



Developing Social Bond Markets in Asia: Social Impacts in the Asian Context

Virtual Event via Zoom

5 November 2020, 9:00 AM Manila Time



Using Social Bonds To Achieve Meaningful Impact in Developing Asia

Presenters: Professor Jane Elizabeth Hughes, and Jason Mortimer

Today's Agenda

- Build Back Better
- Impact Areas:
 - Crisis Alleviation, Health, Food Security, Water and Sanitation
 - SME Finance
 - Resilience
 - Education and Training, Girls' Education
 - Gender Equity
 - Digital Access and Financial Services
 - Poverty and Inequality
- Intersectionality
- Social Impact Measurement
- Market Analysis: Impact Areas and Metrics
- Conclusions: Optimizing Impact in the COVID Era and Beyond

Build Back Better

- *With Social Bond issuance set to achieve a new record in 2020, it is important to optimize their use in developing Asia, specifically:*
 - Which social issues to address
 - How to maximize deep and lasting impact
- *Like most disasters, COVID has disproportionately harmed poor, underserved, and vulnerable communities*
- *Much more than a health crisis; pandemic affects virtually all aspects of human development*
 - Disaster impacts health, education, livelihoods
 - Will not only deepen poverty but widen inequality; affect future generations
- *Need to **build back better***
 - Meet urgent short-term needs for employment and health care
 - Address underlying, longer-term issues such as poverty and resilience

Impact: Crisis Alleviation

- COVID deaths in developing Asia are around 160,000
- Immediate priority is to save lives
 - Boost hospital capacity and public health services
 - Purchase protective equipment and medicines
 - Purchase vaccines, when available
- More than health care
 - Address hunger
 - Protect firms from bankruptcy, protect families from eviction
 - Provide direct cash support to households

Country	Total Deaths
India	119,000
Indonesia	13,299
Philippines	6977
Pakistan	6736
Bangladesh	5803
China	4634

Impact: Health

- COVID has reversed 2 decades of progress in vaccinating children; vaccines are a good proxy measure for how health systems are coping
- Funding needed to scale up telehealth, add healthcare capacity, improve the performance of public hospitals and maternal healthcare

Current Health Expenditure
Selected Countries in Developing Asia
Per Capita Spending
Source: Index Mundi



Average Life Expectancy by Region of Asia
For Those Born in 2020
Source: Statista



Impact: Food Security and Water

- COVID has exposed vulnerabilities in global food and water supplies
- Number of people confronting potentially life-threatening food insecurity in developing world will double in 2020 to 265M
- Of the 44 countries at high or extremely high risk of water crisis, 8 are Asian
- One reason why COVID spreads so quickly in developing countries: lack of clean water for washing

**Prevalence of Food Insecurity in Total Population
by Region of Asia, Pre-Pandemic (2018)**

Source: FAO



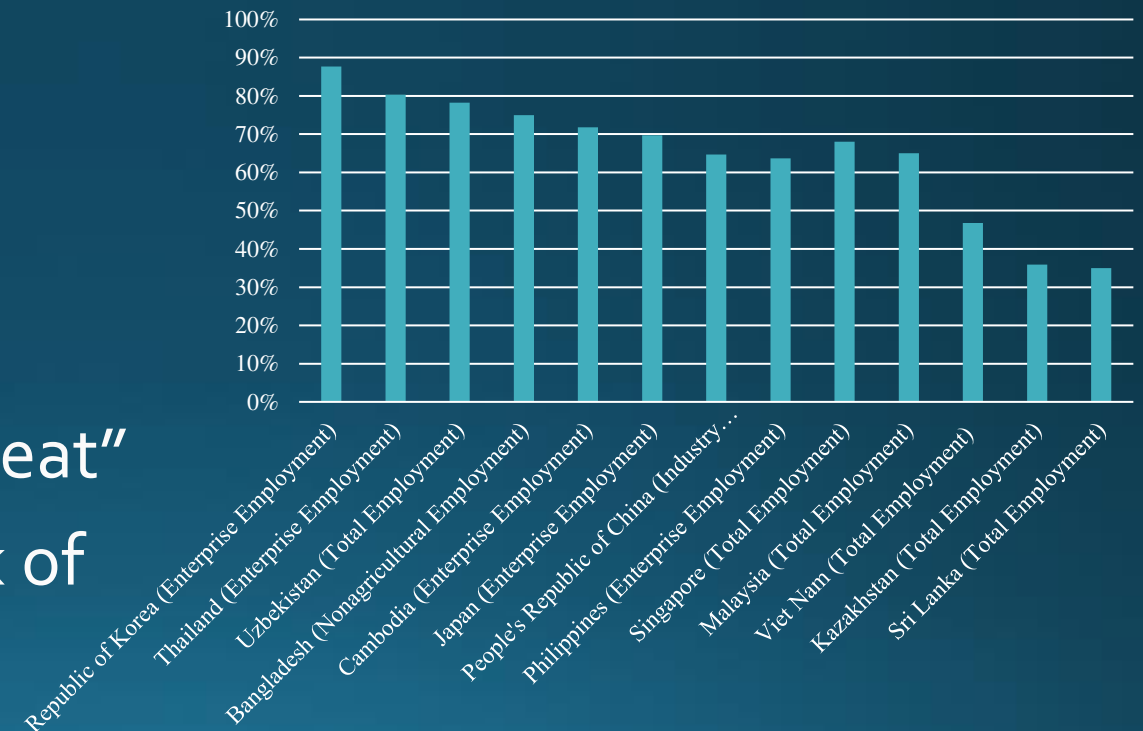
Impact: SME Finance

- SMEs account for more than 96% of all businesses in Asia-Pacific, more than 2/3 of private sector jobs
- Contribute to youth and gender empowerment
- Opportunity to leap from “garage to great”
- Need to address SME funding gap, lack of financial literacy

SME Employment Share, Selected Asian Economies
(% of Employment)

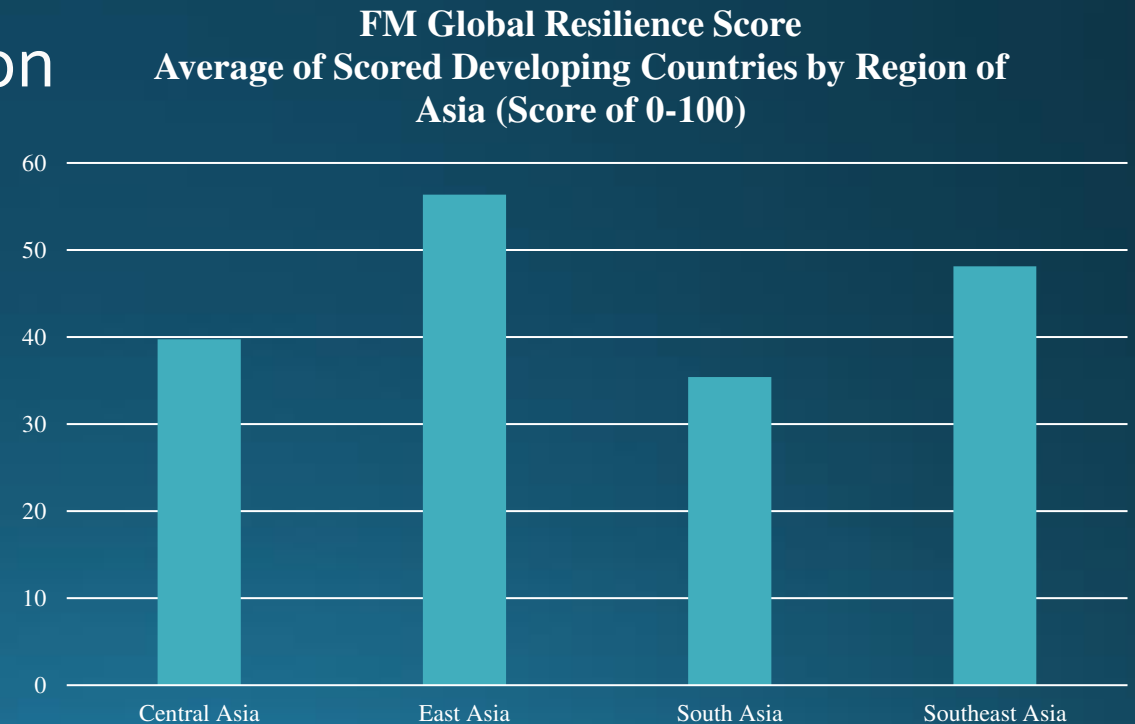
Most recent available data, 2011-2016

(Source: ADB Institute)



Impact: Resilience

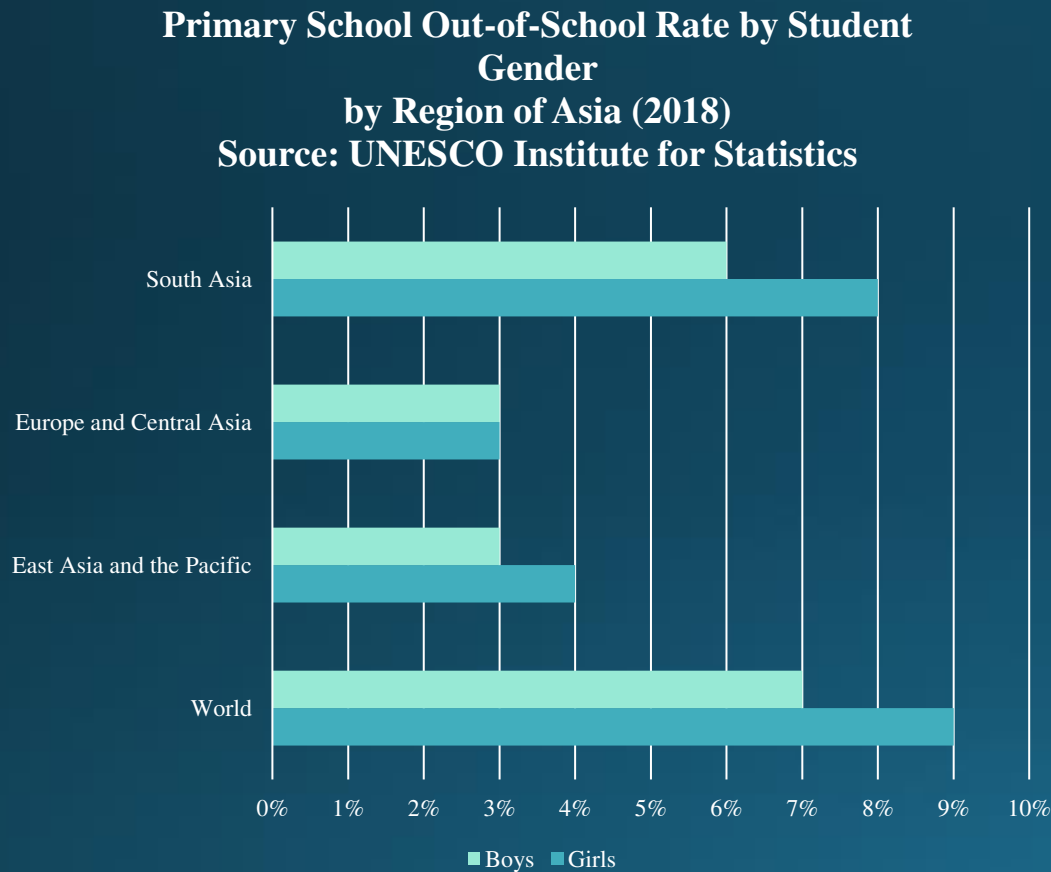
- Address the need for greater resilience before the next crisis
- Prevent and mitigate future disasters
- Over 60% of Asia-Pacific population lacks access to social protection, as do 70% of workers in informal sector
- Invest in resilience by addressing needs before next crisis



Impact: Education and Training

- Education may be greatest opportunity for impactful investment
- *According to UNESCO, more than 1.5 billion children and youth – over 90% of the world's students – have had education disrupted due to school closures*
- A child who is out of school for more than a year is unlikely to return
- *Without school, millions of children risk becoming trapped as laborers, child brides, soldiers, victims of human trafficking*
- Education Commission: Total global aid for education is barely \$10 per child

Impact: Girls' Education



- Jeff Skoll: Girls' education is the silver bullet for development
- One of the most effective ways to improve health, reduce conflict
- COVID threatens to derail progress
- Worldwide, UNESCO reports that the pandemic puts 11M girls at risk of never returning to school
- Girls who have been out of school are 2.5X more likely to drop out than boys

Impact: Gender Equity

- UN recommends putting “gender equality at the center of response efforts” to the pandemic, in order to build back better
- Pandemic has had gender-differentiated impact in Asia-Pacific; impact is even worse for minority and lower-income women
- Social Bonds can fund women-owned SMEs, create products and services for women consumers, decrease the digital divide, improve working conditions for women

Gender Gap Index Overall and in Selected Sub Indices, by Region of Asia, 2020 (Source: World Economic Forum)



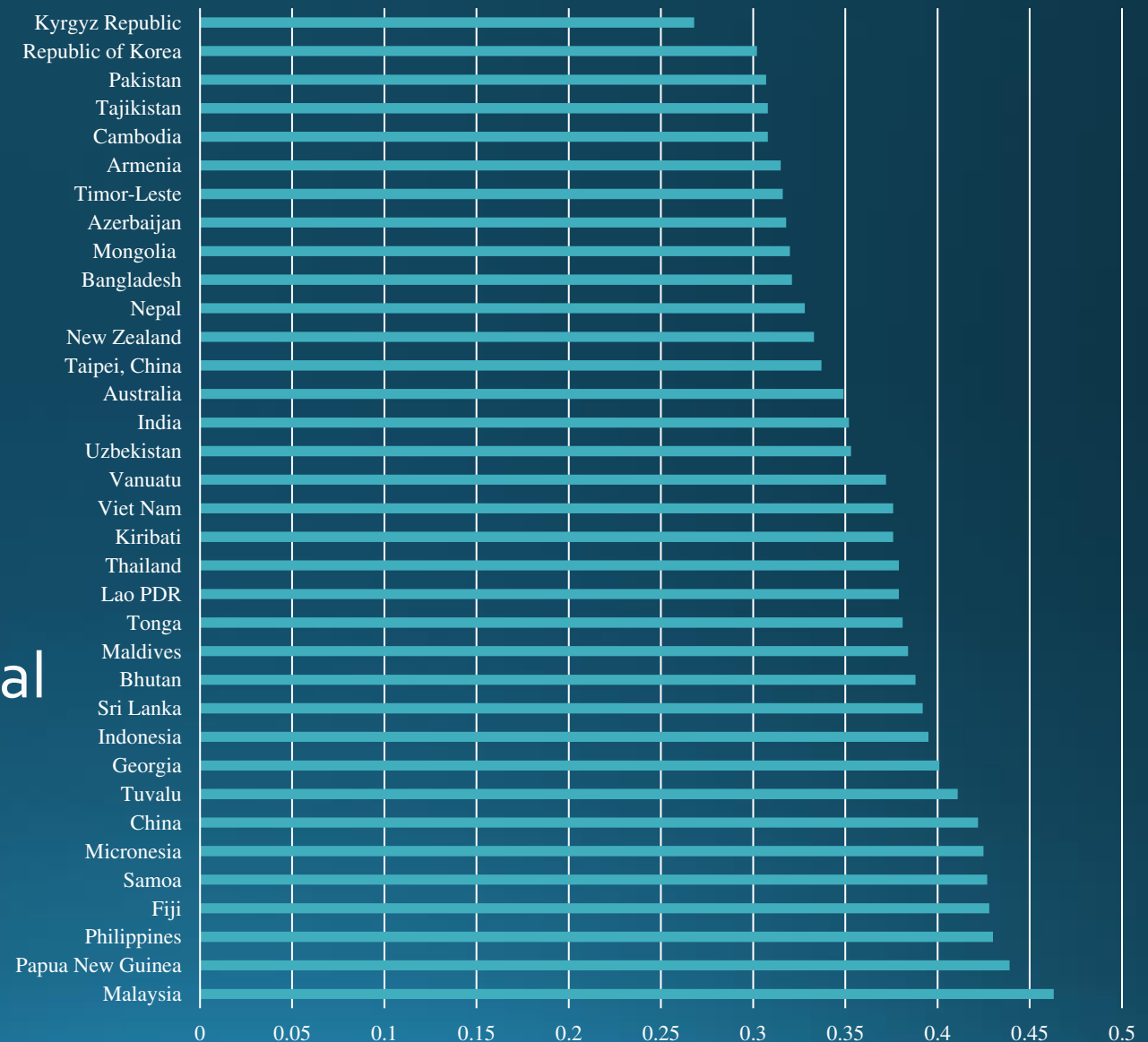
Impact: Digital Access and Financial Services

- Pandemic highlights need for infrastructure, especially digital access
- *Digital divide is development priority: rise in remote learning and work, financial inclusion (especially for women)*
- Business sectors requiring digitization: SMEs, tourism, education, healthcare
- *Digitization of SMEs in ASEAN could add \$1.1T of GDP value by 2025*
- Bain: Just 15% of SMEs in Southeast Asia use digital tools, despite 75% seeing digital integration as opportunity
- *Addressing digital divide is opportunity to build back better, add resilience*

Impact: Poverty and Inequality

Poverty and inequality are foundational and profound; underpin many of the abovementioned social ills, and present unique intersectional dimensions

Gini Coefficient in Asia and the Pacific
(Most Recent Available Data; higher score represents greater inequality) Source: ADB



Intersectionality: Challenge & Opportunity



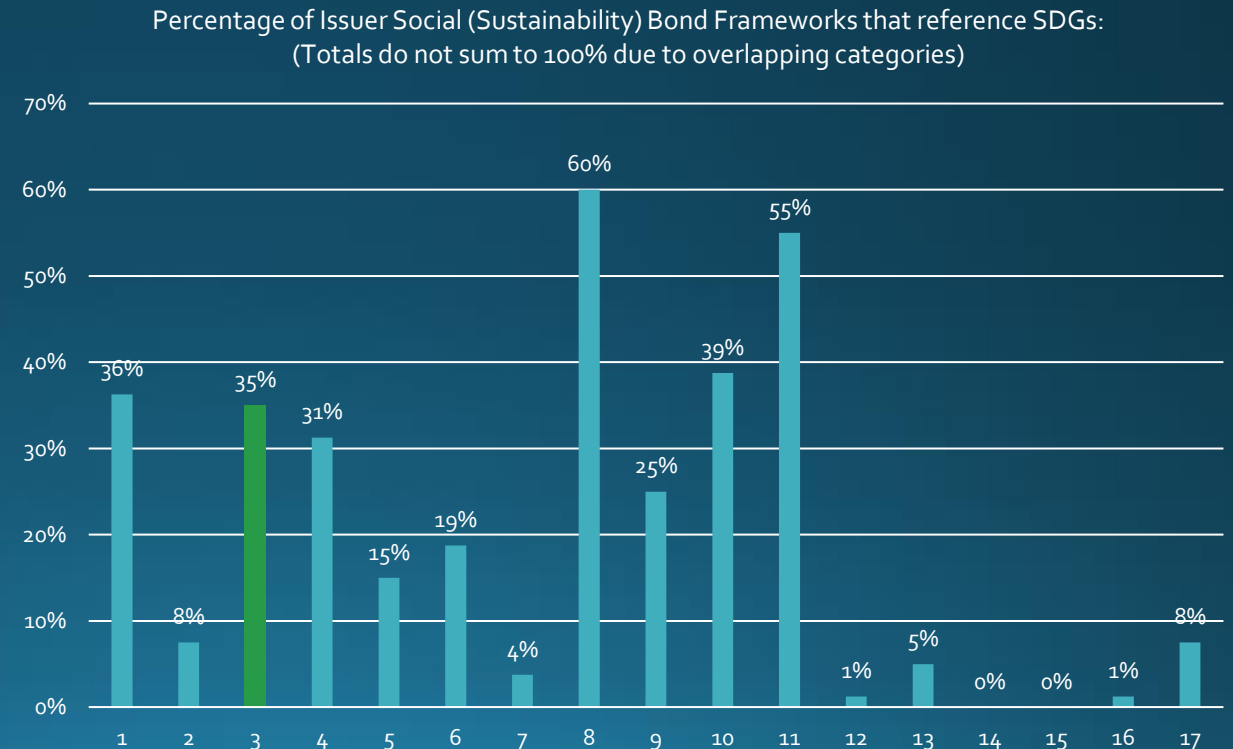
- Social ills are deeply intersectional; many problems are connected
- *Reduction in poverty & inequality requires addressing everything else, from education to infrastructure*
- Impossible to achieve sustainable development without addressing gender equity; impossible to achieve gender equity without progress in financial & digital inclusion, healthcare, education
- *This is the challenge; the opportunity is that the dynamism of women-led SMEs has the potential to become a source of economic resurgence, resilience in post-COVID recovery*

Social Impact Measurement: You can't manage what you don't measure

- A few principles:
 - Strict adherence to additionality
 - As consistent, objective, and verifiable as possible
 - Distinguish correlation from causality: RCTs?
 - Strive to determine real impact, not just counting heads
 - Enable comparability across projects to the extent that this is possible
- **But in social impact measurement, these principles are more aspirational than widely practicable**
 - Sometimes an exercise in quantifying the unquantifiable
 - Some impacts are very long-term (e.g. education)
- “It's always apples to oranges”

Frameworks for Impact Measurement

- ICMA Social Bond Principles: Issuers should
 - Dedicate proceeds to specific social issue and target population
 - Clearly communicate social objectives, project selection criteria to investors
 - Manage proceeds in transparent manner
 - Maintain real-time information including annual report with performance indicators
- Mapping to the SDGs
 - Many investors seek to link portfolios to SDGs
 - Becoming common for issuers to map bonds' use-of-proceeds to individual SDGs



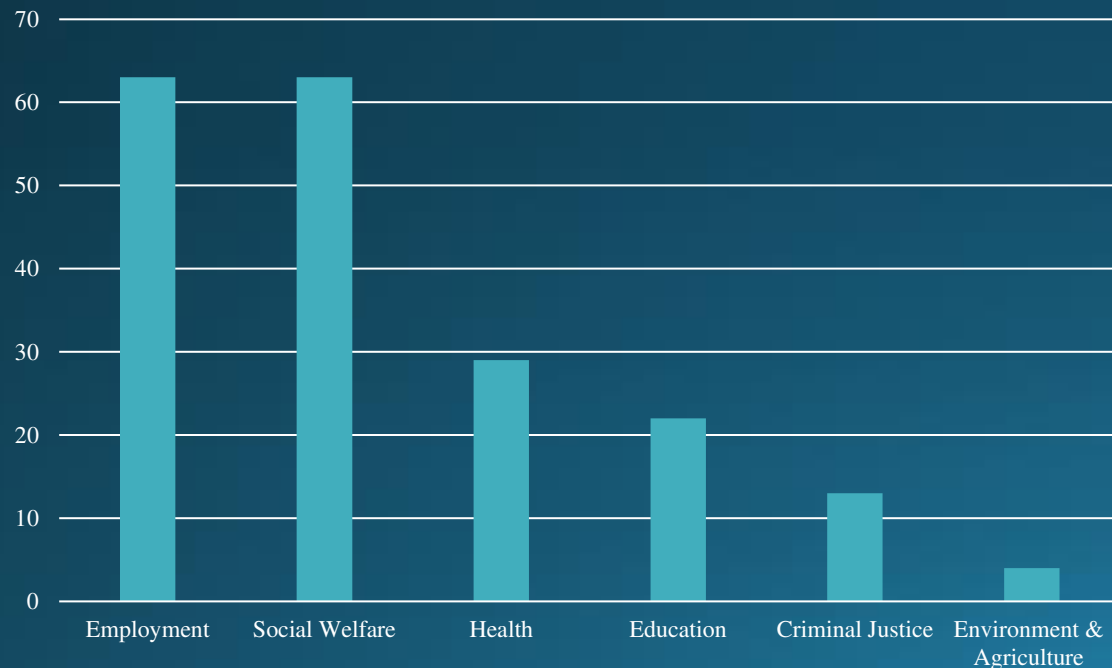
Case Studies: SDG Mapping and Impact Assessment

Issuer	SDG Linkage	Impact Assessment
Chugoku Bank Social Bond Japan, September 2020	SDG 8: Decent work and economic growth	Total loans outstanding and number of eligible loans
Bank of the Philippine Islands COVID Action Response (CARE) Bonds, Philippines, August 2020	SDG 8: Decent work and economic growth SDG 9: Industry, innovation, & infrastructure	Number of loans made to MSMEs, total monetary value of loans made to MSMEs
Bank of Ayudhya (Krungsri) Social Bond, Thailand, October 2019	SDG 5: Gender equality SDG 8: Decent work and economic growth SDG 9: Industry, innovation, & infrastructure SDG 10: Reduced inequalities SDG 17: Partnerships for the goals	Employment generation through women-owned SMEs SME loans outstanding, and use of proceeds

Learning From SIBs and DIBs

- Issue Areas: Dominated by employment, social welfare
- Impact Measurement: “Outcomes” and outputs

Issue Areas Addressed by SIBs and DIBs, 2010-2020
(Source: Brookings Institution)



Types of Metrics Used in Impact Bonds (Source: Brookings Institution)

Contracted Impact Bonds Total	<u>Outcomes</u>	<u>Outcomes & Outputs</u>	<u>Outputs</u>	<u>Data not Available</u>
194	109	49	5	31

Impact Areas & Metrics in Social Bonds

Market Analysis

1. Analysis of Social Bond Frameworks referencing SBP Projects

- a) By region, SBP Project Group and Category
- b) Under-allocated SBP Project categories based on Framework reference and actual Allocation

2. Funding allocations to Social Bond Principles (SBP) Project categories -- *Estimated*

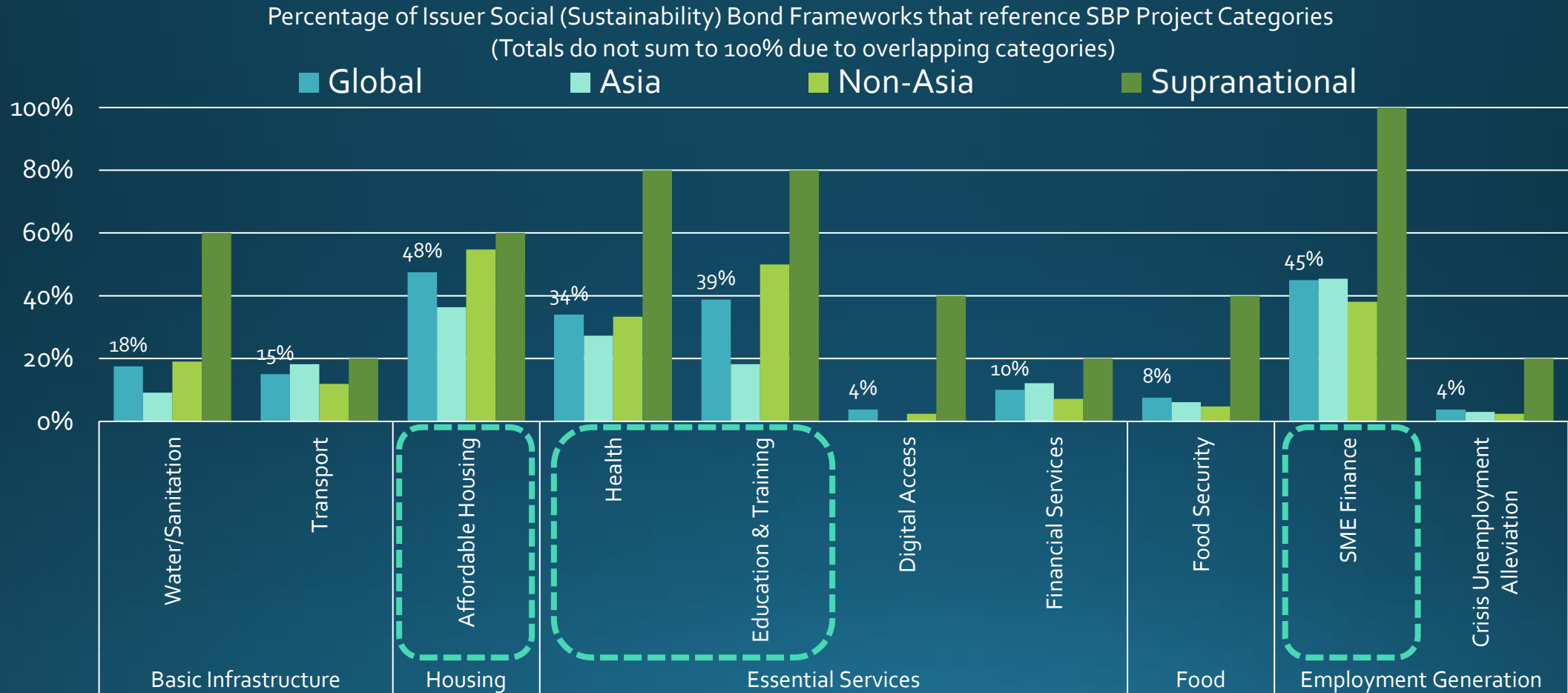
- a) Globally
- b) By region (Asia, Non-Asia, Supranational)
- c) By region and income level
- d) By region, income level, and country

3. Funding allocations to Sustainable Development Goals (SDGs) -- *Estimated*

- a) By SDG and Year

1a. Social Bond Frameworks by Project Category

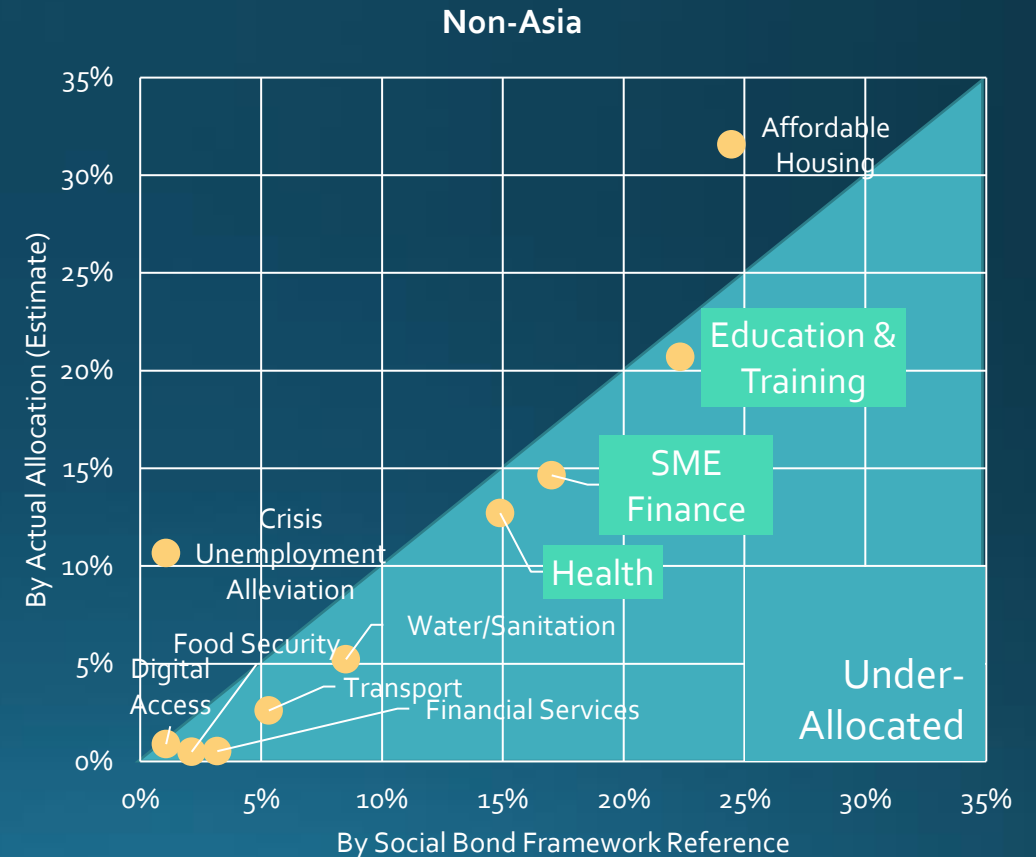
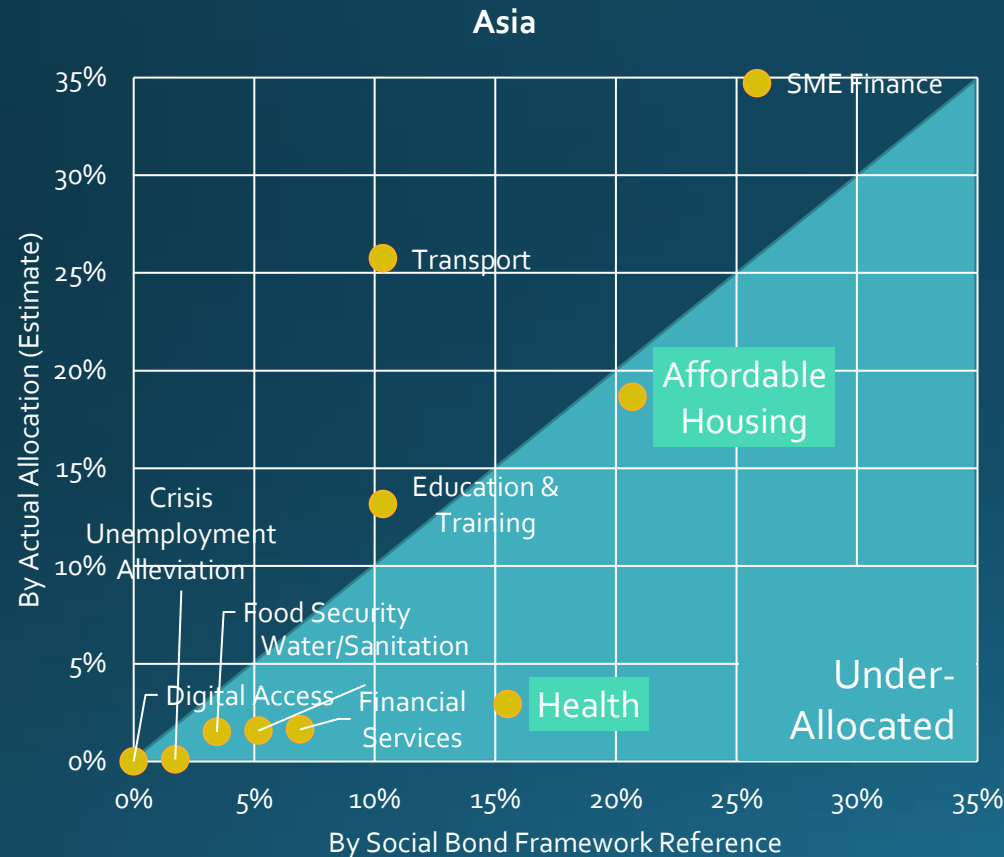
- Social Bond frameworks are concentrated in just a few SBP project categories (Housing, SME Finance, Edu/Health)
- Asian and Non-Asian frameworks show a similar distribution for projects. Supranational frameworks are expansive



Data includes publically listed, ICMA-compliant Social Bonds 2017-2020 YTD (As at August 7, 2020)

1b. Analysis of Under-allocated SBP Project Categories

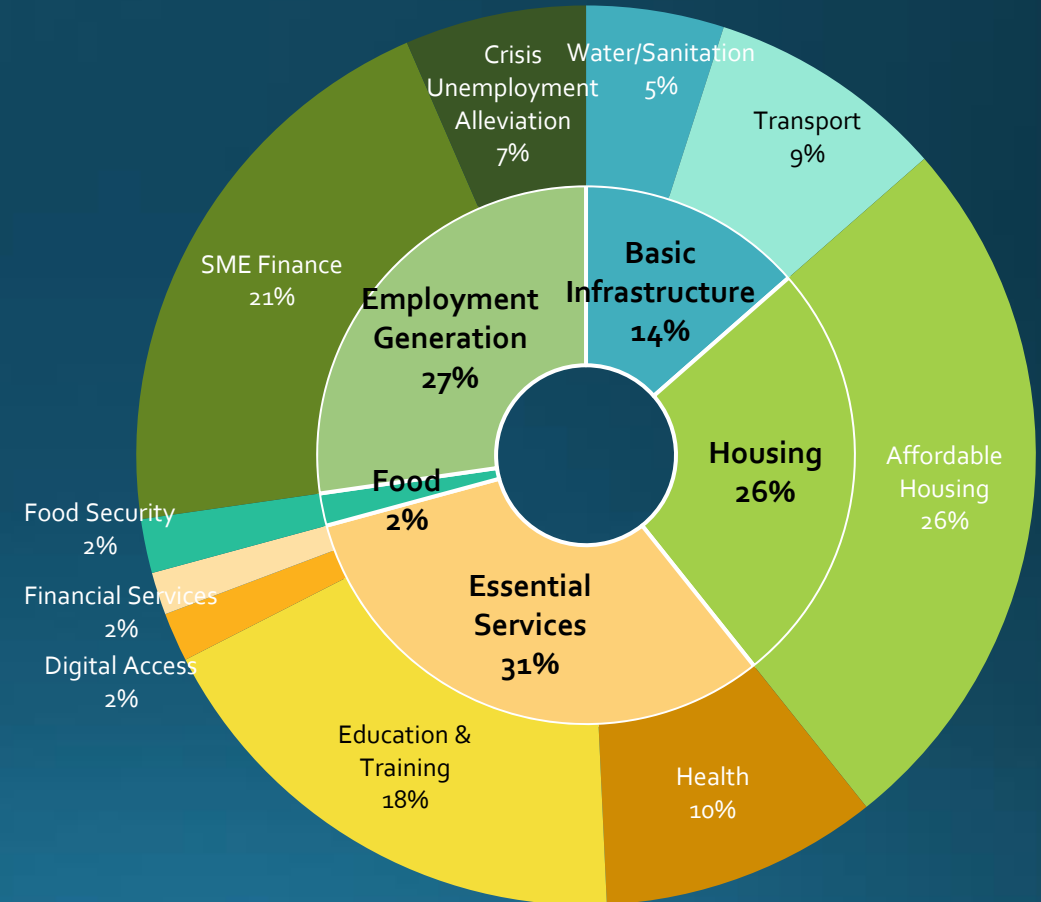
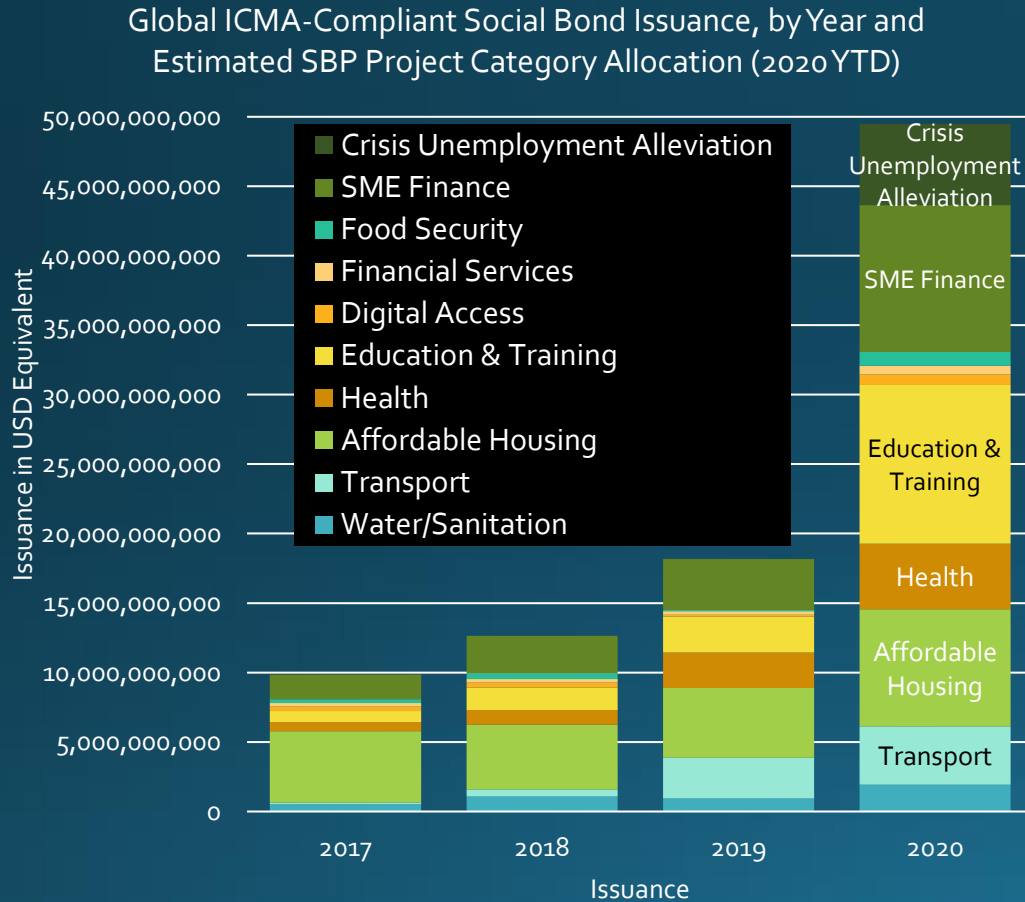
- In Asia, Health & Affordable Housing SBP project categories appear to be under-allocated relative to SBP frameworks
- Additional Social Bond issuance targeting Under-allocated project areas could add impact and enhance diversification



Data includes publicly listed, ICMA-compliant Social Bonds 2017-2020 YTD (As at August 7, 2020)

2a. Global SBP Project Allocations

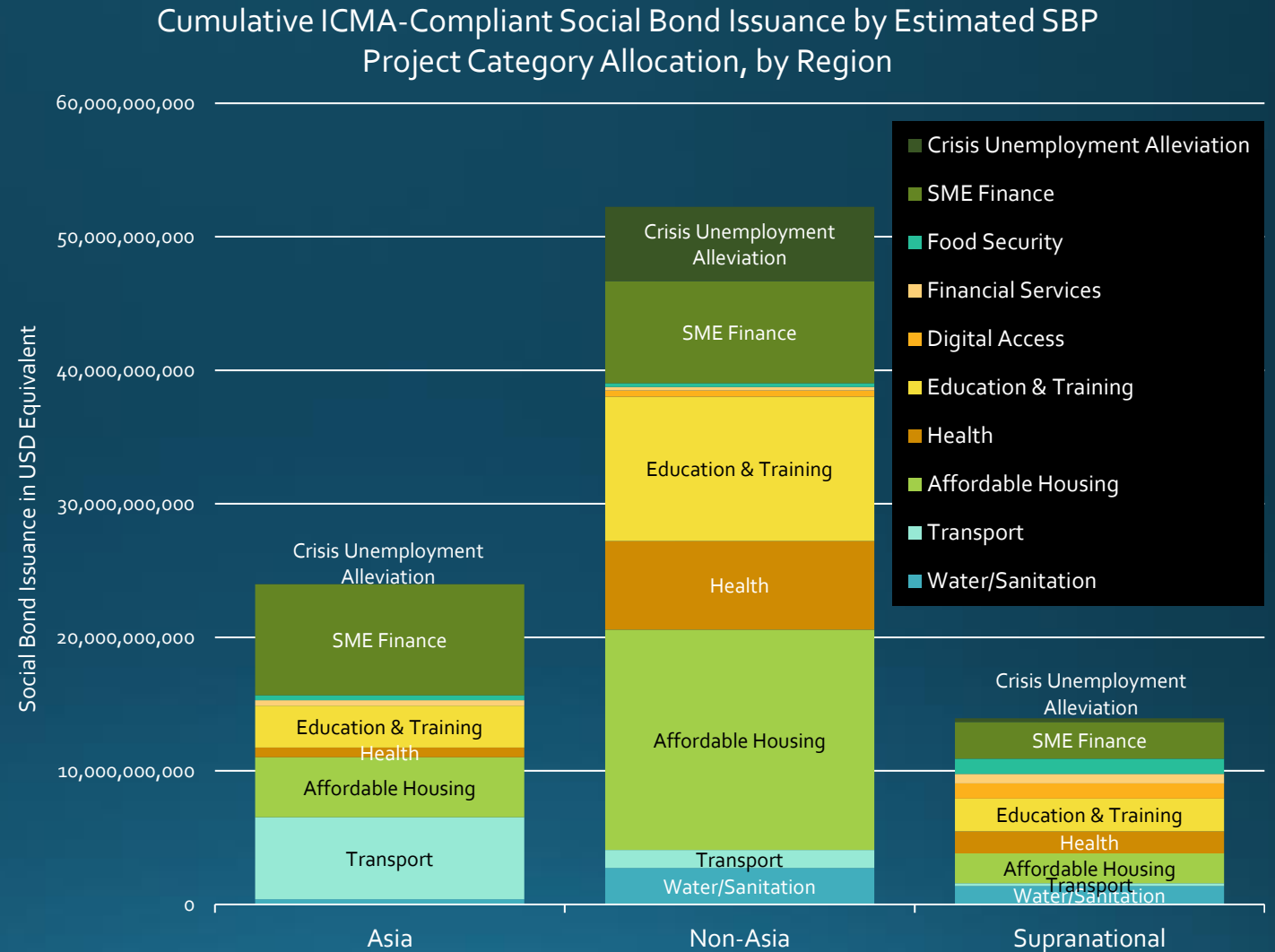
- Top investable SBP use of proceeds: Affordable Housing (26%), SME Finance (21%), and Education/Training (18%)
- 2020 has seen above-average growth in Education/Training, SME Finance, and Crisis Unemployment Alleviation (new)



Data includes publically listed, ICMA-compliant Social Bonds 2017-2020 YTD (As at August 7, 2020)

2b. Regional SBP Project Allocations

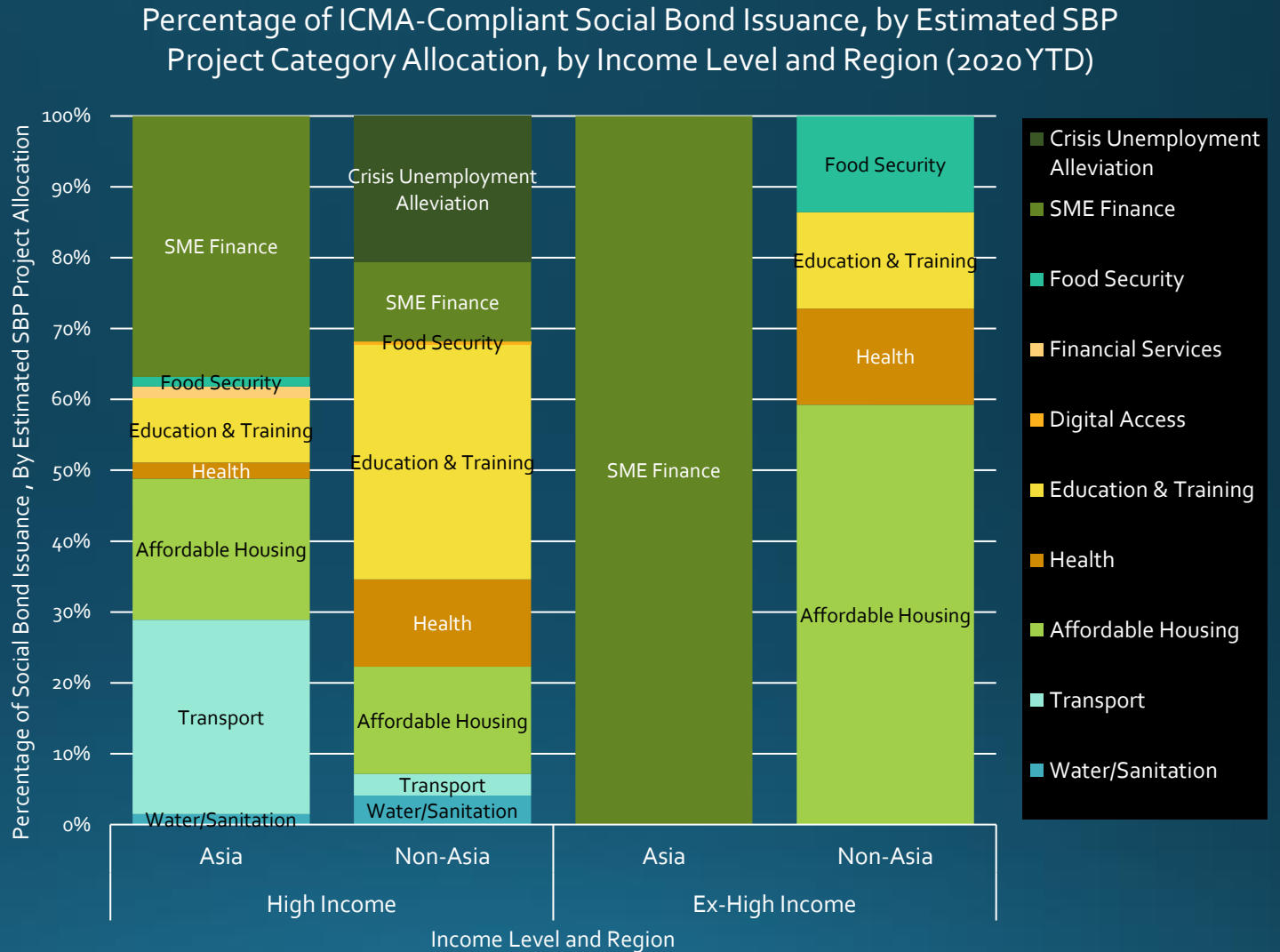
- ❖ In Asia, SME Finance (35%) is the largest SBP Project category by estimated allocated funding, followed by Transport (26%)
 - Large transport allocations are due to issuance by Japanese expressway operators
- ❖ In Non-Asia, Affordable Housing (32%) is the largest category, followed by Education/Training (21%)
 - Large Education/Training allocations are due to French unemployment training and assistance issuance
- ❖ Globally, Health is only 10% of the total, with only 3% in Asia



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2c. Regional and Income SBP Project Allocations

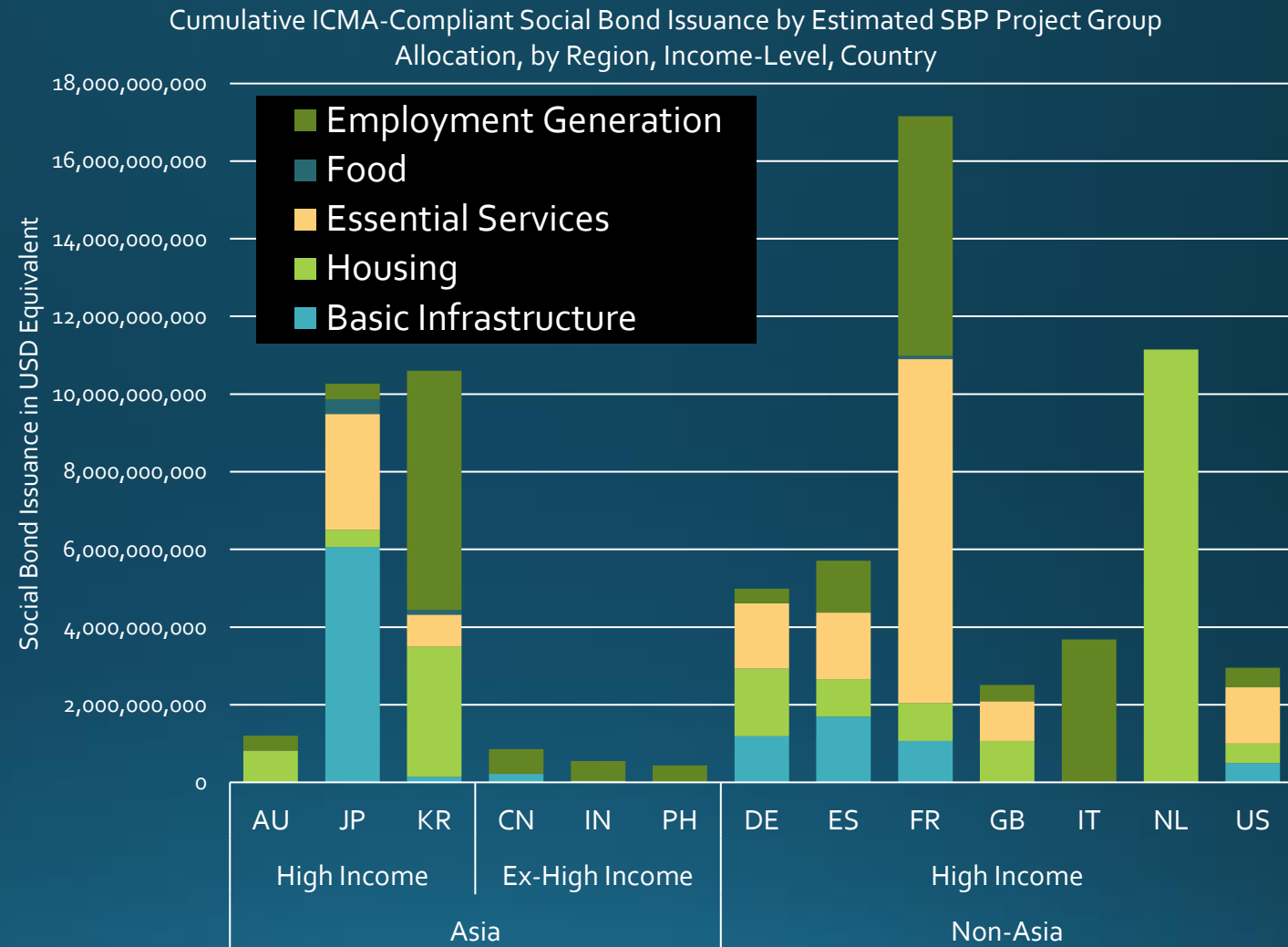
- ❖ Across High Income countries, SBP Project allocations are roughly similar albeit with different areas of focus
 - 93% in our database of outstanding social bonds are issued by High Income countries
- ❖ In Ex-High Income countries, cross-regional differences are more pronounced, although data is limited
 - Asian Ex-High Income Social allocations are ~100% focused on Socio-economics issues (eg SME Finance)
 - Non-Asian Social issuance focuses on Basic Needs and Services



Data includes publically listed, ICMA-compliant Social Bonds 2017-2020 YTD (As at August 7, 2020)

2d. Country Level SBP Project Allocations

- ❖ Cumulative Social Bond project Group allocations in Japan and Republic of Korea now rivals or exceeds that of most other High Income countries ex-France
 - 93% in our database of outstanding social bonds are issued by High Income countries
- ❖ Republic of Korea experience growing the Social Bond market may provide a useful template for Ex-High Income Asian counties to follow
 - Republic of Korea Project Group allocations more similar to Ex-High Income countries, but scale is large
 - Issuance is driven largely by Governmental Agencies with social mandates

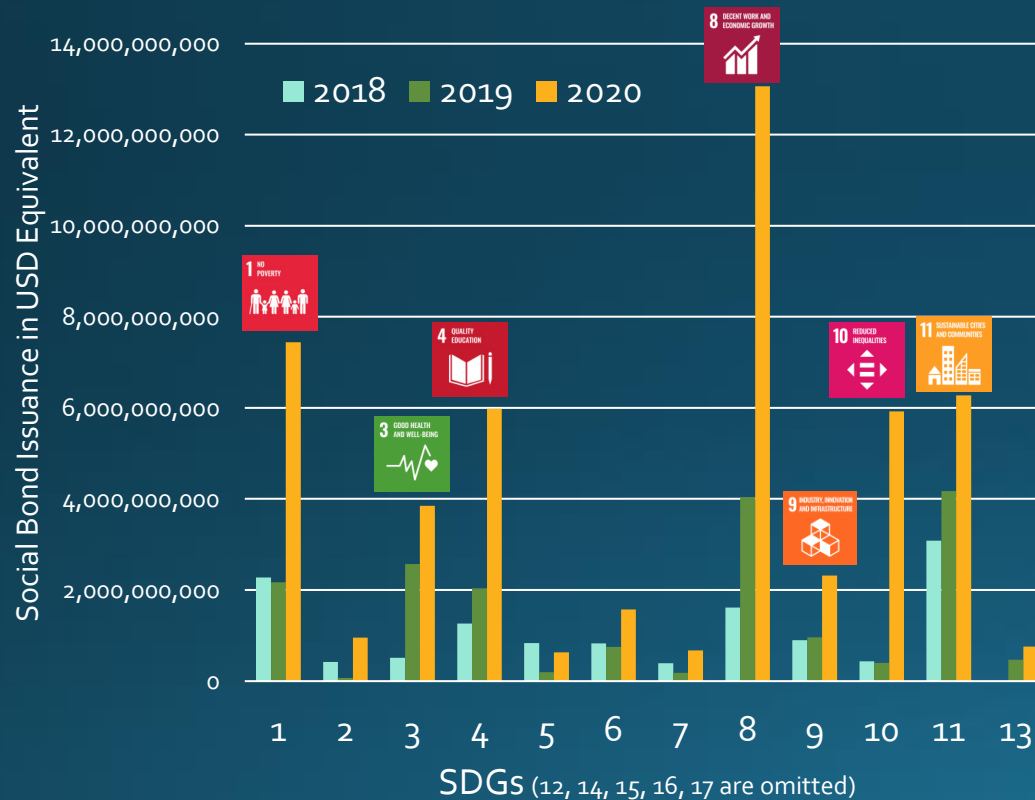


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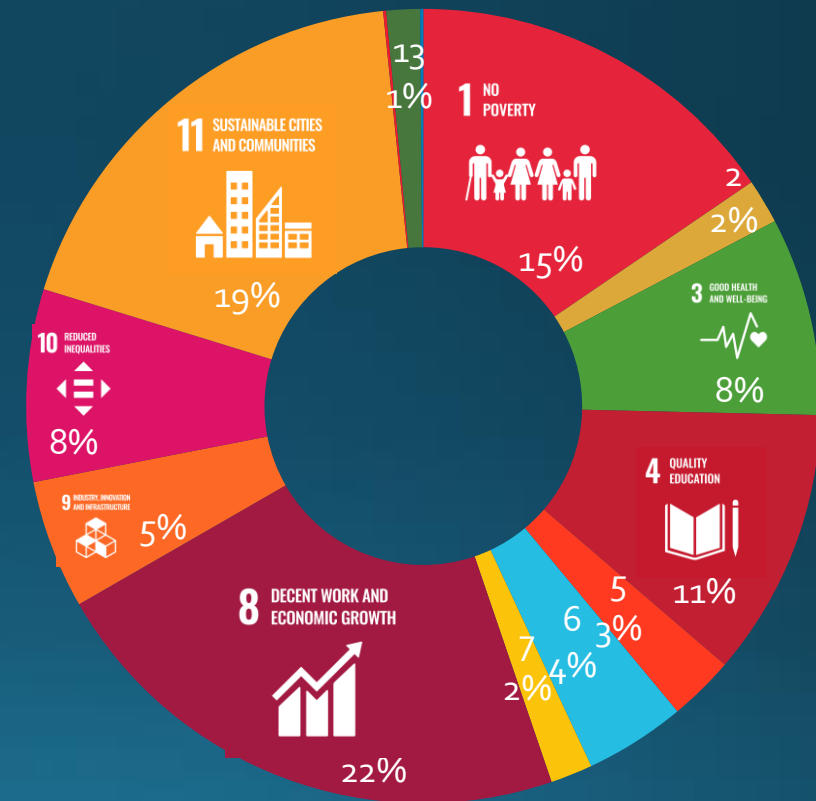
3a. Global Social bond SDG Allocations

- Top Social Bond allocations to SDG: Decent Work #8 (22%), Sustainable Cities #11 (19%), and No Poverty #1 (15%)
- 2020 has seen above-average growth in Education/Training, SME Finance, and Crisis Unemployment Alleviation (new)

Social Bond Allocations by Year & SDG



Social Bond Allocations by SDG



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Conclusions: Optimizing Impact in the COVID Era and Beyond

- Asia is highly important as engine of growth for world economy
- Will need to build back better, to build resilience
- Policymakers, issuers, investors will need to determine which issue areas should be addressed through Social Bond funding, and how to track impact using deeply imperfect metrics
- Don't let perfect be the enemy of "good enough"

Thank you



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Q&A

Panel Discussion

Chair: Satoru Yamadera, Principal Financial Sector Specialis, ADB

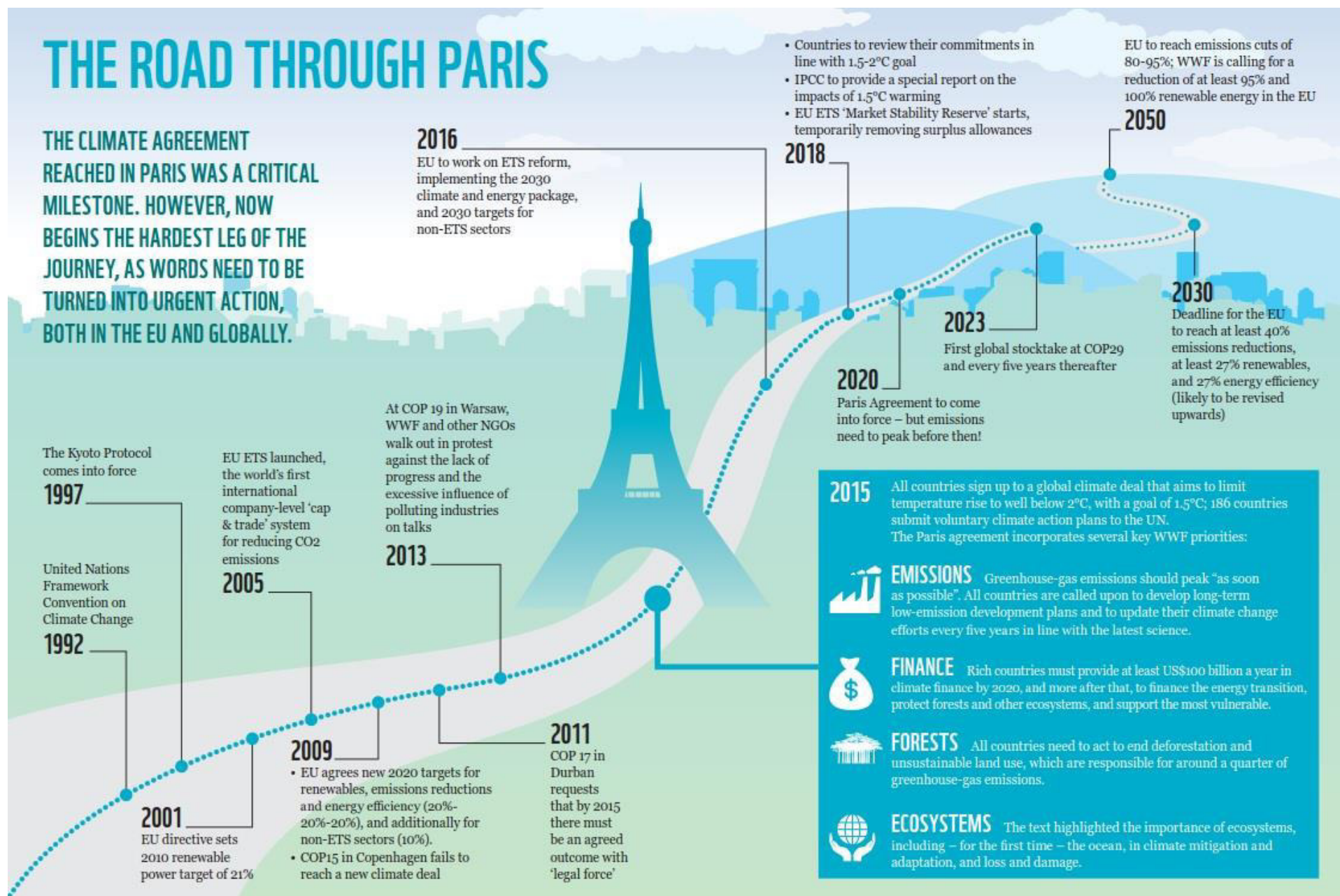
Panelist:

1. Mr. Cedric Rimaud, Corporate Bonds and Green Finance Specialist, Climate Bonds Initiative
2. Mr. Gempaku Okuyama, General Manager, Global Fixed Income Investment Department, Dai-ichi Life Insurance
3. Ms. Gladys Chua, Head, Sustainability Services, RAM Sustainability Sdn Bhd

Mr. Cedric Rimaud
Corporate Bonds and Green Finance Specialist
Climate Bonds Initiative

THE ROAD THROUGH PARIS

THE CLIMATE AGREEMENT REACHED IN PARIS WAS A CRITICAL MILESTONE. HOWEVER, NOW BEGINS THE HARDEST LEG OF THE JOURNEY, AS WORDS NEED TO BE TURNED INTO URGENT ACTION, BOTH IN THE EU AND GLOBALLY.



2015

All countries sign up to a global climate deal that aims to limit temperature rise to well below 2°C, with a goal of 1.5°C; 186 countries submit voluntary climate action plans to the UN. The Paris agreement incorporates several key WWF priorities:



EMISSIONS Greenhouse-gas emissions should peak "as soon as possible". All countries are called upon to develop long-term low-emission development plans and to update their climate change efforts every five years in line with the latest science.



FINANCE Rich countries must provide at least US\$100 billion a year in climate finance by 2020, and more after that, to finance the energy transition, protect forests and other ecosystems, and support the most vulnerable.



FORESTS All countries need to act to end deforestation and unsustainable land use, which are responsible for around a quarter of greenhouse-gas emissions.



ECOSYSTEMS The text highlighted the importance of ecosystems, including – for the first time – the ocean, in climate mitigation and adaptation, and loss and damage.






































The steps to issuance






Climate Bonds Taxonomy

The Climate Bonds Taxonomy identifies the assets and projects needed to deliver a low carbon economy and gives GHG emissions screening criteria consistent with the 2-degree global warming target set by the COP 21 Paris Agreement. More information is available at <https://standard.climatebonds.net/taxonomy>.



ENERGY	TRANSPORT	WATER	BUILDINGS	LAND USE & MARINE RESOURCES	INDUSTRY	WASTE	ICT
Solar 	Private transport 	Water monitoring 	Residential 	Agriculture 	Cement production 	Preparation 	Broadband networks
Wind 	Public passenger transport 	Water storage 	Commercial 	Commercial Forestry 	Steel, iron & aluminium production 	Reuse 	Telecommuting software and service
Geothermal 	Freight rail 	Water treatment 	Products & systems for efficiency 	Ecosystem conservation & restoration 	Glass production 	Recycling 	Data hubs
Bioenergy 	Aviation	Water distribution 	Urban development 	Fisheries & aquaculture 	Chemical production 	Biological treatment 	Power management
Hydropower 	Water-borne 	Flood defence 		Supply chain management 	Fuel production 	Waste to energy 	
Marine Renewables 		Nature-based solutions 				Landfill 	
Transmission & distribution 						Radioactive waste management	
Storage							

-  Certification Criteria approved
-  Criteria under development
-  Due to commence

Mr. Gempaku Okuyama

General Manager

Global Fixed Income Investment Department

Dai-ichi Life Insurance



*Asian Development Bank's Virtual Event
Developing Social Bond Markets in Asia: Social Impacts in the Asian Context*

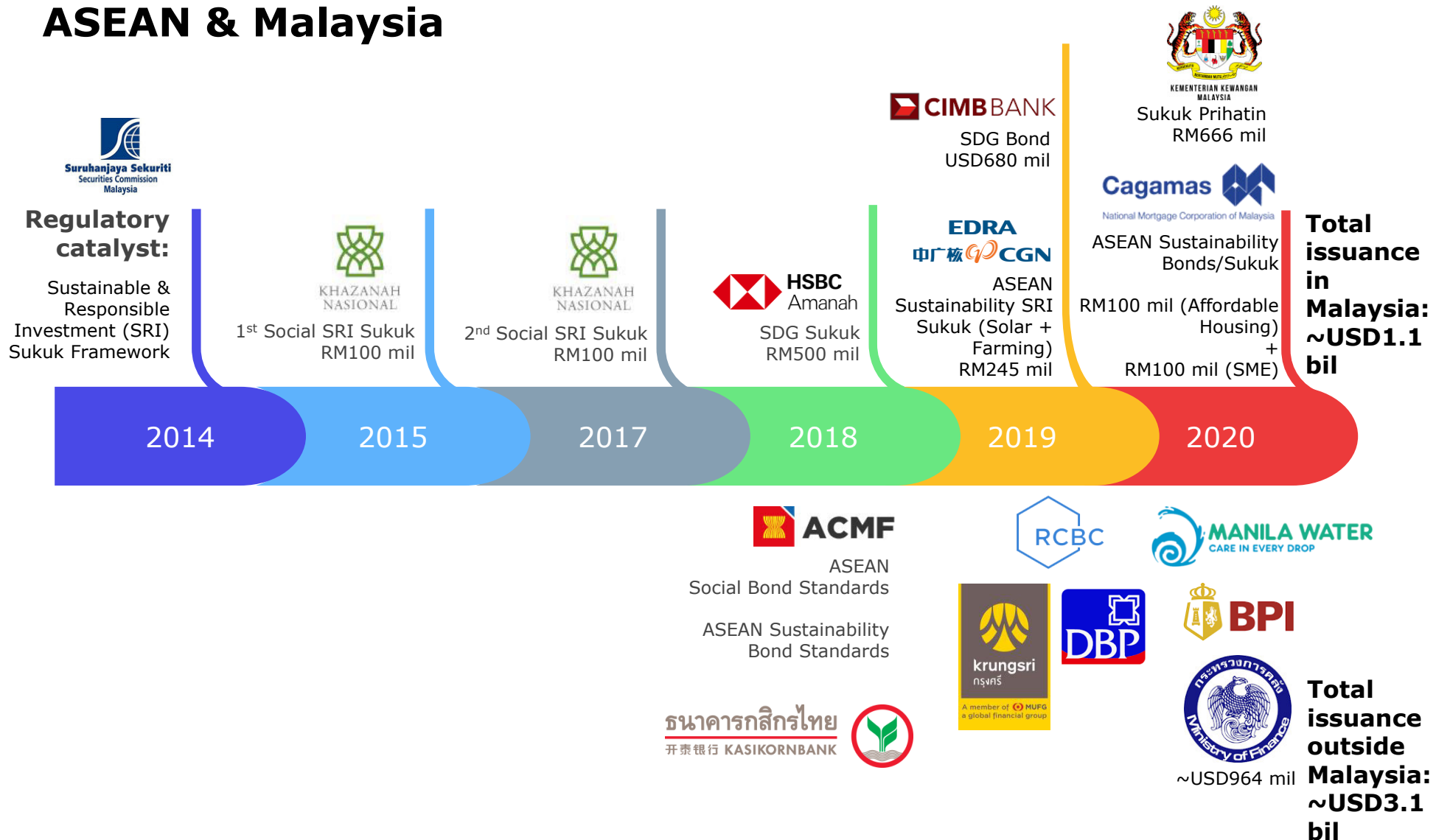
Panel Discussion

Social Bonds: Impacts in Asia

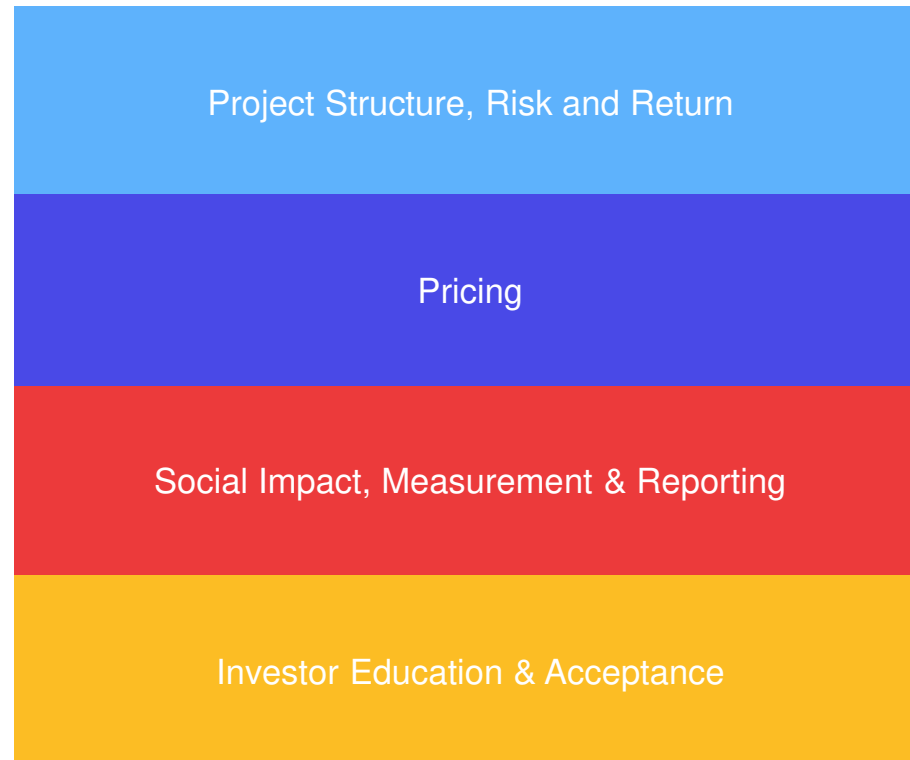
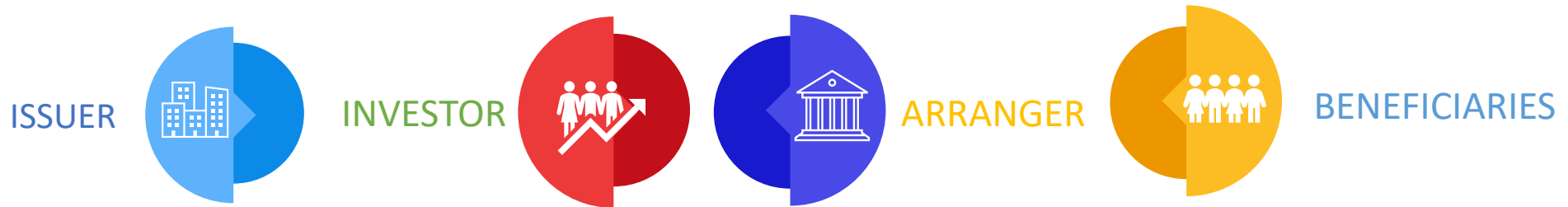
Panelist: Ms. Gladys Chua, Head, Sustainability Services

5 November 2020

Development of Social and Sustainability Bonds/Sukuk in ASEAN & Malaysia



Considerations by Various Stakeholders



THANK YOU

For more information on the above presentation, please contact

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