

Green, Social, and Sustainability (GSS) Bonds

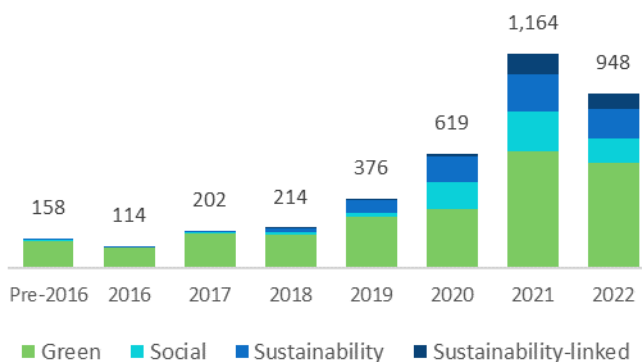
Market Update - January 2023

This newsletter presents recent trends in the GSS bond market with a special focus on emerging market sovereign and sub-sovereign issuances.

Market Overview

The cumulative amount of GSS bonds issued reached USD 3.8 trillion at the end of 2022. Green bonds represent 64% and emerging market issuances 16% of the total amount. In 2022, GSS bond issuances reached USD 948 billion, a 19% decrease compared to 2021. Across all labels, social bonds saw the largest decline in volume (-39%) in 2022 compared to 2021.

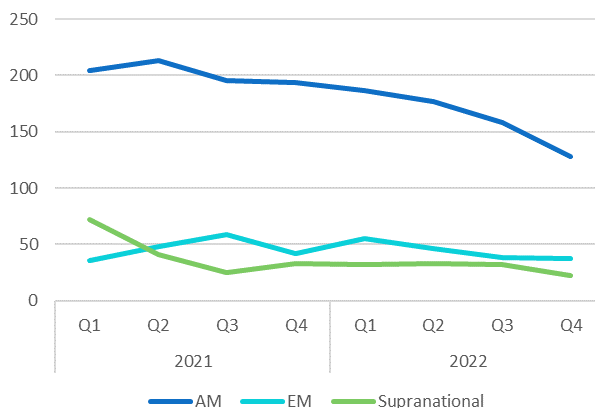
Global GSS bond annual issuance, USD Bn year to date



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

Quarter 4 2022 performance: Quarterly issuances continued to decrease after the peak in Q1 2021. The total issued in Q4 2022 of USD 188 billion represents a decrease of 30% versus Q4 2021 and 18% versus the previous quarter (Q3 2022) due to lower issuance in advanced markets.

Quarterly issuance by type of issuer, USD Bn

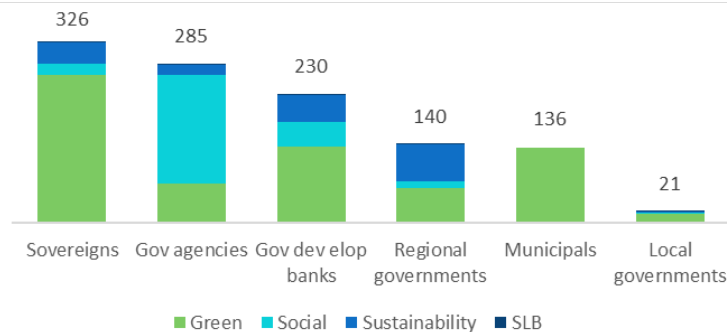


Source: World Bank based on data from Bloomberg and Bloomberg NEF

Public Sector

The public sector, including sovereigns, government agencies, government development banks, regional governments, municipalities, and local governments, is responsible for 30% (USD 1.1 trillion) of the total amount of GSS bond issuances to date. Green bonds are the preferred instrument for public sector issuers, with 61% of the total amount issued. Sovereigns continue to be the biggest issuer segment (29%) among public sector issuers, followed closely by government agencies (25%) and government development banks (20%). In 2022, the public sector issued USD 293 billion in GSS bonds, 15% lower than in 2021.

Public sector issuance by type of institution, USD Bn

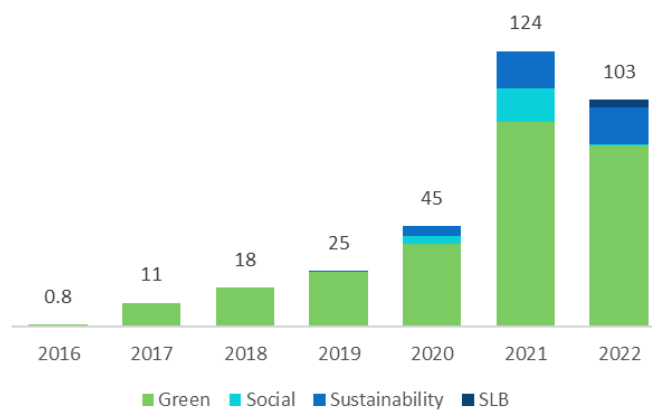


Source: World Bank based on data from Bloomberg and Bloomberg NEF

Sovereigns

43 sovereigns have tapped the GSS bond market to date. In Q4 2022, New Zealand, Switzerland, and Uruguay debuted in the market. Sovereign cumulative issuances reached USD 326 billion, of which emerging markets represent 23%. In 2022, sovereigns issued USD 103 billion.

Sovereign GSS bond annual issuance, USD Bn year to date



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

Green bonds are the most preferred instrument for sovereign issuers (81% of the total issued).

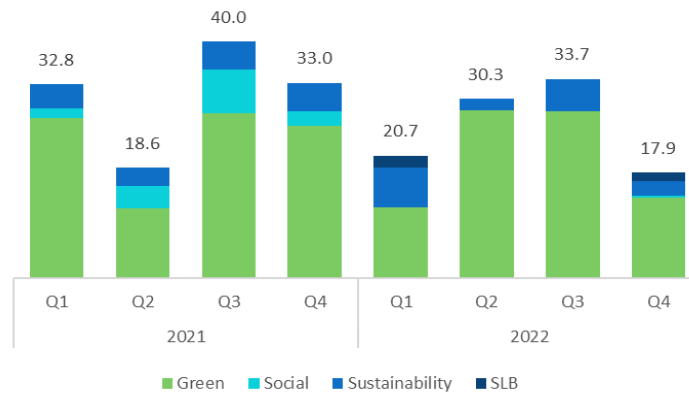
Sovereign GSS issuance by type of instrument, % year to date



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

In Q4 2022, sovereign issuances reached USD 18 billion.

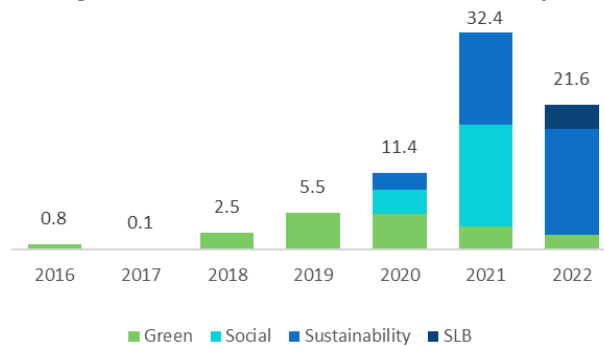
Quarterly sovereign GSS bond issuance, USD Bn year to date



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

Since 2016, 19 emerging market (EM) sovereigns have issued GSS bonds for a total of USD 74 billion, representing 2% of total GSS bonds issued globally. In 2022, EM sovereign issuances declined by 33% compared to 2021.

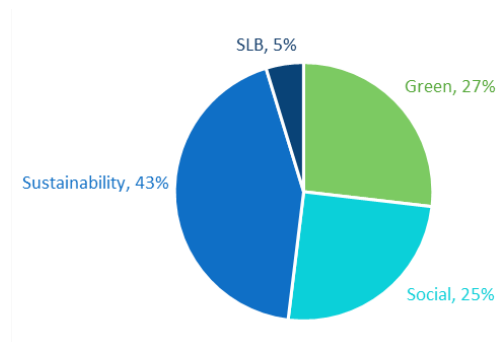
EM Sovereign GSS bond annual issuance, USD Bn year to date



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

Unlike advanced market sovereigns, which still demonstrate a strong preference for green bonds (representing 94% of their total amount issued), EM sovereigns are issuing more sustainability bonds (43% of their total amount issued). Sustainability bond portfolios include projects with positive environmental and social returns. In 2022, Chile and Uruguay issued the first sovereign sustainability-linked bonds.

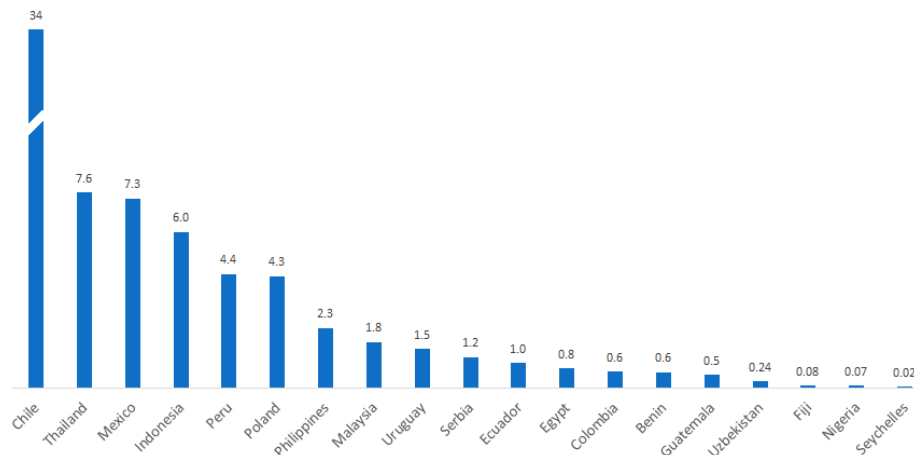
EM sovereign GSS issuance by type of bond, % amount YTD



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

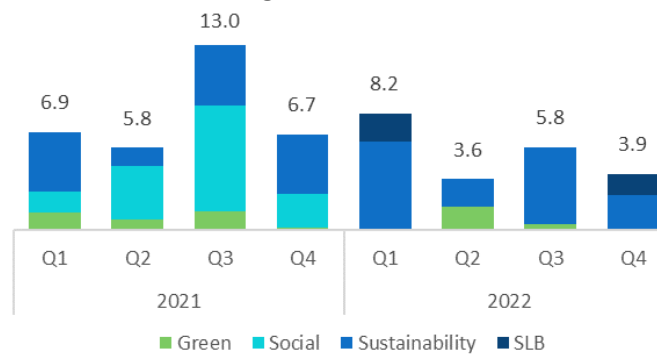
Among the EMs, Chile remains the largest issuer, with USD 34 billion issued, followed by Thailand with USD 7.6 billion, and Mexico with USD 7.3 billion, as of December 2022.

EM sovereign GSS bond issuers, USD year to date



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

QoQ EM sovereign GSS bond issuance, USD Bn

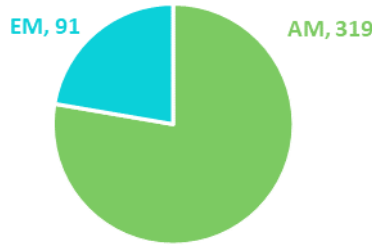


Source: World Bank based on data from Bloomberg and Bloomberg NEF

Utilities

Utility company (which can be public or private depending on the jurisdiction) issuances totaled USD 410 billion, corresponding to 11% of the total GSS bond market. 78% of the GSS bond amount issued by utilities is from advanced markets.

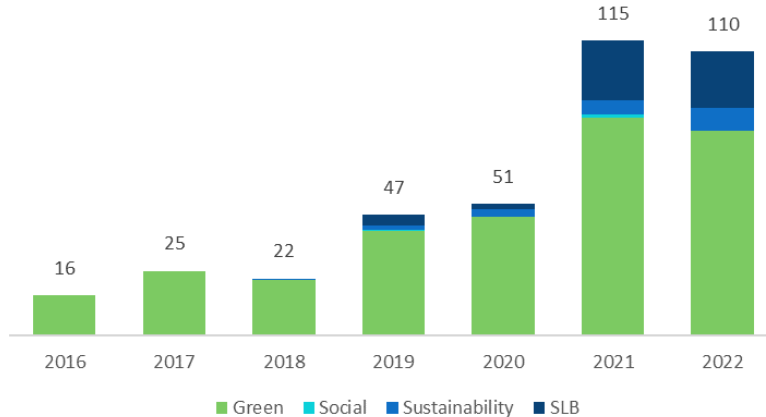
Utilities GSS bond issuance by market, USD Bn



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

In 2022, utilities issued USD 110 billion, a 4% decrease compared to 2021 but still a small decline compared to the 19% decrease in the whole GSS bond market. Green bonds continue to be the preferred instrument for utilities, with 72% of their total amount issued in 2022.

Utilities GSS bond annual issuance, USD Bn year to date



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

Featured Sovereign Issuances and ESG News



India successfully debuts sovereign green bond

On January 25, the government of India issued its first sovereign green bond for a total of INR 80 billion (USD 1 billion equivalent), with maturities of 5 and 10 years. A second issuance of the same amount is scheduled for February 9, 2023. The World Bank’s Sustainable Finance and ESG Advisory Services provided technical assistance to support the establishment of India’s sovereign green bond program. The [sovereign green bond framework](#) was published in November 2022, paving the way for India to enter the thematic bond market and finance projects that will contribute to reducing the carbon intensity of the economy. [CICERO](#) Shades of Green provided a second-party opinion on the framework, assessing it as aligned with the International Capital Market Association (ICMA) Green Bond Principles (GBP) and rating it as a “medium shade of green” in a review of its climate and environmental risks and ambitions.



Israel’s first sovereign green bond issued

On January 17, 2023, the State of Israel settled its inaugural green bond issuance. The international offering was six times oversubscribed, attracting more than 200 investors from 35 countries¹. In November 2022, [Israel launched its sovereign Green Bond Framework](#), which shows it will use green bond proceeds to support its climate, water, waste, and biodiversity strategies and vision. [CICERO](#) rated its framework “dark green.”



Egypt publishes its Sustainable Financing Framework

In November 2022, Egypt updated its Green Financing Framework to incorporate social projects under a new [Sovereign Sustainable Financing Framework](#), thus expanding the scope of financing to social and sustainability bonds, sukuk, loans, and other types of sustainable debt instruments. The second-party opinion provided by [Moody's](#) attested to the framework's alignment with ICMA GBP, Social Bond Principles, and Sustainability Bond Guidelines, as well as with the Loan Market Association's, the Asia Pacific Loan Market Association's, and the Loan Syndications & Trading Association's Green Loan Principles and Social Loan Principles. It also assigned it a “very good” sustainability quality score. Egypt also published the second impact report for its 2020 sovereign green bond transaction. According to the report, 100% of the green bond proceeds (USD 750 million) have now been fully allocated (75% in 2021 and the remaining in 2022). Projects included clean transportation and sustainable water and waste management. According to the impact report, the Ministry of Finance of Egypt also secured a USD 1.5 billion green loan.



Uruguay debuts in the market with Sustainability-Linked Bond

In October 2022, Uruguay debuted in the thematic bond market with a sovereign SLB. The 12-year USD 1.5 billion bond was 2.6 times oversubscribed, closing with a 5.75% coupon. The issuance attracted 188 investors from Europe, Asia, the United States, and Latin America, of whom 21% are new holders of Uruguayan debt². The bond presents a novel double pricing structure with two performance indicators, greenhouse gas emissions per real gross domestic product unit and maintenance of native forest area, each with two targets to be verified by 2025. In case the country fails to meet the first target, investors will receive a 15 basis points step-up in coupon payments. If the country exceeds a second more ambitious target, Uruguay will be rewarded with a 15 bps reduction in coupon payments.



Switzerland's inaugural green bond issuance

In October 2022, Switzerland issued its first sovereign green bond. Denominated in Swiss franc (the USD 800 million equivalent) 16-year bond was 1.27 times oversubscribed. Eligible green expenditures include clean transportation; agriculture, forestry, natural landscapes and biodiversity, green building and energy efficiency; research, innovation, and awareness raising; and international cooperation³.



New Zealand issues its first green bond

In November 2022, New Zealand issued its inaugural sovereign green bond. The offering was placed in the domestic market in New Zealand dollars (USD 1.9 billion equivalent) with an 11-year maturity. Investor demand was 2.5 times the amount offered. The [New Zealand Sovereign Green Bond Programme](#) was established in September 2022, with proceeds set to be used across eight green categories⁴.

World Bank Treasury Sustainable Finance Advisory

The World Bank Financial Products and Client Solutions team facilitates the development of sustainable bond markets and 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**
- an Indonesia **state-owned enterprise issued the country's first corporate green bond**

Visit our webpage: **Sustainable Finance Advisory**

For more information: 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 and Bloomberg NEF with data up to December 2022 unless otherwise indicated.

¹ Source: <https://www.timesofisrael.com/israel-raises-2-billion-in-its-first-ever-issuance-of-10-year-green-bonds/#:~:text=Israel%20has%20completed%20its%20first,zero%2Demissions%20economy%20by%202050>

² Source: <https://www.iadb.org/en/news/uruguay-issues-global-sustainability-linked-bond-idb-support#:~:text=On%20October%2020%2C%20Uruguay%20issued,it%20reaches%20certain%20environmental%20targets.>

³ Swiss Confederation Green Bond Investor Presentation, available at <https://www.efv.admin.ch/efv/en/home/aktuell/a/greenbonds.html>.

⁴ Sources: <https://www.beehive.govt.nz/release/new-zealand-sovereign-green-bonds-issued> and https://debtmanagement.treasury.govt.nz/sites/default/files/media/media_attachment/Final%20Green%20Bond%20Investor%20Presentation%284699358.1%29.pdf