



GIFT CITY: AN EMERGING DESTINATION FOR GREEN FINANCE

India's ambition to become a sustainable, green economy is not only a moral responsibility but also a matter of pure economic logic. As the country grapples with the energy crisis stemming from its reliance on imported fossil fuels, the transition to a green economy will help reduce reliance on fossil fuels from politically volatile regions. However, the transition to a green economy and clean energy to meet energy needs requires massive capital mobilisation. While domestic financial sources are essential to fund this transition, they are not sufficient to finance India's green plans; mobilising foreign capital becomes essential. India's Gujarat International Finance Tec-City (GIFT), a financial centre akin to those of Singapore and Hong Kong, will play a crucial role in helping the country mobilise foreign capital. The financial centre has already taken several policy measures to establish itself as a global hub for green finance.

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An ecosystem for green finance

The success of green finance hinges on a robust ecosystem that addresses investors' concerns about greenwashing and ensures smooth trading and settlement of securities. The GIFT City has established regulatory guidelines and a framework for ESG rating and ESG rating agencies. The regulatory framework can ensure that reliable data, standardised methodologies, and governance norms back rating. A robust regulatory standard and framework can mitigate greenwashing risks often associated with green finance products. In addition, GIFT City made it mandatory for issuers of ESG-labelled debt securities, such as green bonds and sustainability bonds, to comply with international standards and principles for the issuance of green securities. All these initiatives will strengthen investor confidence in the utilisation of green finance.

The Reserve Bank of India (RBI) scheme named "Scheme for Trading and Settlement of Sovereign Green Bonds in the International Financial Services Centre (IFSC)" has enabled non-resident Indians to directly trade Sovereign Government Securities (SGrBs) on the IFSC platform. Wider investor participation will improve the liquidity of SGrBs.



Financial instruments for green transition

Over the last few years, GIFT City has developed financial instruments (e.g., green bonds) that enable domestic companies to raise capital at competitive rates for green projects. First, it has developed a framework for sustainable-related financial instruments through its listing regulations, enabling the issuance and trading of green and sustainable bonds within the IFSC ecosystem. The framework of these financial instruments is also aligned with global standards. The introduction of transition bonds enables companies in carbon-intensive sectors to access finance for decarbonisation. Further, the proposed blended finance framework seeks to mobilise private capital by combining it with concessional capital, thereby reducing private investors' risks and attracting large-scale private capital for green sectors. Development of this regulatory standard and framework will not only enable foreign investors to invest through a publicly traded financial instrument but also help them meet their respective sustainable regulatory requirements.





Indication for subsequent action

The GIFT City is aware that the steps taken by the centre are not sufficient to attract green capital. Hence, the centre has set up an expert committee on green and climate finance that advises following global best practices and standards on sustainable finance. All these initiatives signal the continuity of momentum on sustainable finance at the centre.

The impact of these measures is reflected in the massive volume of ESG-labelled debt issuance listed on IFSC exchanges, which has crossed \$16 billion. This momentum underscores the effectiveness of a coordinated regulatory and market-building approach.



Way forward for the GIFT City

Although the financial centre has several measures to attract green capital, the Centre can also take additional measures, as outlined below.

- GIFT City can facilitate the development of a dedicated lending platform for green/sustainable projects in the MSME sector. The platform can provide MSMEs with an opportunity to avail of finance for green projects through GIFT City.
- GIFT City can facilitate the creation of a de-risking facility to promote sustainable finance in India. In addition, the GIFT City can create an enabling regulatory framework for MDBs to offer risk-mitigating financial solutions, such as partial credit guarantee, blended financing, and currency swap options. Besides, GIFT City could coordinate with counterparts in Asian countries to implement blended finance structures/de-risking mechanisms.
- GIFT City can facilitate the development of alternative green finance assets (Green REITs/InvITs/ ETFs) and facilitate listing on stock exchanges to attract private capital, particularly small and illiquid assets.
- GIFT City can mandate reporting and disclosure on sustainability and climate change in a phased manner, following global standards, such as IFRS S1 and IFRS S2. These disclosures may initially be voluntary, paving the way for mandatory disclosures.



Opportunities for professionals

GIFT City is emerging not just as a platform for raising green capital but as a significant hub for finance professionals. As companies increasingly tap GIFT to issue green bonds, sustainability-linked instruments, and ESG-focused funds, there is rising demand for expertise in structuring, certification, risk assessment, and compliance with global green finance standards. All these will create several opportunities for finance professionals in investment banking, ESG rating and certification, and climate risk management domains. For example, finance professionals can design innovative and bespoke financial products—such as blended finance vehicles or transition bonds—tailored to both investor expectations and issuer needs.

The GIFT City is on the path to becoming a sustainable finance hub through the development of a regulatory innovation and robust market infrastructure and following global best practices on climate change and sustainability disclosures. The Financial Centre is playing a crucial role in mobilising a massive volume of capital to fund India's energy transition. For finance professionals, it is an opportunity to structure financial products and help India's green companies raise capital from global investors.

• ABOUT •

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Labanya has over 20 years in financial services, green finance, and international development. He is a Director at Climate and Sustainability Initiative (CSI). Additionally, he serves as a Visiting Senior Fellow at London School of Economics and Political Science (LSE). He previously worked with Council on Energy, Environment, and Water (CEEW), Climate Policy Initiative, Commonwealth Secretariat, UNDP, World Resources Institute, and Asian Development Bank (ADB).

Labanya is an avid writer on climate and green finance. He co-authored a book, "Net-Zero Trio: Synchronizing Technology, Business, and Policy for Green Transition," published by Bloomsbury.

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