporting the Government of Sri Lanka in achieving its long-term vision by 1) providing training to government and private sector stakeholders on green and blue bond issuance and 2) supporting the Ministry of Finance and Central Bank in the development of the country's sovereign green / blue bond framework. It should be noted that while access to international capital markets is not currently an option, debt restructuring in the form of debt-for-climate swaps through the issuance of a highly guaranteed blue bond could be a more immediate option. Therefore, this training and policy support is timely to allow the Government of Sri Lanka to have the policies and skills in place to draw on a range of financing options.

Training Objective

This training on Sustainable Thematic Bond Issuance is co-hosted by the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) and the Ministry of Finance, Economic Stabilization and National Policies. Additionally, to run this training course, ESCAP is partnered with the Luxembourg Green Exchange (LGX) and LGX Academy, the world's first and leading exchange dedicated to sustainable finance.

The training aims to increase the capacity of future bond issuers and relevant Ministry stakeholders that are part of the sovereign issuance process. The training allows the participants to:

- **Go through the thematic bond issuance process and be able to identify what instrument best fit their needs;**

- **Identify best practices in terms of principles, green labeling and taxonomies, external review, and reporting to apply in the issuance, and**
- **Review practical examples and case studies of issuances within the region;**
- **Apply key learning from the training to the development of Sri Lanka's Green Bond Framework.**

Who Will the Training Support

The training is designed primarily for government entities that will play a role in the debt issuance process as well as in the identification of viable project pipelines. This includes the Ministry of Finance, Central Bank, Securities and Exchange Commission, and Colombo Stock Exchange, among others. The training is also open to private sector issuers who are considering future thematic bond issuance.

Application of training content

The training sessions can also be linked with key areas of Sri Lanka's Green Bond Framework development process, which requires buy-in and leadership from the government. This can allow for the training content to be practically implemented immediately.

Draft Agenda

The training sessions are structured based on the requirements and the needs of the government stakeholders. A survey was circulated in mid-2022 to gain further insights on the desired training contents and knowledge gaps. The sessions have been designed based on these stakeholder suggestions and specifically **will focus on green and blue bond issuance.**

Tentatively, the sessions will include:

Session 1 - Sustainable debt instruments and latest market trends

Introduce participants to thematic (labeled) sustainable debt instruments, definitions, usage and history, including the size of issuances, profile of issuers, SDG linkages, market trends and introduce the developments in this market.

Session 2 - Principles for sustainable debt instruments issuance

Introduce the different principles/standards that exist in the market when issuing a sustainable instrument (GBP, SBP, SBG, and SLBP)

Session 3 - External review and reporting

An overview on the role of external reviewers and the different types of external reviews that an issuer can choose. The session will also provide a detailed overview on post-issuance reporting and best practices.

Session 4 - What Should be Financed with Thematic Bonds

Discuss the process and criteria for selecting blue and green projects that can be financed with thematic bonds with examples of areas where thematic bonds can work or don't work. Bonds are not a panacea but could provide much-needed finance in the appropriate circumstance.

Session 5 - Case studies

Provide in-depth case studies from relevant issuances in the region, comparing best practices. This session will dive deeper into the issuance of blue bonds and potential for Sri Lanka.

Session 6 - Issuing and listing a sustainable bond on international exchanges

Outline the advantages of listing on international exchanges and how to attract international investors.

Practical Application

Over the course of the training, participants will be split into groups and a series of hands-on practical exercises to apply the learning content to the development of a green bond framework.

Possible Additional Sessions/Topics depending on time

Basics Concepts of Capital Markets and Bonds

Provide instruction on capital markets and an overview of the state of capital markets and the policy environment in the countries.

How Do We Know They are Green and the Role of the Regulator?

Discuss greenwashing, the role of the regulator and the importance of principles, standards, bond frameworks and SPOs.

How to Proceed with the Issuance of a Thematic Bond

Outline the issuance phases and workflow of a thematic bond, including the feasibility study, pre-issuance preparation, issuance, and post-issuance and the roles of different stakeholders.