

# The SADC Green Bond Programme

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# The SADC Green Bond Programme





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# The SADC Green Bond Program

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Launched in March 2021, the objective of the SADC Green Bond Programme is to accelerate the take-up of Green (and other Sustainable) Bonds as a tool for SADC member countries to tap into domestic and international capital markets to finance green and social projects and assets.

## Definition of Sustainable Bonds and Who Can Issue Them

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A Sustainable Bond is a collective term that CoSSE uses to describe debt instruments that, in addition to financial returns, deliver environmental and social benefits. Subsets include, but are not limited to; Green, Climate, Blue, Social, Gender, Sustainability and Sustainability-Linked Bonds and can be issued by companies, sovereigns and sub-sovereigns.





# The Relevance of the Sustainable Bond Market

The increased frequency and costs of climate change impacts in Africa are predicted to result in extreme losses to agriculture production, livestock, water supply, and human health. If not abetted, these can eventually lead to or exacerbate existing social, economic and national security issues. Addressing these challenges will require the continent to take advantage of a diverse range of 'green' and 'sustainable' capital-raising tools and sources of funding to raise funds for sectors such as sustainable agriculture, green resilient infrastructure for transport, water, and waste management, to promote sustainable, inclusive and equitable economic growth, reduce inequalities, creating greater opportunities for all and promoting sustainable management of natural resources and ecosystems.

Sustainable Bonds are one tool that can offer the African companies and projects an opportunity to leverage private capital at scale towards building more climate-resilient and sustainable economies.

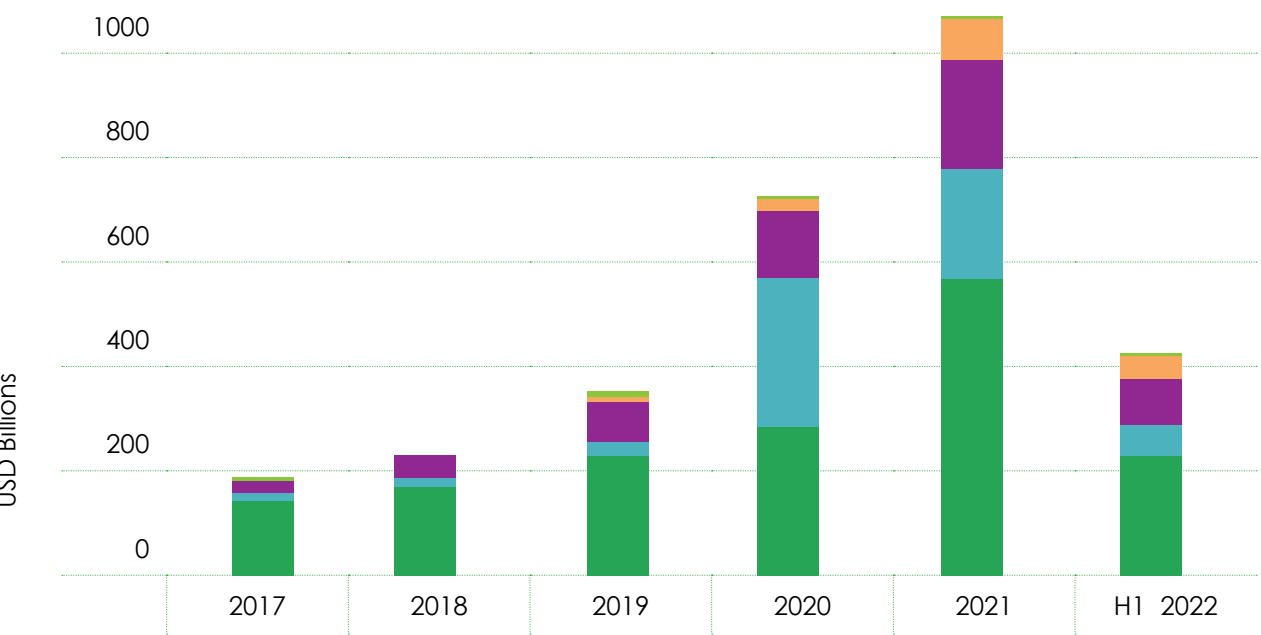




# The Growth of the Sustainable Bond Market

The Sustainable Bond market has grown exponentially over the past ten years as investors acknowledge that climate and other environmental and social risks can impact investment performance. Bonds are a safe and familiar investment asset class, resulting in high demand and over subscription of Sustainable Bonds. In 2021 alone, USD 1 trillion worth of Green, Social, Sustainability and Sustainability-Linked (GSSS) Bond instruments were issued, taking cumulative issuance to over USD 3 trillion since 2006.

## Cumulative GSSS+ volumes reached USD3.3tn in H1 2022



Source: Climate Bonds Initiative

- Green
- Social
- Sustainability
- SLB
- Transition



# What are the advantages of a Sustainable Bond?

Green and Sustainable Bonds bring several benefits to issuers, investors and governments alike:

- **INVESTOR DIVERSIFICATION ACROSS REGIONS** - The environmentally green/low carbon integrity of the bond meets strong investor demand for such instruments and enables issuers to raise capital from a much broader base of investors.
- **STRONG OVERSUBSCRIPTION** - Demand for Green Bonds generally outstrips supply thus investors acquiring Green Bonds often hold them to maturity.
- **TIGHTER YIELDS** - Given the demand for Green Bonds, 'strong pricing' has been achieved by recent green bond issuances. Some corporate issuers claimed to have achieved a lower cost of capital, especially for bonds denominated in Euros and Dollars.
- **"STICKIER" POOL OF INVESTORS** - Typically, Green Bond investors invest for the long term, which is a major benefit for infrastructure projects seeking longer-term investments.
- **IMPROVED RISK MANAGEMENT AND GROWTH STRATEGIES** - Growth and expansion with better Environmental and Social risk management enables companies to save on costs, harness innovation and align with national and international sustainable development strategies.
- **REPUTATIONAL BENEFITS** - Requirements for enhanced transparency disclosure associated with a Green Bond issuance will appeal to investors. Green credentials can be part of a wider sustainability strategy and improved reputation.





# Support available for the different market participants:

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- **EXCHANGES AND REGULATORS:** Support for development of guidelines, policies and regulations - to enable the issuance and listing of sustainable bonds and other related products in the SADC region.

For an overview of how to incorporate Sustainable Bond requirements in the listing rules and guidelines, go to the CoSSE Sustainable Bond Guidelines: <https://www.cosse.africa/sadc-guidelines-for-sustainability-bond/>

- **POTENTIAL ISSUERS OF GREEN/SUSTAINABLE BONDS:** Identification of the Sustainable Bond project pipeline and support for Sustainable Bond issuance, such as initial review of green project eligibility, drafting of the Green Bond Framework and engaging the Green Bond External Verifiers.

For an overview of the issuance process, go to the FSD Africa Green Bond Toolkit: [https://www.fsdafrica.org/wp-content/uploads/2020/08/Africa\\_GBToolkit\\_Eng\\_FINAL.pdf](https://www.fsdafrica.org/wp-content/uploads/2020/08/Africa_GBToolkit_Eng_FINAL.pdf)

- **INSTITUTIONAL INVESTORS INCLUDING THEIR ADVISORS:** Sustainable Bond training and workshops for the institutional investment community to enhance detailed understanding and investment in Green and Sustainable Bonds.





If you are interested to find out more, contact:

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## About CoSSE

Formed in 1997, CoSSE is a collective and cooperative body of the 14 stock exchanges in the Southern African Development Community (SADC) region. CoSSE is charged with the responsibility to accelerate the development of the SADC capital markets through cooperation and collaboration between SADC stock exchanges and other key SADC institutions and stakeholders. The CoSSE Secretariat which is currently hosted by the Botswana Stock Exchange, has close working relations with the SADC Secretariat, and SADC substructures such as the Committee of Central Bank of Governors (CCBG), Committee of Insurance, Securities and Non-Banking Financial Authorities (CISNA), the Committee of Ministers of Finance and Investment (CoMFI) and the Committee of Senior Treasury Officials (CoSTO).

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# The SADC Green Bond Programme

Developed In Partnership Between

