



## Virtual Workshop - SADC Green Finance Demand Study

Held on 20, January 2022  
14:00 – 16:00 (CAT)

On 20th January 2022, the Committee of SADC Stock Exchanges (CoSSE) and FSD Africa facilitated a virtual demand study workshop together with consultants from Rebel Group and Clima Capital Partners - a significant initiative made possible through the SADC Green Bond Programme, kickstarted in February 2021.

Over 70 professionals from the SADC region capital market ecosystem were present, with representation from institutions such as Stock Exchanges, Central Banks, Regulators and Development Finance Networks. The purpose of this workshop was to present salient findings of the demand study, and advance discussions around Green Bond opportunities in the region, the barriers that hinder their uptake, and recommendations to overcome these.

Some of the findings presented on the SADC Green Bond Market Study indicated that the market has grown exponentially, by at least 15% in 2021, while the African market contributes only 0.4% to this global market base. The SADC Green Bond markets have been subdued. There have been 20 green bond issuances amounting to USD 3,559 million following the first issuance in 2012. The statistics from the study showed that over the period 2012-2021: 12 issuances were by banks (42%); 5 issuances were sovereign (30%); 3 issuances were corporate (28%); and of the 20 green bond issuances, 16 were issued in South Africa (USD 3,186 million, 90% of total), illustrating the dominant role of the country within the region. 7 have been issued in the last three years (USD 2,146 million, 60% of total) in line with the global trend of green bond market growth.

Other market insights indicated that the SADC investor base is limited except for South Africa, thus there is a need to access international capital markets as an alternative. An example of this is the Seychelles Blue Bond bought by international impact investors. International capital market access to frontier market borrowers has broadened significantly in the past decade; today, even single B-rated sovereigns enjoy market access, including relatively small low-income countries from sub-Saharan Africa.

Equally, there are investment opportunities for the regional pension funds, especially in Botswana, Namibia, eSwatini and Tanzania. However, the inadequate enabling environment (regulatory & capital market barriers) limit uptake. From the issuers' perspective, positive outcomes of the study reveal that: banks are a prime candidate group for green bond issuance in the SADC; there may be an acceleration of a paradigm shift among corporates as the global regulatory standards on corporate disclosure requirements increasingly integrate ESG information; and finally, Sovereigns

with outstanding international bonds, could explore if a portion of their remaining international bonds may be re-financed with green bonds as a part of their broader debt management strategies.

Workshop participants also discussed barriers to green bond uptake in SADC. A common hindrance in this region appears to be the lack of expertise in identifying and developing bankable projects to be financed by green bonds. Secondly, most potential issuers in the SADC region (excl. SA) are unfamiliar with the specific internal and external processes required in raising a green bond.

The low demonstration of financial benefits of issuing green bonds poses a barrier for issuances, which can be circumvented through long-term strategic thinking, as in the case of the Bank of Windhoek. The Bank did not see any financial advantage to their green bond issue in 2018, but used the issuance as a strategy to position the Bank in a future key market. Other barriers discussed are the perceptions of higher transaction costs, the small size of issuance, rigid taxonomies, and minimal technical expertise at regulatory agencies and stock exchanges.

Key recommendations discussed in light of the findings included the following: Strengthen regulators' and stock exchanges' expertise on climate finance; Establish national champions for designing and implementing market development measures for the enhanced deployment of green bonds; Incentivize the potential issuers, especially banks, to develop portfolios of eligible and bankable projects for green bonds; Use demonstration effects to promote green bonds; Promote the supporting instruments for climate market development in SADC countries – e.g., regulatory requirements, subsidization, intrinsic motivation, and project identification.

The SADC Green Finance Demand Study will be available publicly on the [CoSSE website](#) during the first quarter of 2022. We trust that it will provide compelling insights on the trajectory of the SADC Green Bond Market for market practitioners across the SADC region - and serve as an instrumental tool in the development thereof.

#### EVENT PARTNERS:



#### For any information, please contact:

Rhea Masasa, CoSSE Coordinator: [rmasasa@bse.co.bw](mailto:rmasasa@bse.co.bw)

Vimal Parma, Senior Capital Markets Specialist at FSD Africa: [vimal@fsdafrica.org](mailto:vimal@fsdafrica.org)

Rolf Dauskardt, RebelGroup: [Rolf.Dauskardt@Rebelgroup.com](mailto:Rolf.Dauskardt@Rebelgroup.com)

Joumana Asso, Clima Capital Partners: [jasso@climacapitalpartners.com](mailto:jasso@climacapitalpartners.com)