

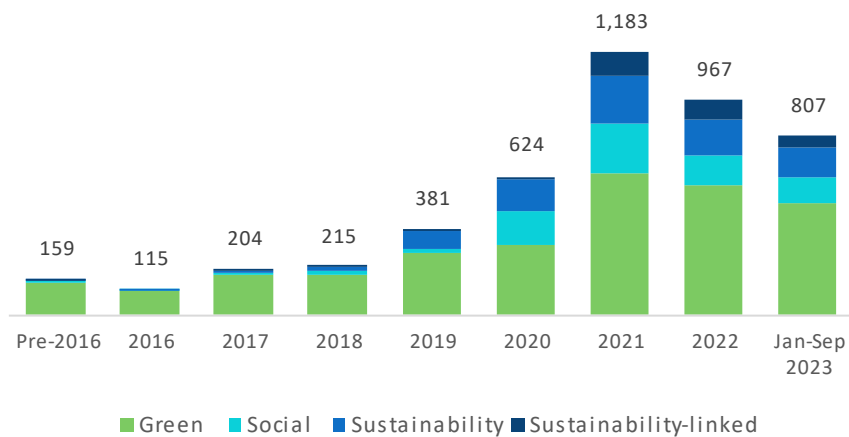
Green, Social, Sustainability, and Sustainability-Linked (GSSS) Bonds Market Update – October 2023

Hello, and welcome to the third quarterly update on the trends in the GSSS bond market for 2023, prepared by the World Bank Treasury. We provide you with a special focus on emerging market sovereign and sub-sovereign issuances, and an update to the policies and regulations in the sustainable finance market space.

Market Overview

The cumulative amount of green, social, sustainability, and sustainability-linked bonds issued reached USD 4.7 trillion up to September 2023. Green bonds represent 63% and emerging market issuances 16% of the total amount.

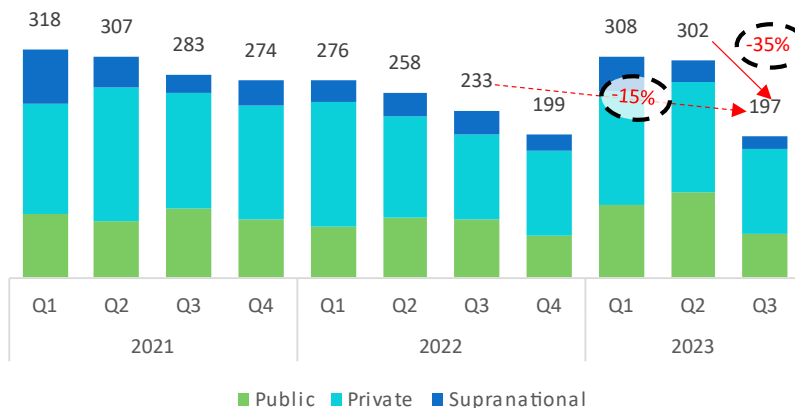
Global GSSS bond annual issuance, USD Bn



Source: World Bank based on data from Bloomberg and Bloomberg NEF

Quarter 3 2023 performance: After a robust bounce back in Q2, quarterly issuances fell, decreasing 35% compared to Q2 2023 and 15% compared to Q3 2022, reflecting the declining trends spurred by the higher interest rates prevalent in the broader markets. Although performance across all issuer and product categories was weak for the quarter, [market analysts](#) remain confident that GSSS bond issuances could exceed USD 950 billion for 2023 due to continued interest in financing net zero ambitions and responding to regulatory policy directions.

Quarterly GSSS bond issuance by type of issuer, USD Bn

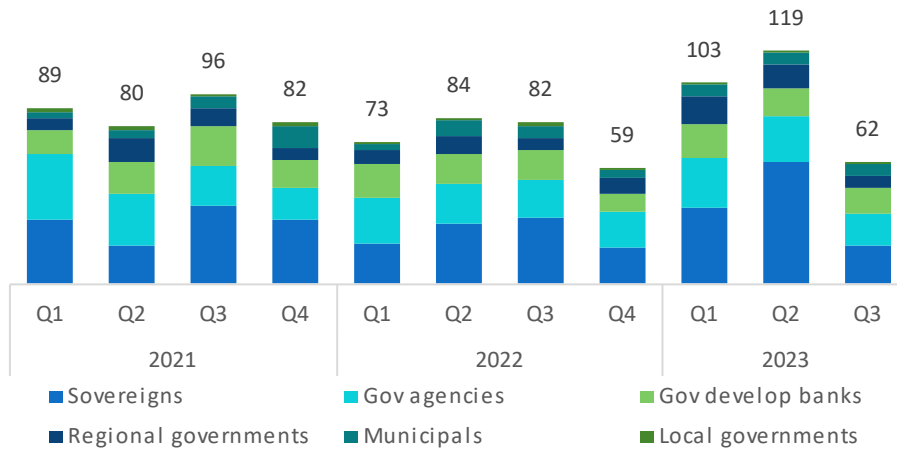


Source: World Bank based on data from Bloomberg and Bloomberg NEF

Public Sector

The public sector, including sovereigns, government agencies, government development banks, regional governments, municipalities, and local governments, continues to represent 31% (USD 1.4 trillion) of the total amount issued to date. At 60% of the amount issued, green bonds are still the preferred instrument for public sector issuers. Sovereigns continue to be the biggest segment (31%) among public sector issuers, followed closely by government agencies (25%) and government development banks (19%). In Q3 2023, the public sector issued USD 62 billion in GSSS bonds, where sovereigns and government agencies represented more than half of the issuances.

Quarterly public sector GSSS bond issuance, USD Bn

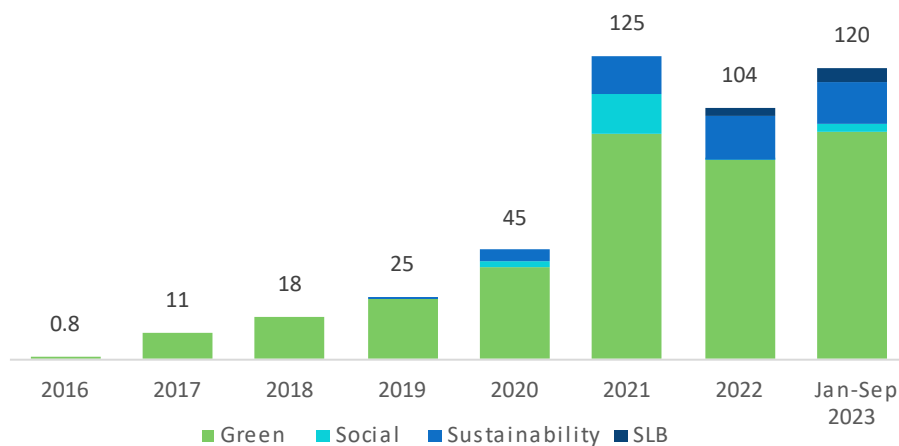


Source: World Bank based on data from Bloomberg and Bloomberg NEF

Sovereigns

It has been an exciting year for sovereign GSSS bond issuances in the market. Sovereign bond issuances have already exceeded the level set in the whole of 2022 and is on course to surpass the record-breaking 2021 total, according to industry estimates. 48 sovereigns issued a cumulative amount of USD 120 billion in the GSSS bond market up to September 2023, which includes inaugural issuances from India, Turkey and Cyprus.

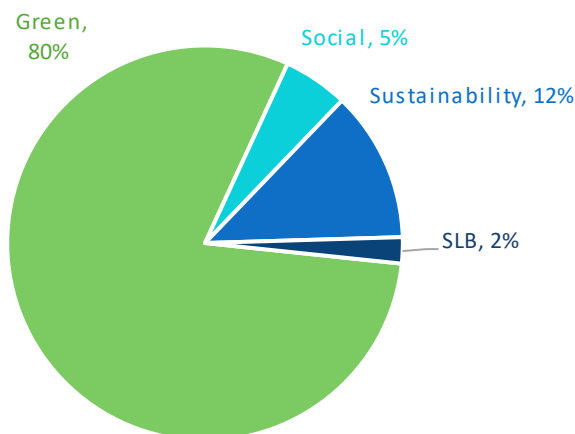
Sovereign GSSS bond annual issuance, USD Bn



Source: World Bank based on data from Bloomberg and Bloomberg NEF

Green bonds continue to be the most preferred instrument for sovereign issuers, with USD 359 billion issued to date using this instrument.

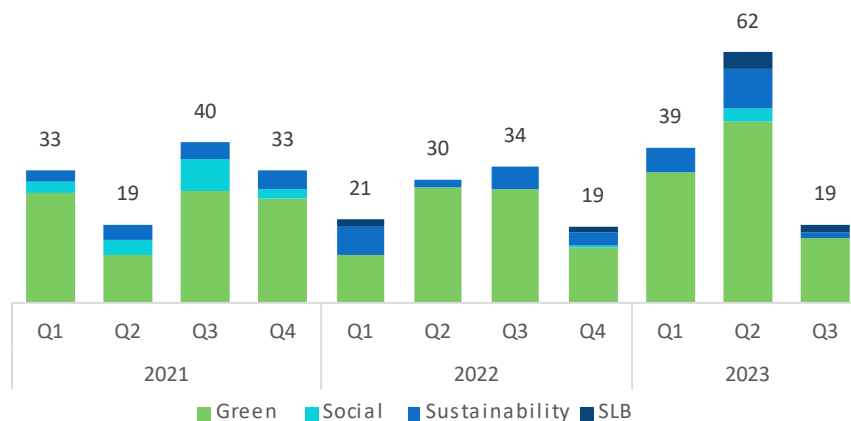
Sovereign GSSS issuance by type of instrument, % total amount to date



Source: World Bank based on data from Bloomberg and Bloomberg NEF

In Q3 2023, sovereign issuances reached USD 19 billion, down from USD 62 billion of Q2 2023—the quarter with the highest amount issued by sovereigns. The decline in sovereign issuances reflects the overall decline in sovereign bond issuances for the quarter.

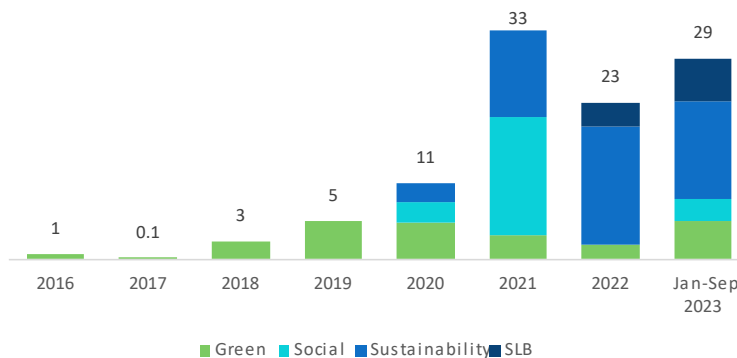
Quarterly sovereign GSSS bond issuance, USD Bn



Source: World Bank based on data from Bloomberg and Bloomberg NEF

Since 2016, 21 emerging market (EM) sovereigns have issued GSSS bonds for a total of USD 81 billion, representing 2.2% of total GSSS bonds ever issued globally.

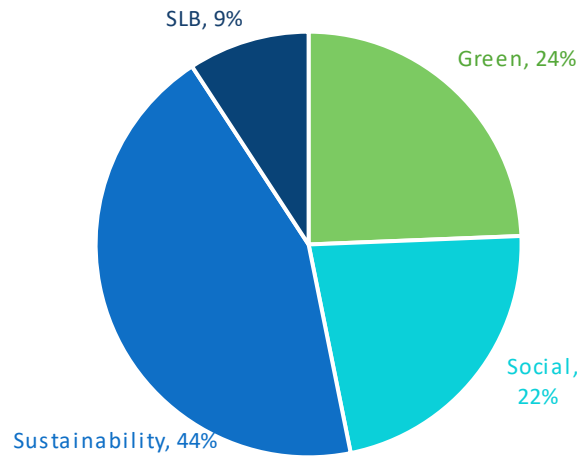
EM sovereign GSSS bond annual issuance, USD Bn



Source: World Bank based on data from Bloomberg and Bloomberg NEF

Unlike advanced market (AM) sovereigns, which still demonstrate a strong preference for green bonds (representing 97% of their total GSSS amount issued), EM sovereigns are issuing more bonds that finance a combination of green and social projects, i.e. sustainability bonds (44% of their total amount issued), rather than green projects only.

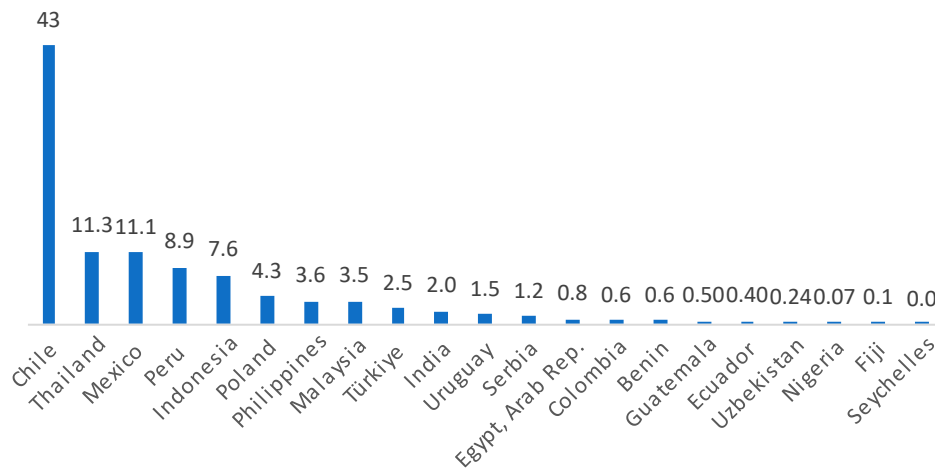
EM sovereign GSSS issuance by type of bond, % total amount to date



Source: World Bank based on data from Bloomberg and Bloomberg NEF

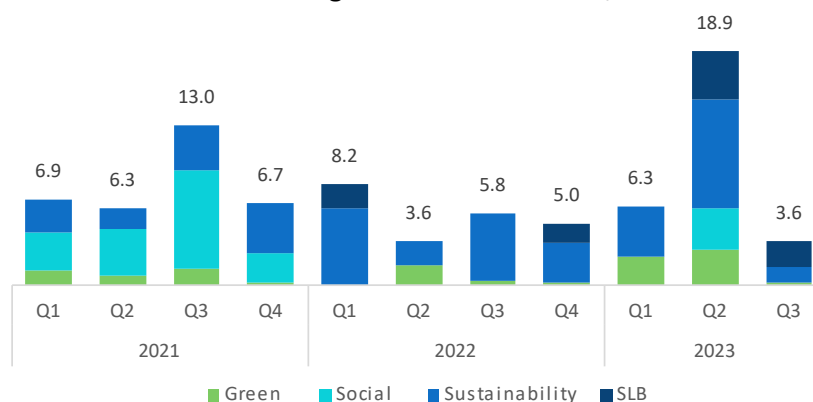
Among the EMs, Chile remains the largest issuer, with a total of USD 43 billion issued in GSSS bonds, followed by Thailand with USD 11.3 billion, and Mexico with USD 11.1 billion, as of September 2023.

EM sovereign GSSS bond issuers, USD Bn total to date



Source: World Bank based on data from Bloomberg and Bloomberg NEF

QoQ EM sovereign GSSS bond issuance, USD Bn

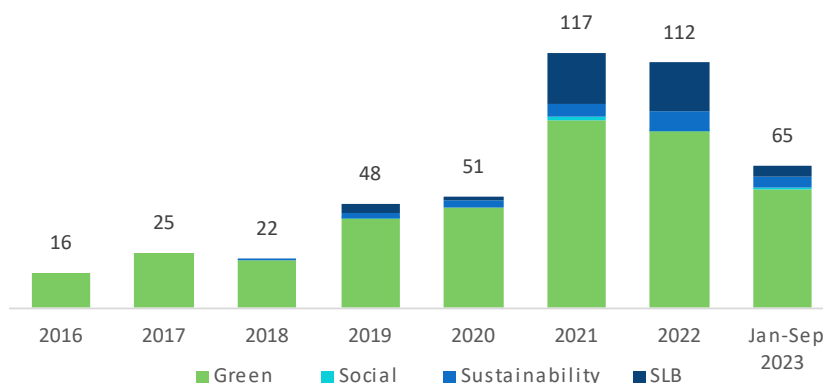


Source: World Bank based on data from Bloomberg and Bloomberg NEF

Utilities

Utility company (which can be public or private depending on the jurisdiction) issuances totaled USD 480 billion up to September 2023, corresponding to 10% of the total GSSS bond market. 79% of the GSSS bond amount issued by utilities is from companies in advanced markets. Green bonds continue to be the preferred instrument for utilities, with 82% of their total issued in GSSS bonds.

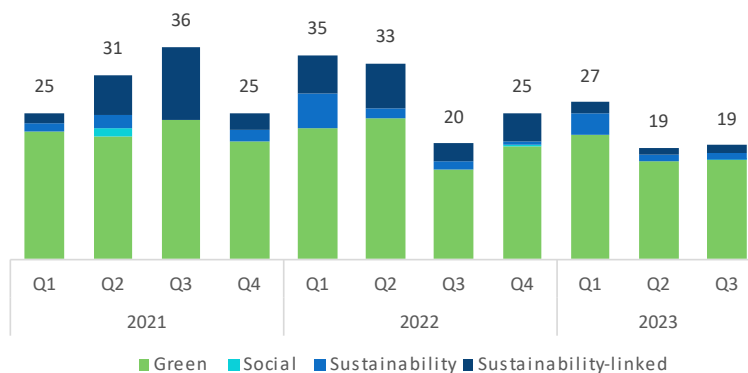
Utilities GSSS bond annual issuance, USD Bn



Source: World Bank based on data from Bloomberg and Bloomberg NEF

In Q3 2023, utilities issued USD 19 billion, a slight 1.7% increase compared to Q2 2023 and a 1.4% decrease compared to Q3 2022.

QoQ utilities GSSS bond issuance, USD Bn



Source: World Bank based on data from Bloomberg and Bloomberg NEF

Featured Public sector Issuances and Sustainable News

Brazil's sovereign sustainable bond framework

On September 5 2023, Brazil published its sovereign sustainable bond framework, confirming its much-anticipated debut in the GSSS bond market this year. According to the framework, Brazil has identified ten eligible green categories and seven social categories. The green categories include biodiversity, climate change adaptation, circular economy, and pollution prevention and control, as well as clean transport, renewable energy, and energy efficiency projects. The World Bank and IDB provided technical assistance to Brazil for the establishment of its sovereign sustainable bond program. Read more [here](#).

Egypt's first green loans allocation and impact report

In September 2023, the Government of Egypt published the first allocation and impact report for the \$1.5bn sovereign Green Loan it obtained in 2021 from international and regional commercial banks. The report discloses that 92% of the proceeds were allocated to 13 projects as of June 2023, the bulk (88%) of which went to sustainable water and wastewater management projects and the remaining to projects in the pollution prevention and control category. The World Bank provided guidance to the Ministry of Finance for the preparation of the report. Read the impact report [here](#).

Malaysia announces plan to issue a sovereign biodiversity sukuk

The Prime Minister of Malaysia announced plans to issue a sovereign biodiversity sukuk of up to MYR1bn in the 2024 [budget speech](#). The sukuk will fund reforestation activities as well as increases in funding for rangers to combat poaching. In the meantime, the Ministry of Finance has [published](#) the allocation and impact report for its \$800m sovereign sustainability sukuk. The report discloses that for the 2021 financial year projects, 58% of the allocation went towards social use of proceeds, while 42% went towards green use of proceeds. The bulk of the sukuk allocation went towards clean transportation (38%), accessibility to quality healthcare (31%), and accessibility to quality education and training (14%). Read the impact report [here](#).

ICMA publishes blue bond guide

On September 6 2023, The International Capital Market Association (ICMA), in association with the International Finance Corporation (IFC), UN Global Compact, UN Environmental Programme Finance Initiative (UNEP FI), and Asian Development Bank (ADB), published a guide on how to use *bonds to finance the sustainable blue economy*. The guide clarifies what sustainable blue activities are and provides examples of ocean-related projects that could be financed under the Green Bond Principles. Read more [here](#).

EU approves “European Green Bond” (EuGB) Label to fight greenwashing

On October 5 2023, European legislators (MEPs) adopted a new voluntary standard for the use of “European Green Bond” (EuGB) label. The standard aligns with the EU’s [taxonomy framework](#) that defines which economic activities the EU considers environmentally sustainable and is expected to help investors direct their money more confidently towards sustainable technologies and businesses. Read the press release [here](#).

Japan unveils plan to create Asian transition finance coalition

On October 3 2023, Japan’s Prime Minister Fumio Kishida [told](#) the [PRI in Person event](#) that it will work towards improving regional alignment on transition finance in Asia. The efforts will be based on Japan’s national green transition strategy, which is referred to as GX or “green transformation. Japan will launch an Asia GX consortium by mid-2024 “to encourage specific implementation cases of transition finance that fit and leverage the strengths and attributes of each country”, in conjunction with the GFANZ Japan chapter. Japan is also [gearing up](#) to issue sovereign climate transition bonds to fund the transition of the economy from fossil fuel dependency.

TNFD publishes final recommendations on nature related issues

On September 18 2023, the Taskforce on Nature-Related Financial Disclosures (TNFD) published its final [Recommendations](#). The TNFD is a market-based initiative which aims to encourage and aid the reporting of nature related risks and opportunities whilst also increasing the consideration by businesses and financial institutions of their impact on nature, nature risks, and the interrelationship between nature and climate. Read the press release [here](#).

LMA publishes updated best practice guide to sustainability-linked leveraged loans

The Loan Market Association (LMA), in conjunction with the European Leveraged Finance Association, updated its Best Practice Guide to Sustainability-Linked Leveraged Loans (SLLLs). Following the revisions to the Sustainability-Linked Loan Principles early in 2023, the guide was updated to enable greater consistency and efficiencies in market practice, including providing additional guidance on: selection and disclosure of key performance indicators (KPIs), calibration of sustainability performance targets (SPTs), and the reporting and verification. To read the guide, click [here](#).

World Bank Treasury Sustainable Finance Advisory

The World Bank Treasury’s Sustainable Finance and ESG Advisory Program facilitates the development of sustainable bond markets, provides technical assistance to financial regulators and public sector issuers in emerging markets. With technical assistance from the World Bank:

- A Malaysian issuer issued **the world’s first green sukuk/Islamic Bond**
- Colombia issued the **first sovereign green bond in local currency in Latin America**
- An Indonesian **non-bank financial institution issued its first sustainability bond**
- Egypt issued the **first sovereign green bond in the Middle East and North Africa**

Visit our webpage: [Sustainable Finance Advisory](#)

Take an e-Learning course: [Green, Social and Sustainability Bonds: Sustainable finance solutions for emerging markets](#)

For questions on how to develop a sustainable finance strategy, policies, regulations, or mobilize private capital for sustainable finance, **Contact:**

Miguel Navarro-Martin (mnavarromartin@worldbank.org);

Farah Imrana Hussain (fhussain@worldbank.org)

Glossary

Green bonds: Bonds with proceeds earmarked for projects aimed at generating positive environmental impact.

Social bonds: Bonds with proceeds earmarked for projects aimed at generating positive social impact.

Sustainability bonds: Bonds with proceeds earmarked for projects aimed at generating positive environmental and social impact.

Sustainability-linked bonds: Issuer makes a commitment to achieve pre-defined key sustainable performance targets, and the financial characteristics of the bond depend on the achievement of key performance indicators (KPIs). Proceeds go towards general purposes.

Emerging markets: World Bank Group client countries (IDA + IBRD).

Public sector: Issuances of government agencies, development banks, local and regional governments, municipals (United States only), and sovereigns.

This Newsletter is published by the World Bank Treasury, Financial Products and Client Solutions team. The sources of data for the report are Bloomberg terminal and Bloomberg NEF with data up to September 2023 unless otherwise indicated.