Leveraging green bonds to address debt sustainability and economic recovery in South Asia: Lessons from EU and ASEAN Countries

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Summary
Leveraging green bonds to address debt sustainability and economic recovery in South Asia: Lessons from EU and ASEAN Countries

Objectives:
• how the green bond markets can address debt sustainability and post-COVID-19 economic recovery
• draw lessons from EU and ASEAN
• Provide policy recommendation for South Asia

Strength:
• Very interesting topic connecting: COVID-Debt-Green bonds
• Potential to make a strong contribution to the literature
• Very good English and clearly written
Title: Leveraging green bonds to address debt sustainability and economic recovery in South Asia: Lessons from EU and ASEAN Countries

Abstract

1. Introduction
2. Literature review
3. Recent developments in green bond markets
   3.1 Development of Green Bond Markets in Europe Union Countries
   3.2 Development of Green Bond Markets in ASEAN Countries
4. Policies to Develop Green Bond Markets
   4.1 Policies to Develop Green Bond Markets in European Union Countries
   4.2 Policies to Develop Green Bond Markets in ASEAN Countries
5. Policy Recommendations for South Asia
   5.1 Opportunities and Challenges in South Asia
   5.2 Policy Implications
Abstract

Abstract can be reduced (usually 150-300 words).

Abstract usually includes just one paragraph with briefly the paper’s research purpose, methodology, principal results, and main conclusions.
1. Introduction

- Please add explanation why EU and ASEAN were selected to providing lessons to SA
- Lack of recent data in some places. Please update data to 2021. Such data is accessible via Bloomberg terminal or Climate Bond Initiative.
- Not sure how to understand ‘desk approach and survey of grey literature’.
- Please explain ‘debt sustainability’ and what is the connection with green bonds. Need to differentiate meaning of sustainability when refer to debt and when refer to green projects, as readers might confuse these 2 terms. I am not sure how 2nd sentence arise from the 1st sentence:
  - ‘Debt sustainability requires sustainable investing of public borrowing in public assets and entails private investment in more productive assets to cover the interest payments and pay down debt. Therefore, there is need to tap novel financing instruments to invest in economic recovery through climate-compatible green projects for meeting the sustainable development goals (SDGs) and ensure debt sustainability in South Asian economies.’
  - I suggest to use the IMF definition: ‘A country’s public debt is considered sustainable if the government is able to meet all its current and future payment obligations without exceptional financial assistance or going into default.’ (IMF)
2. Literature review

- Overall:
  - Literature requires critical assessment (not only positive side but also negative)
  - Lack of literature on ASEAN (some suggestions in the last slide)
  - Mainly covers benefits of green bonds, need more about barriers, challenges and problems with green bonds apart of the mentioned greenwashing, like costs, risks, uncertain demand, especially for first time issuers etc.
  - The gap in the literature and contribution of this paper to fill this gap should be stated clearly.
  - Few examples in the next 3 slides
2. Literature review

• The statements like below show only positive impact of Green bonds however they are under hot debates, require citation of more literature and alternative views (not just positive impact, but also no difference or negative impact):

  • ‘The issuance of the GBs improves the financial outcomes, environmental indicators, green credentials, stock liquidity, and sustainable business practices (Flammer, 2021; Tang and Zhang, 2020).’

  • ‘Green bonds brings high returns compared to conventional bonds (Zerbib, 2019), while Flammer (2021) found no premium on green bonds.’

  • ‘The green bonds funded projects generate greater yields to shareholders due to lower financing costs and stronger linkage to the SDGs (Alonso-Conde and Rojo-Suárez, 2020).’
2. Literature review

- The statements like below could be not true for developing countries like ASEAN due to higher risks such as volatile exchange rate, lower Moody’s rating etc. Or could be due to incentives for local demand in some countries. Need to check demand for green bonds issued in ASEAN:
  - ‘The demand for green bonds exceeds supply, which also influence their return (CBI, 2019b).
2. Literature review

- 2020 mainly affected green bond issuance in PRC. Green bond issuance have recovered in 2021. The global issuance of green bonds has doubled to $550 bn in Jan-Nov 2021 comparing to 2020.

- ‘The COVID-19 crisis has adversely affected development of the green bond market (Anh Tu et al., 2020) due to substantial distress, lower return, and irregular instability and spillover effects (Park et al., 2020).’

Source: Bloomberg
3. Recent Development in Green Bonds Markets

Readers will understand better if illustrations (figures or tables) are included to complement such statements:

• ‘The issuance of the green bonds has been quite slower but remained positive despite declining trend in the global market in 2020.’

• ‘Singapore performed significantly in issuance of the green bonds with regional share of 53% in 2020, followed by Indonesia with a share of 24% …

Please include most recent data (till 2021)

Please check everywhere missing data source/reference, for example like below:

• ‘The green bond markets in the European countries attracted institutional investors such as pension funds, investment funds, banks, and insurance firms ….’

• ‘In ASEAN region, about 79% of the green bonds have been issued to buildings and energy sectors…’


3. Recent Development in Green Bonds Markets

Readers would be interested in how markets were developed, what were drivers and barriers. Which barriers were addressed and how. This section would benefit from analysis of green bond issuance and demand what were drivers and challenges.

Since section is called development, some illustration of a timeline of developments would help readers to understand better.

Consider comparing EU and ASEAN

Demand for green bonds is important for the objective of this paper, thus need to be covered/expanded
4. Policies to Develop Green Bond Markets

Readers would benefit from the analysis of policies implemented and their effectiveness. Since the objective is to provide policy recommendations to SA, analysis of implementation, effectiveness and failure need to be included. What are the driving/crucial factors for success.

Consider adding comparison of EU and ASEAN

This section is very short and need to be expanded with more policies and analysis of these policies. For example, Green bond policies which were implemented in ASEAN but are not mentioned: green bond grants, tax incentives, domestic demand incentives etc.

Green taxonomy is currently under debates especially about grey hydrogen, carbon capture, utilization and storage and natural gas.

The following paragraph looks like irrelevant to policy section or its relevance to the policy need to be added: ‘In ASEAN region, the Second Party Opinion (SPO) remained the most popular external review…’
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Policy Recommendations for South Asia

A section on SA is missing. Need to compare SA to EU and ASEAN, which lessons could be applicable and which not.

Previous sections should lead and be linked to this section
References used in this discussion:


Thank You