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ARDB ACE-GFA MONTHLY BULLETIN

PREPARE BY:

ARDB ACE GFA RESEARCH
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OVERVIEW

This bulletin provides an in-depth overview of green finance, covering its definition, global development, and role in supporting climate action and sustainable development. It examines key instruments such as green bonds, sustainability-linked loans, and carbon markets, along with the policies and challenges shaping the sector. The bulletin also highlights Cambodia's progress in green finance adoption, including recent policy developments and the Agricultural and Rural Development Bank's (ARDB) efforts to promote sustainable investment in agriculture.

ABOUT ARDB ACE GFA

The APRACA Center of Excellence – Green Finance to Agriculture (ARDB ACE-GFA) was established on August 8, 2024, within the Agricultural and Rural Development Bank to support the APRACA in advancing the agri-food sector. ARDB ACE-GFA is dedicated to driving sustainable agricultural development through the following key areas:

- Promoting green and climate finance initiatives tailored to the agri-food system
- Conducting research, training, capacity-building programs, and exposure visits for knowledge enhancement
- Organizing policy dialogues, forums, and publishing knowledge-based reports to support decision-making
- Providing technical assistance and advisory services on sustainable and climate-smart financial solutions
- Enhancing collaboration, networking, and knowledge exchange among APRACA members and development partners.



Asia-Pacific Rural and Agricultural
Credit Association (APRACA)



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AGRICULTURAL AND RURAL DEVELOPMENT BANK

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Overview of Green Finance

WHAT IS GREEN FINANCE

Green finance refers to financial activities that support environmentally sustainable projects, such as renewable energy, energy-efficient infrastructure, and pollution reduction, while still generating economic returns. It involves mobilizing financial investments from public, private, and non-profit sectors, including banking, microcredit, insurance, and investment, to advance the Sustainable Development Goals. By integrating environmental considerations into lending and investment decisions, green finance aims to mitigate climate change, manage ecological risks, and foster the transition to a low-carbon, sustainable economy (United Nations Environment Programme, 2018).

WHY IT MATTERS

Recently, the world is rapidly evolving into a technologically advanced society, which is leading to significant environmental impacts. Almost all countries around the world are thinking about the environment and helping the environment in all ways. The importance of green finance is that it supports environmental protection by funding renewable energy, pollution control, sustainable agriculture, and biodiversity conservation. It helps reduce greenhouse gas emissions, combating climate change and its impacts, while driving economic growth through innovation and job creation in green industries. By decreasing reliance on fossil fuels, it promotes cleaner and more sustainable energy sources. Green finance also improves public health by reducing air

and water pollution, manages climate-related risks from extreme weather and environmental regulations, and plays a key role in achieving global sustainability targets such as the Paris Agreement and the United Nations Sustainable Development Goals (Fleming, 2020).

GREEN FINANCE DEVELOPMENT

The accelerating pace of climate change and environmental degradation has driven the global community to develop policy frameworks and financial mechanisms to support sustainable development. Over the past five decades, milestones such as the 1972 Stockholm Conference, the establishment of the UN Framework Convention on Climate Change (UNFCCC) in 1992, and the adoption of the Sustainable Development Goals and Paris Agreement in 2015 have shaped the sustainability agenda (United Nations, n.d.).

Within this framework, green finance mobilizing public and private capital for projects that advance climate mitigation, adaptation, and environmental sustainability has become a cornerstone of the global transition to a low-carbon economy.

1. Evolution of Global Green Finance

The evolution of green finance can be divided into three phases. Before the 1990s, socially responsible investment (SRI) emerged in the U.S. and Europe, integrating environmental considerations into investment decisions. Between 1990 and 2015, climate policies spurred multilateral finance mechanisms (e.g., GEF,

GCF), carbon markets under the Kyoto Protocol, and the development of green financial instruments such as green bonds. Since 2015, following the Paris Agreement, green finance has grown rapidly, with green bonds proliferating, carbon trading systems expanding—most notably China’s national ETS—and over 130 countries adopting carbon neutrality targets. Financial institutions increasingly embed climate risk assessments and sustainability-linked products into core operations (International Finance Forum, 2021).

2. Current Landscape of Global Green Finance Markets

Currently, the global green finance market has evolved into a multi-faceted ecosystem, with green bonds standing as its most mature and well-established instrument. Since their inception, green bonds have expanded rapidly, especially after the signing of the Paris Agreement in 2015. Annual issuance rose from USD 81 billion in 2016 to USD 672 billion in 2024 (Table 1), despite a brief contraction in 2022 due to COVID-19–related economic disruptions. The European Union has consistently dominated the market, holding a 40–47% share of global

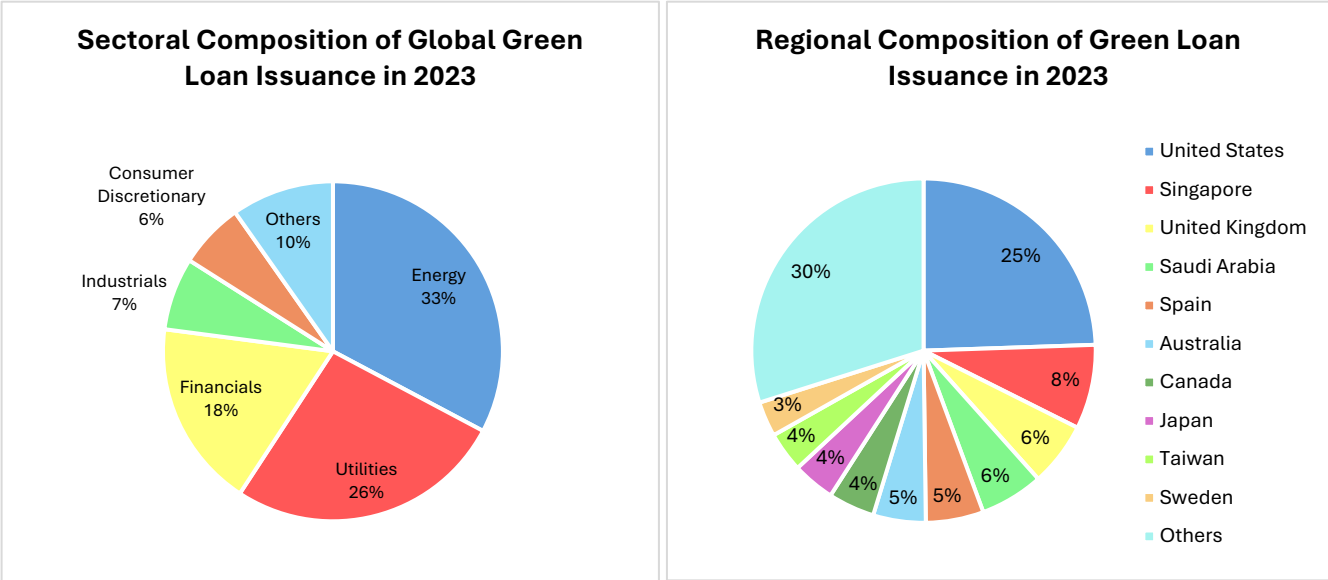
issuance, followed by China with 15–20% (Climate Bonds Initiative, 2025). In contrast, the United States’ share has steadily declined to just 4% by 2024, a trend linked to geopolitical factors—particularly the Trump Administration’s opposition to green initiatives—which negatively impacted issuance. However, a further significant drop is unlikely given the already limited penetration of green bonds among U.S. investors market (Pons, 2025). Beyond green bonds, other sustainable debt instruments have gained prominence. Sustainability bonds, which finance both environmental and social objectives, reached USD 206.2 billion in 2024. While historically dominated by European sovereign issuers, the Asia-Pacific region has recently emerged as the largest source of issuance, with China contributing USD 13.2 billion in aligned volume. Sustainability-linked bonds (SLBs), launched in 2020, tie financial terms to issuers’ progress on predefined environmental, social, or governance (ESG) targets. Europe remains the global leader in SLB issuance, accounting for 56% of the market in 2024 (Climate Bonds Initiative, 2025).

Table 1: Annual Green Finance Issuance and Accumulative Issuance since 2007

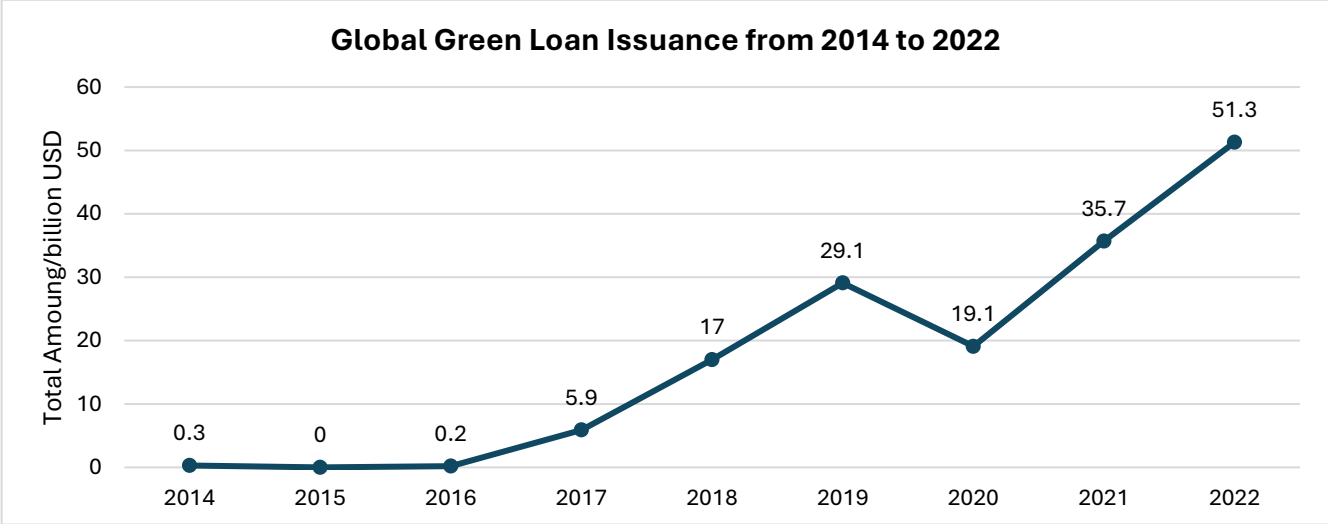
Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Size of Market (in Billion USD)	36	41.8	81	155.5	167.6	258.9	290	522.7	487.1	587.6	672
Accumulative Issuance since 2007	-	-	-	-	521bn	754bn	1.1tn	1.6tn	2.2tn	2.8tn	3.5tn

Source: Sustainable Debt Global State of the Market (Climate Bonds Initiative)

Green loans have also become an important financing channel, governed by the Green Loan Principles introduced in 2018. These loans fund projects with clearly defined environmental benefits, with issuance reaching a record USD 206.8 billion in 2023, an 80% increase from 2022. By sector, energy (33%) and utilities (26%) sectors received the largest allocations, reflecting the principles' focus. In 2023, the United States led global issuance with a 24.5% share, followed by Singapore (7.9%) (International Finance Forum, 2023).



Source: Bloomberg



Source: Bloomberg

Complementing debt and loan instruments, carbon markets play a crucial role in channeling climate finance. Carbon markets operate through compliance-based and voluntary systems. Compliance markets, such as the EU Emissions Trading System (EU-ETS), set emissions caps and trade allowances to drive cost-effective reductions. The EU-ETS remains the largest by market value.

Voluntary carbon markets (VCMs) enable entities and individuals to offset emissions through certified credits from projects like reforestation and renewable energy, growing into a USD 6 billion market with over 500 million tCO₂e traded in 2023. Together, compliance and voluntary markets broaden participation in emissions reduction and channel finance toward global sustainable development (International Financial Forum, 2023).

3. Green Finance Policies and Challenges

Building on the growth of green finance, countries with advanced green finance systems have established strategic frameworks combining policies, regulations, and incentives. These include national sustainability strategies, emission reduction targets, and long-term plans such as China's Ecological Civilization agenda and the EU's Green Deal. Taxonomies, green project catalogues, and disclosure requirements such as the ASEAN Green Taxonomy and China's Green Bond Endorsed Project Catalogue guide capital flows, while incentives like Singapore's tax breaks and UK government guarantees encourage investment. Market infrastructure, including the EU ETS and South Korea's green labelling program, along with international cooperation also supports alignment and responsible investment.

Despite progress, key challenges persist. The global financing gap remains vast, with developing countries needing USD 3.9 trillion annually for the SDGs and USD 3.26 trillion per year for energy investments aligned with 1.5°C. Development is uneven, and market activity remains concentrated in green bonds and ESG

funds, limiting participation by households and SMEs. Fragmented definitions and disclosure standards hinder cross-border investment, while shocks like COVID-19 and the U.S. withdrawal from the Paris Agreement under the Trump administration have slowed momentum. Addressing these issues requires harmonized standards, diversified financial instruments, and strengthened international coordination to accelerate the global transition to a sustainable, low-carbon economy (International Finance Forum, 2021).

Addressing these gaps will require harmonized global standards, deeper market diversification, and stronger international collaboration to accelerate the green transition and ensure a resilient, low-carbon future.

CAMBODIA CONTEXT

Cambodia has prioritized green and climate finance as a key national agenda. In response to global trends and growing environmental uncertainties, the country has taken proactive steps to develop a diverse range of policies, strategies, and initiatives to foster the adoption of green finance.

1. Green/Sustainable Finance Initiatives

In 2019, the Association of Banks in Cambodia (ABC) with the supported of stakeholders, launched the Cambodian Sustainable Finance Principles (CSFP), which served as the foundation for the Cambodia banks and micro-finance institutions in developing sustainable approaches with commitments to protect the environmental and cultural heritage, support inclusive and sustainable economic growth, and lead the way (Association of Banks in Cambodia, 2019).

Launched in 2023, the Cambodia Sustainable Bond Accelerator (CSBA) is a joint initiative of the Securities and Exchange Regulator of Cambodia (SERC), the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP), Global Green Growth Institute (GGGI), aimed to provide technical assistance and financial support to enable the issuance of green, sustainable, or sustainability-linked bonds in Cambodia (Global Green Growth Institute. 2023). The CSBA has launched the third phase of its Sustainable Bond Acceleration (CSBA) program, which aims to expand access to green and sustainable finance as the country's bond market experiences rapid growth, doubling from just over USD 2 million in 2023 to more than USD 400 million in 2025 (Cambodia Investment Review, 2025).

To reaffirm the country's strong commitment, Cambodia's Third Nationally Determined Contribution (NDC3.0) has been submitted to the United Nations Framework Convention on Climate Change (UNFCCC) successfully in July 2025, which reflects the country's strong

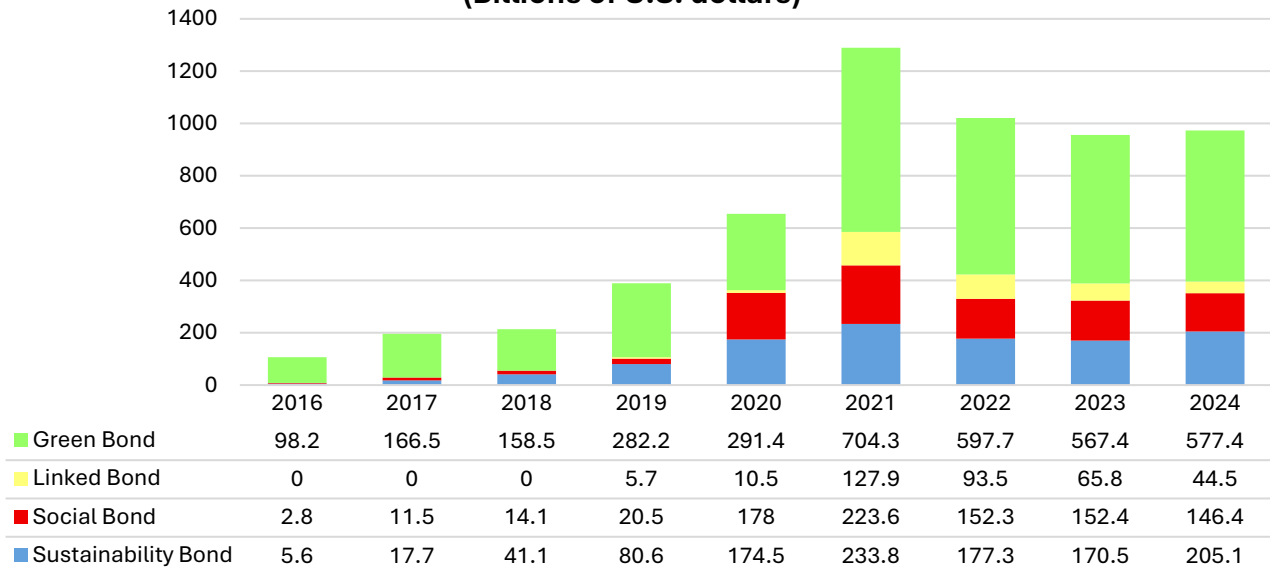
dedication and continuous commitment despite its status as a Least Developed Country (LDC) with less than 1% contribution to global GHG emissions. Cambodia's NDC 3.0 outlines a total estimated cost of USD 32.2 billion, which includes USD 22.68 billion in mitigation actions, USD 9.37 billion in adaptation action, and USD 172 million in enabling actions (Department of Climate Change, Ministry of Environment, 2025).

Furthermore, Cambodia has also endorsed several of national policy to promote the green finance adoption including National Policy on Green Growth 2013-2030 (National Council for Sustainable Development, 2013), National Adaptation Plan Process in Cambodia (GSSD & Ministry Environment, 2017), Long Term Strategy for Carbon Neutrality (LTS4CN) (General Secretariat of the National Council for Sustainable Development & Ministry of Environment, 2021), Cambodia Climate Change Strategic Plan 2024-2033 (Department of Climate Change, Ministry of Environment, 2025)...etc.

GLOBAL GREEN AND CLIMATE FINANCE INDICATORS FROM 2016 TO 2024

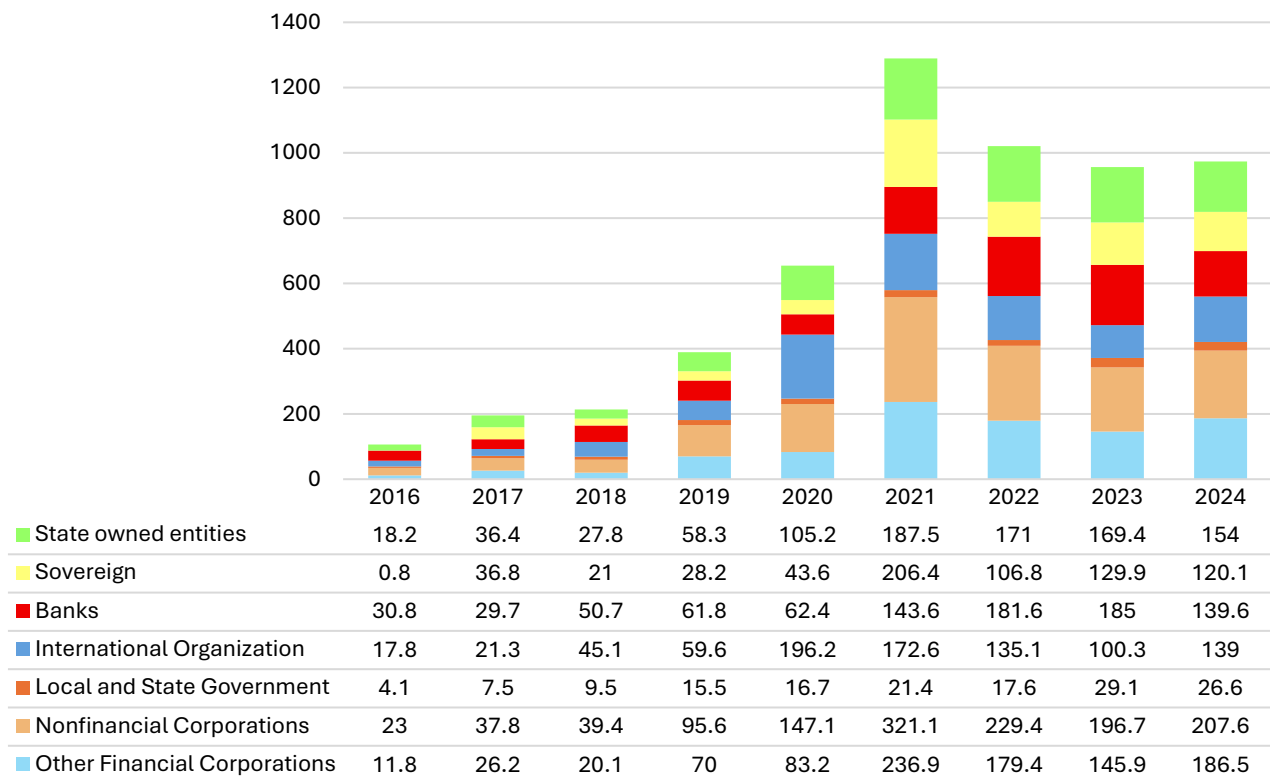
According to data from the London Stock Exchange Group, green bonds is the dominant instrument among sustainable bonds, with global issuance rising sharply from USD 98.2 billion in 2016 to USD 577.4 billion in 2024. Sustainability bonds have also shown significant growth over the same period, increasing from USD 5.6 billion to USD 205.1 billion. In 2024, corporate bonds emerged as the leading category within sustainable bond markets, accounting for USD 207.6 billion in issuances. The majority of sustainability bonds were issued in Euros (40%), followed by US dollars (30%), Chinese yuan (8%) and other currencies, based on cumulative issuance data for 2024. Overall, the global sustainable bond market has expanded substantially, with total outstanding volumes exceeding USD 5 trillion, reflecting strong and sustained investor demand for climate-aligned financial instruments (IMF, n.d.).

Global Sustainable Bond Issuance, by Type (Billions of U.S. dollars)



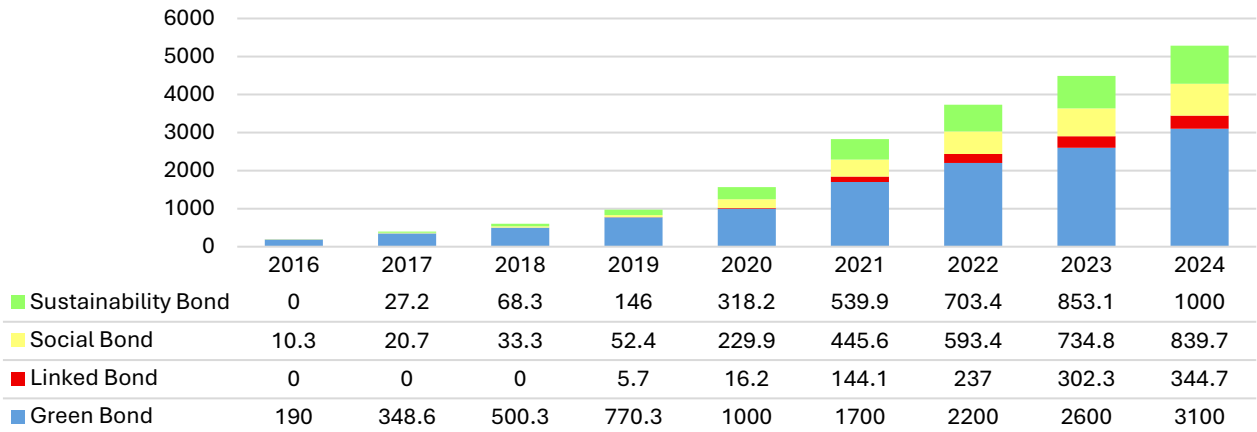
Source: International Monetary Fund

Global Sustainable Bond Issuance, by Type of Issuer (Billions of U.S. dollars)



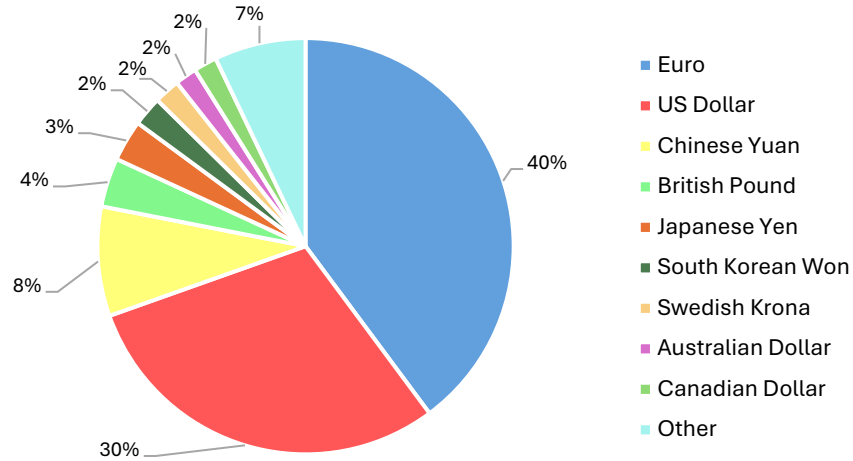
Source: International Monetary Fund

Global Sustainable Bond Outstanding Amount, by Type (Billions of U.S. dollars)



Source: International Monetary Fund

Global Sustainable Bond Issuance, by Currency Type (Cumulative - All Years)



Source: International Monetary Fund

ARDB EFFORTS IN CONTRIBUTION TO GREEN FINANCE

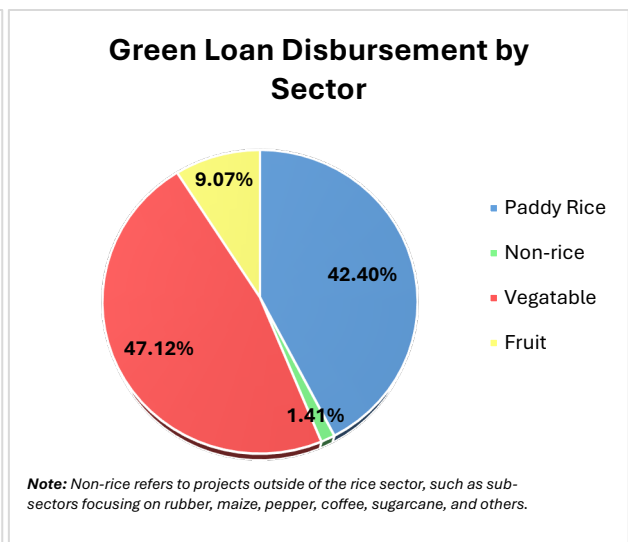
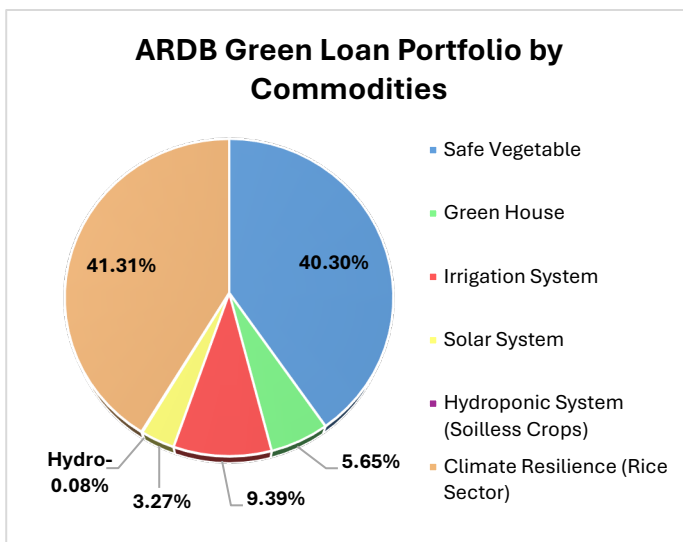
The Agricultural and Rural Development Bank (ARDB) is a state-owned financial institution in Cambodia established to support the growth of the agricultural sector and promote rural development. Operating under the supervision of the Ministry of Economy and Finance, ARDB provides tailored financial services to farmers, agricultural cooperatives, and agribusinesses with the goal of enhancing productivity, improving food security, and uplifting rural livelihoods. In alignment with its renewed vision to become a leading green and sustainable development financial institution, ARDB is committed to transforming itself toward sustainability. This

transformation includes integrating sustainable practices across its business strategies, financial products and services, human resource management, and overall operations.

As part of its strategic commitment to sustainability, ARDB has made significant progress in advancing green finance. In 2018, the bank adopted the Cambodia Sustainable Finance Principles (CSFP) issued by the Association of Banks in Cambodia (ABC), marking its initial move toward responsible banking. By 2021, ARDB had integrated Environmental and Social (E&S) considerations into its 3-Year Business Rolling Plan and established the Green Finance Working Group to guide these efforts. In May 2022, the Green Lending Policy was put into force and has since been actively implemented. A major milestone followed in July 2022 when ARDB established a dedicated Green Finance Department, setting a precedent for other financial institutions in the country.



Source: Data is provided by Green Finance Department of the ARDB



Source: Data is provided by Green Finance Department of the ARDB

In line with these developments, ARDB offers Green Loans to individuals or legal entities engaged in agricultural value chain activities that contribute to rural economic development while adhering to environmental and social safeguards, as well as Cambodia's national sustainability commitments. As of the end of July 2025, ARDB's Green Loan portfolio reached approximately USD 20 million, accounting for about 4.73% of its total loan portfolio of USD 436 million. The bank has also initiated its Sustainability Guideline, initiated sustainability reporting, and collaborated with development partners such as the Cambodia Climate Financing Facility (CCFF) program, which is supported by the Green Climate Fund (GCF). Looking ahead, ARDB aspires to become an Accredited Entity of the GCF and play a pivotal role as Cambodia's National Climate Development Bank, mobilizing resources and supporting sustainable economic growth.

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