

Green, Social, and Sustainability (GSS) Bonds

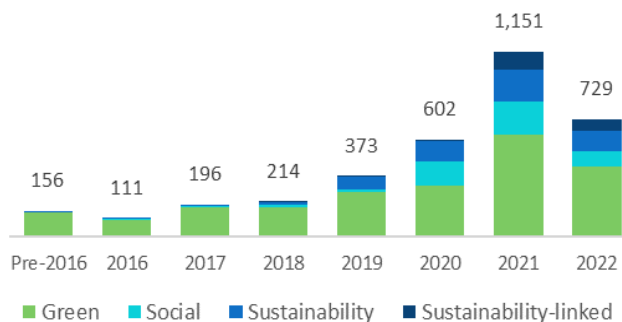
Newsletter - November 2022

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 3.5 trillion at the end of Q3 2022. Green bonds represent 64% and emerging market issuances 15% of the total amount.

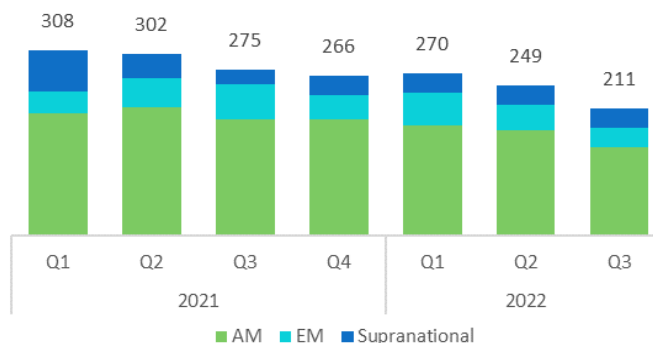
Global GSS bond annual issuance, US\$ Bn year to date



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

Quarter 3 2022 performance: Quarterly issuances have steadily decreased after the peak in Q1 2021. The total issued in Q3 2022 of USD 211 billion represents a decrease of 24% versus Q3 2021 and 15% versus Q2 2022.

Quarterly issuance by type of issuer, US\$ Bn

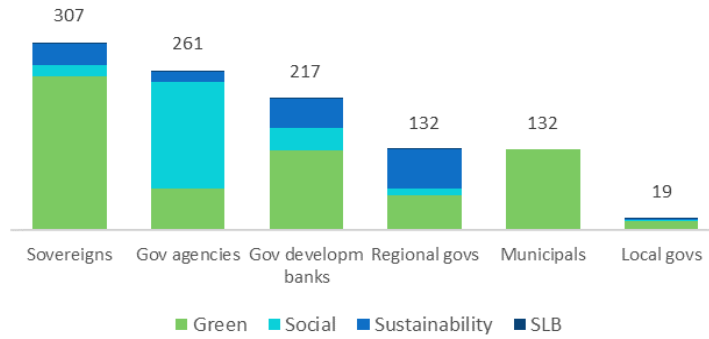


Source: World Bank based on data from Bloomberg and Bloomberg NEF

Public Sector

The public sector, including sovereigns, government agencies, government development banks, regional governments, municipalities, and local governments, is responsible for 30% (USD 1.07 trillion) of the total amount of GSS bond issuances to date. With 62% of the total, green bonds are the preferred instrument for public sector issuers. Sovereigns are the biggest issuer segment (29%), followed closely by government agencies (24%) and government development banks (20%).

Public sector issuance by type of institution, US\$ Bn

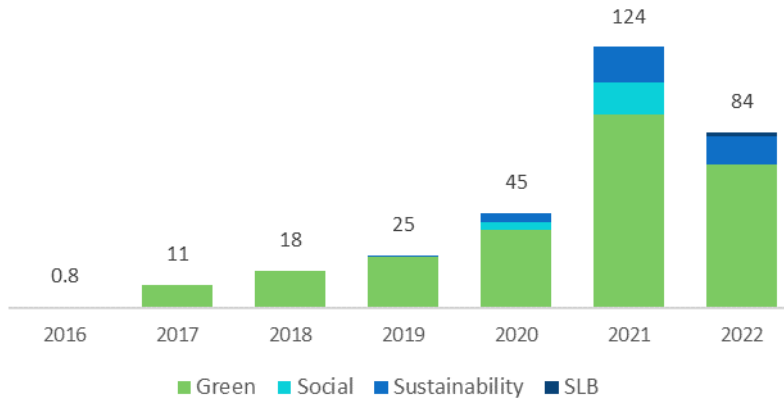


Source: World Bank based on data from Bloomberg and Bloomberg NEF

Sovereigns

40 sovereigns have tapped the GSS bond market to date. Sovereign cumulative issuances reached USD 307 billion in Q3 2022, of which emerging markets represented 23%. From 2018 to 2022, the share of sovereign green bonds in the Bloomberg MSCI Green Bond Index – a well-known benchmark for the green bond asset class – rose from 7% to 18%, as more countries issued sovereign green debt.

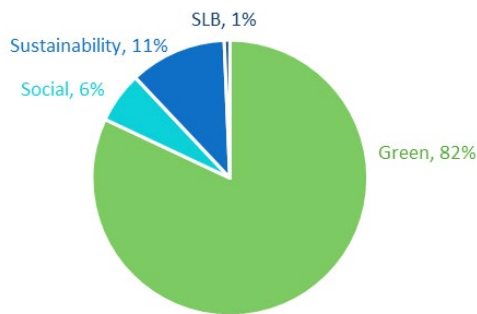
Sovereign GSS bond annual issuance, US\$ Bn year to date



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

Green bonds are the most preferred instrument for sovereign issuers (82% 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

Sovereign issuances were up by 8% in Q3 2022 compared to Q2 2022, although 18% lower than a year ago.

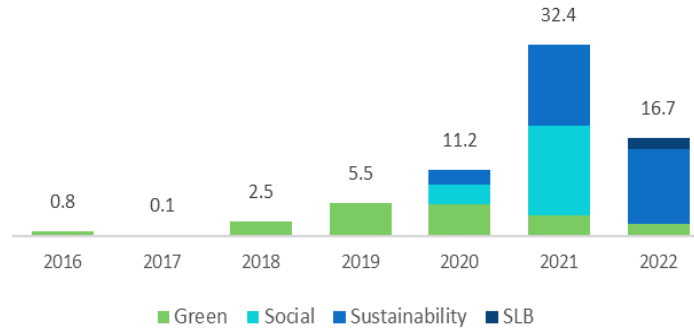
Quarterly sovereign GSS bond issuance, US\$ Bn year to date



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

Since 2016, 18 emerging market sovereigns have issued GSS bonds for a total of USD 69 billion, about 2% of total GSS bonds issued globally since 2008. The slower growth in emerging market sovereign GSS bonds is largely due to a lack of knowledge and awareness, according to a [survey conducted by the WB Treasury's Sustainable Finance and ESG Advisory Services](#).

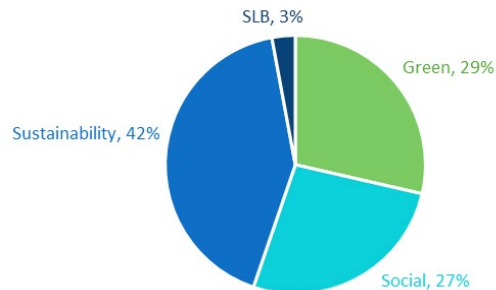
EM Sovereign GSS bond annual issuance, US\$ Bn year to date



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

Unlike advanced market sovereigns which still demonstrate a strong preference for green bonds (97% of total issued), EM sovereigns are issuing more sustainability bonds (42% of the total amount issued). Sustainability bond portfolios include projects with positive environmental and social returns.

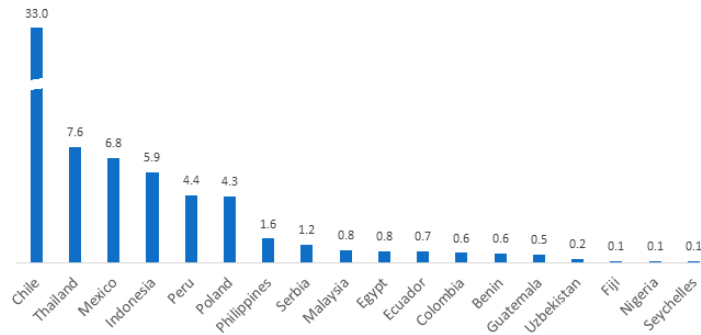
EM sovereign GSS issuance by type of bond, % amount YTD



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

Among the EMs, Chile is the largest issuer with USD 33 billion issued, followed by Thailand with USD 7.6 billion and Mexico with USD 6.8 billion, as of September 2022.

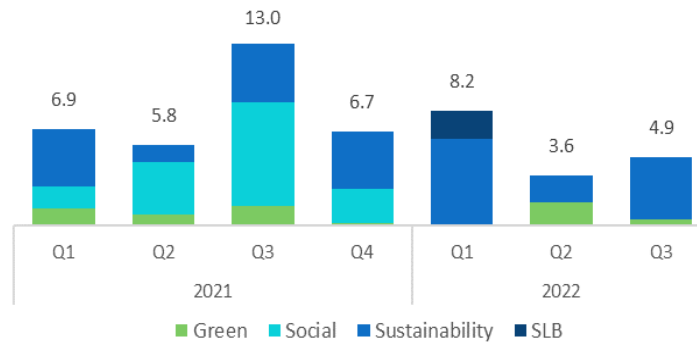
EM sovereign GSS bond issuers, US\$ year to date



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

EM sovereign GSS bond issuances decreased 63% versus a year ago (Q3 2021), but showed an increase compared to last quarter (+35% versus Q2 2022).

QoQ EM sovereign GSS bond issuance, USD Bn

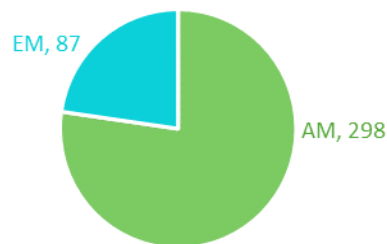


Source: World Bank based on data from Bloomberg and Bloomberg NEF

Utilities

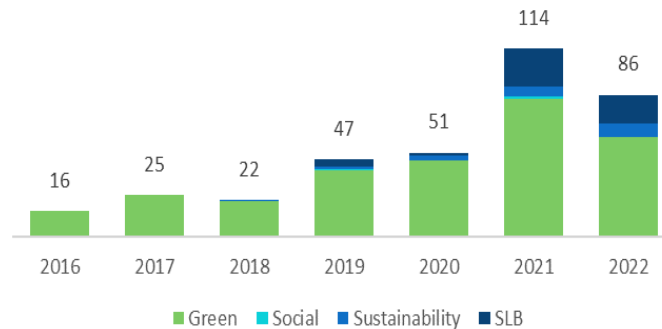
Utility companies (which can be public or private depending on the jurisdiction) correspond to 11% of the GSS bond market. 77% of them are from advanced markets.

Utilities GSS bond issuance by market, US\$ Bn



GSS bonds issued by utilities more than doubled in 2021 and green bonds have been the preferred instrument (83% of the total amount issued).

Utilities GSS bond annual issuance, US\$ Bn year to date



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

Featured Sovereign Issuances and ESG News



World Bank Treasury launches new report on sovereign GSS bonds

On November 8, the World Bank Treasury's Sustainable Finance and ESG Advisory Services launched its new report "[Sovereign Green, Social, and Sustainability Bonds: Unlocking the Potential for Emerging Markets and Developing Economies](#)" in an online event with more than 140 participants from all over the world. Based on surveys of public debt management offices and international investors, the report spotlights emerging market sovereign issuances and identifies knowledge and capacity gaps that must be addressed to improve the quality of transactions and maximize investor interest and financial, environmental, and social outcomes.



Singapore's debut with longest-ever green bond

On August 4, Singapore issued its first sovereign green bond. Priced at 3.04%, the 50-year bond is the longest-tenor green bond issued by a sovereign to date and the longest Singapore has ever issued. The issuance was denominated in local currency, Singaporean dollar, for an amount equivalent to US\$ 1.7 billion, out of which 98% was placed with institutional and accredited investors and 2% offered to individual investors. The sale attracted investor demand of 2.26 times its size.



Uruguay launches its Sovereign Sustainability-Linked Framework

In September, [Uruguay launched its framework for the issuance of sustainability-linked bonds](#). Two key performance indicators (KPIs) were chosen: (1) the reduction of aggregate greenhouse gas emissions per real gross domestic product (GDP) unit, and (2) the maintenance of native forest area. On the targets, the framework brings an innovative feature with financial consequences. Each KPI has two sustainability performance targets (SPTs), the first corresponds to the commitment the country made in its Nationally Determined Contribution (NDC) presented in accordance with the Paris Agreement and the second to an outperformance to those commitments. In case the country fails to accomplish the first SPT, a one-time coupon step-up will occur. In case the country outperforms its NDC commitments and meets the second SPT, a one-time coupon step-down will occur. No changes in the coupon will occur if the country meets the first SPT but does not meet the second. This two-way structure is the first of its kind, to be tested by the market.



France tapped its first inflation-linked green bond

On May 25, France issued the first green bond that protects against inflation. The inaugural EUR 4 Bn issuance attracted EUR 27.5 Bn of demand (7x) from nearly 230 investors. The final price resulted in a real yield of -0.415%. Half of the final allocation went to green investors. On September 15, the country reopened the bond

to raise an additional EUR 549 million. The 15-year bond is indexed to the harmonized European consumer price index and pays a 0.10% nominal coupon.

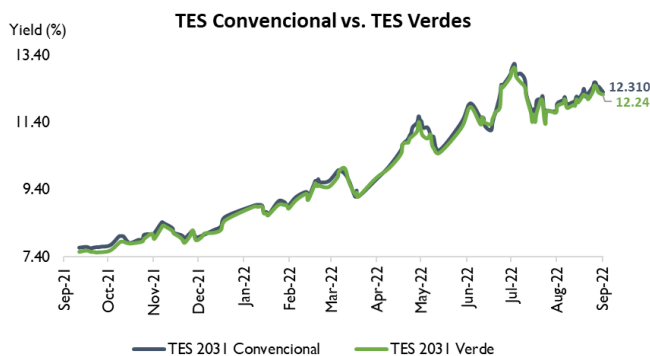


Colombia's local currency green bond continues to attract investors

In September 2021, Colombia issued the first sovereign green bond in local currency in Latin America with WB support. [The issuance journey is reported in this new case study published by the WB and the government of Colombia.](#)

The twin bond approach adopted by Colombia, in which a green and a non-green bond with the same currency and tenor are issued around the same time, is demonstrating clearer evidence of the potential price difference between green and non-green bonds. A comparison of both Colombian bonds in the secondary market shows that the yield to maturity of the conventional bond is slightly higher than the green bond. According to the Colombian government, the greenium has been 9 basis points on average. Moreover, nearly half of Colombia's debut green bond went to overseas funds, much higher than the usual international ownership rate for conventional bonds.

Performance of Colombia's green and conventional bonds in the secondary market (bonds in local currency)



Source: Colombia Ministry of Finance and Public Credit



Egypt green bond case study

In September 2020, Egypt became the first country in the Middle East and North Africa to issue a sovereign green bond. The US\$ 750 million bond was 7.4 times oversubscribed and attracted 16 new investors. The transaction details are provided in this [new case study published by the WB and the government of Egypt.](#)

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**

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

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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 (U.S. 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 September 2022, unless otherwise indicated.