

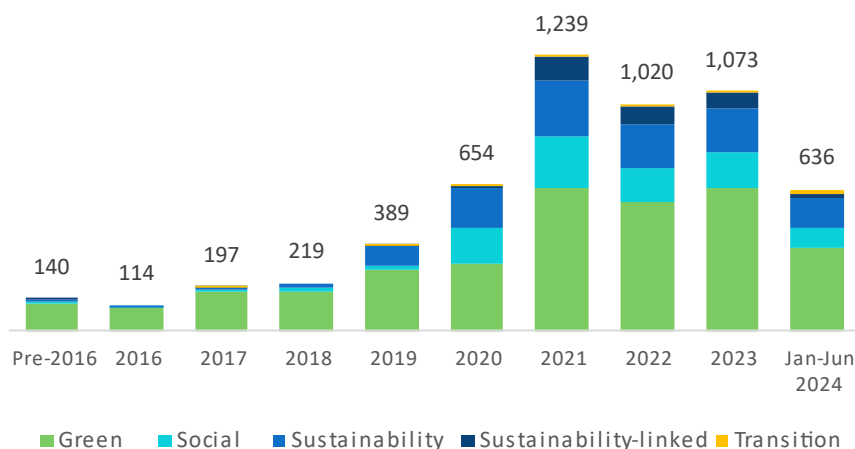
## Green, Social, Sustainability, and Sustainability-Linked (GSSS) Bonds Market Update – July 2024

Hello, and welcome to the second quarter update on the trends in the GSSS bond market for the year 2024, prepared by the World Bank Treasury. This newsletter provides a special focus on emerging market sovereign and sub-sovereign issuances and an update of noteworthy policies and regulations in the sustainable finance market space.

### Market Overview

The cumulative amount of green, social, sustainability, and sustainability-linked (GSSS) bonds issued in the market reached USD 5.7 trillion. Performance in the second quarter of 2024 remained buoyant, resulting in cumulative issuance in January-June 2024 reaching USD 636 billion. Green bond issuances still dominated the GSSS market, representing 60% of the overall issuances.

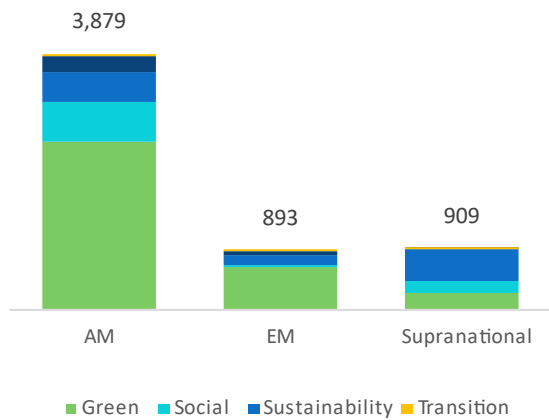
**Global GSSS bond annual issuance, USD bn**



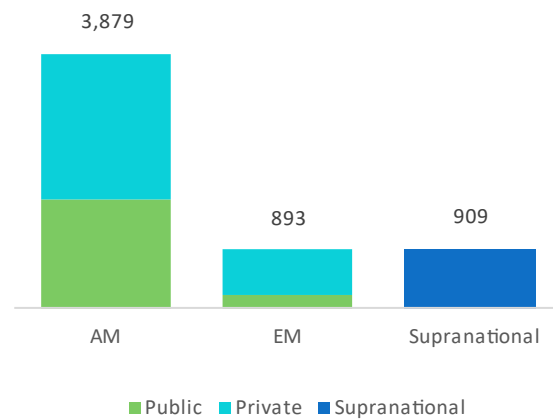
*Source: World Bank based on data from Bloomberg and Bloomberg NEF*

**EM vs AM trends:** Share of emerging market (EM) within GSSS bonds is still only 16% of the total amount issued. Share of green bonds dominate both the emerging market and advanced markets (AM), representing 70% and 66% of overall issuances, respectively. Public sector participation in EM GSSS bond markets remains low, representing 23% of overall issuances, compared to 43% in AM GSSS bond market.

**Total accumulated issuance by market and by bond type, USD bn**



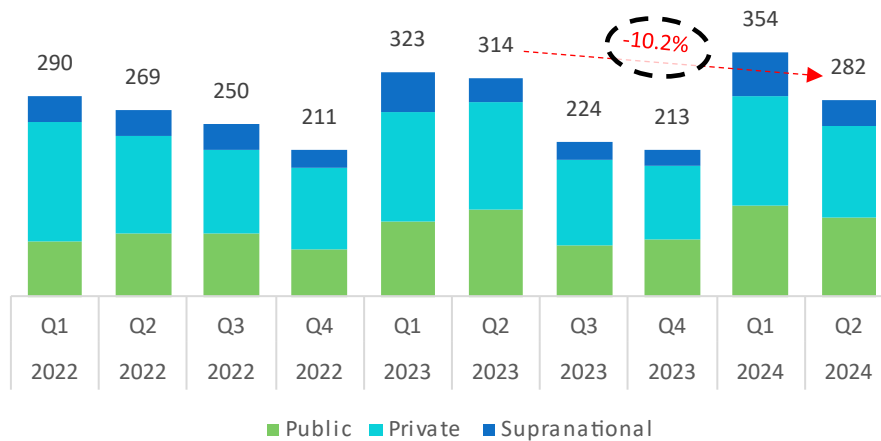
**Total accumulated issuance by market and by issuer type, USD bn**



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

**Quarter 2, 2024 performance:** Issuances in the quarter remained buoyant as overall issuances crossed USD 500 billion, despite a general slowdown in the overall market. Overall GSSS bond issuances decreased by 10.2% compared to Q2 2023 and 20% compared to Q1 2024. Green, social, sustainability and sustainability linked issuances decreased by 7%, 30%, 1%, and 37% respectively compared to Q2 2023. The lack of a standardized label for transition bonds continues to hinder the market, despite interest from issuers. Issuances in Q2 2024 were USD 3.2 billion, decreasing by 74% compared to Q1 2024 but increasing by 306% compared to Q2 2023. Overall EM GSSS bond issuances in Q2 2024 decreased by 34% and 10% compared to Q2 2023 and Q1 2024 respectively. Despite the slowdown in momentum, market analysts expect GSSS issuances to breach USD 1 trillion in 2024.

**Quarterly GSSS bond issuance by type of issuer, USD bn**

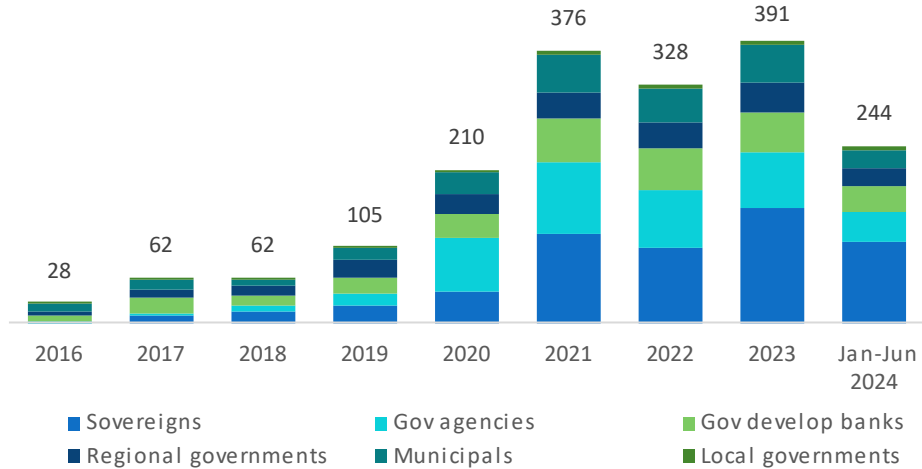


Source: World Bank based on data from Bloomberg and Bloomberg NEF

## Public Sector

The public sector includes issuances from sovereigns, government agencies, government development banks, regional governments, municipalities, and local governments. Public sector issuances represent 33% (USD 1.86 trillion) of the total amount of GSSS bonds issued to date. Green bonds are still the preferred instrument for public sector issuers, comprising 56% of the overall issuances. Sovereigns continue to be the biggest segment (32%) among public sector issuers, followed closely by government agencies (22%) and government development banks (17%). In Q2 2024, the public sector issued USD 113 billion in GSSS bonds, where sovereigns and government agencies represented more 63% of the issuances.

**Cumulative public sector GSSS bond issuance, USD bn**

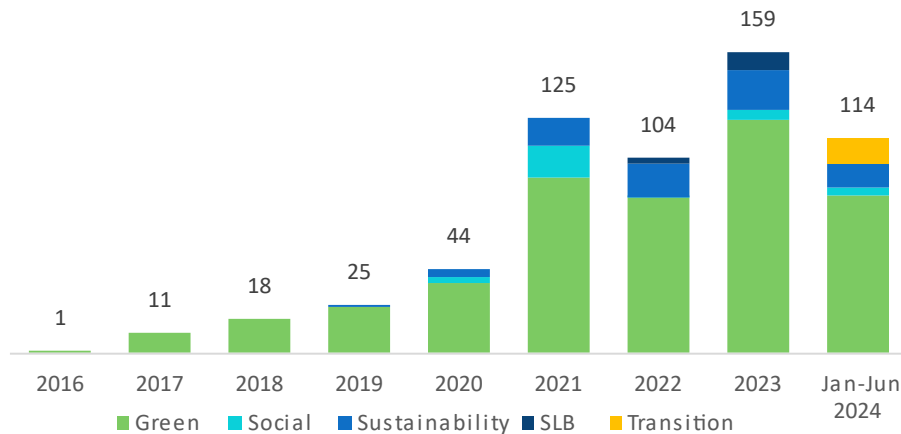


Source: World Bank based on data from Bloomberg and Bloomberg NEF

## Sovereigns

Large ticket issuances and inaugural issuances were in the spotlight for this quarter. 25 sovereigns represented cumulative GSSS bond issuances of USD 57 billion in Q2 2024, with inaugural issuances from [Australia](#), [Dominican Republic](#), [Iceland](#), and Qatar. Large ticket issuances were seen from AM, particularly Italy, Australia, Germany, Italy, and United Kingdom. Overall issuances in the market is now represented by 57 sovereigns, who have issued a cumulative amount of USD 599.4 billion in the GSSS bond market.

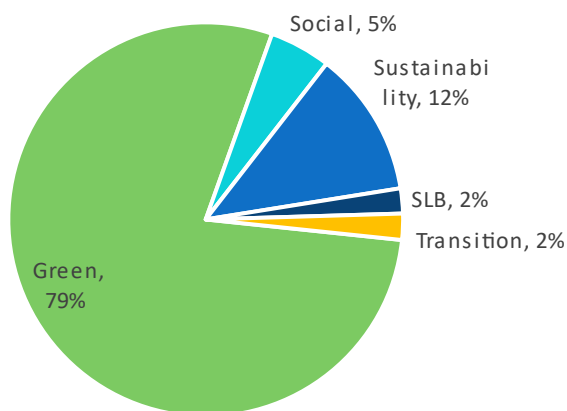
**Sovereign GSSS bond annual issuance, USD bn**



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 472 billion issued as of June 2024 using this instrument. Worth noting is the issuance of sovereign transition labeled bonds by Japan in Q2 2024, following its inaugural issuance in Q1 2024.

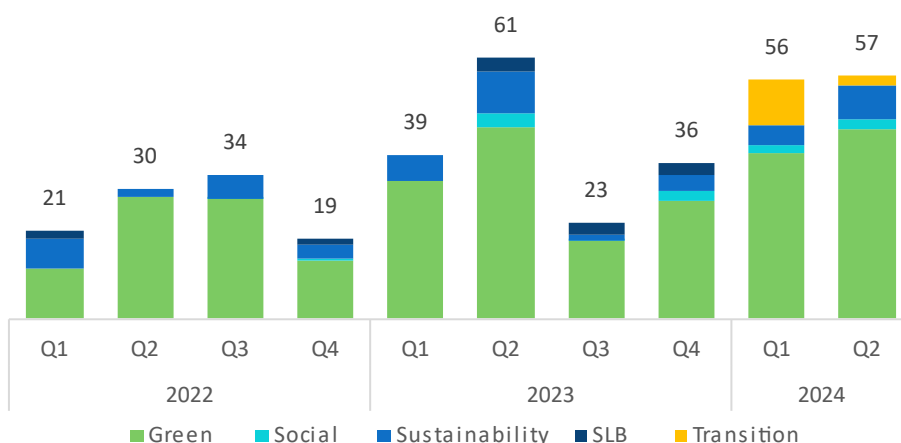
### Sovereign GSSS issuance by type of instrument, % total amount to date



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

Sovereign issuances in Q2 2024 carried on the momentum in issuances seen in Q1 2024. Overall sovereign issuances decreased by 7% on a year on year basis compared to Q2 2023, and increased by 2% from the previous quarter (Q1 2024). It is worth noting that Q2 2023 was the quarter with the highest sovereign issuances ever recorded.

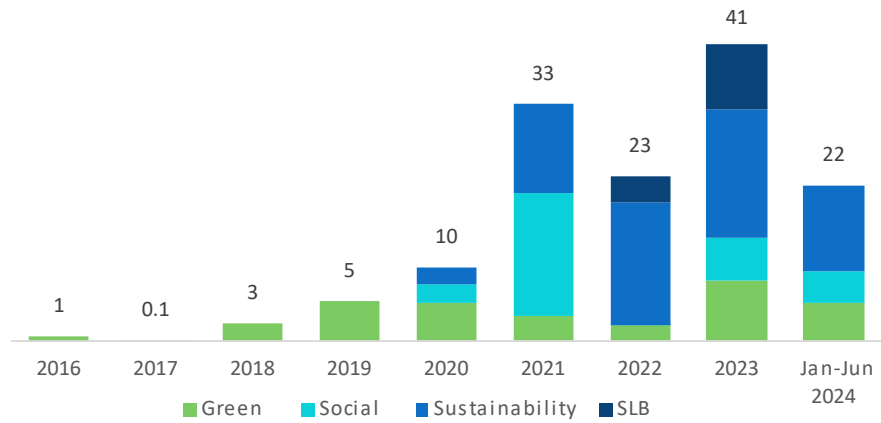
### Quarterly sovereign GSSS bond issuance, USD bn



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

Since 2016, 26 emerging market (EM) sovereigns have issued GSSS bonds for a total of USD 137 billion, representing 2.4% of total GSSS bonds ever issued globally.

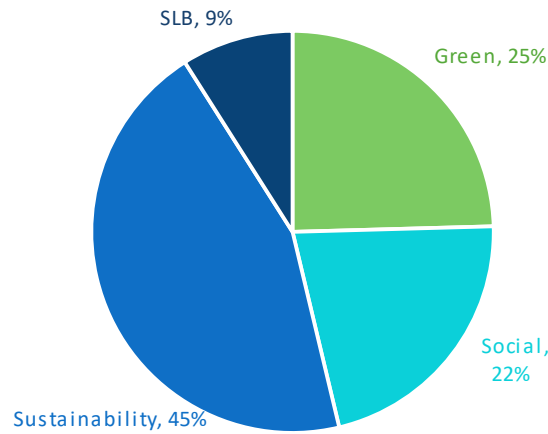
### EM sovereign GSSS bond annual issuance, USD bn



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

Unlike AM sovereigns, which still demonstrate a strong preference for green bonds (representing 95% 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 (45% of their total amount issued).

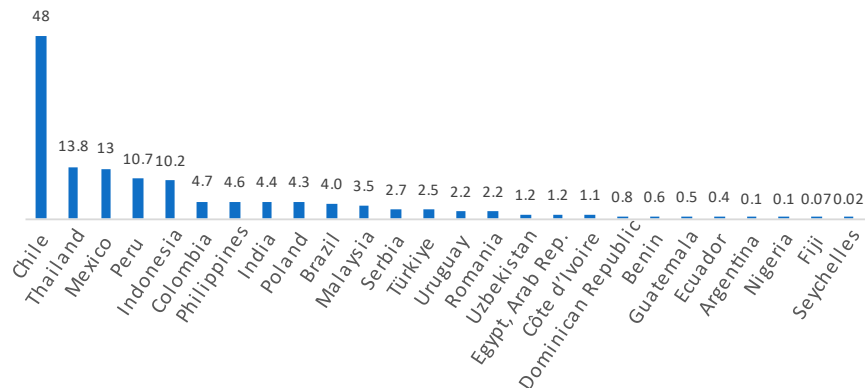
### EM sovereign GSSS issuance by type of bond, % total amount to date



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

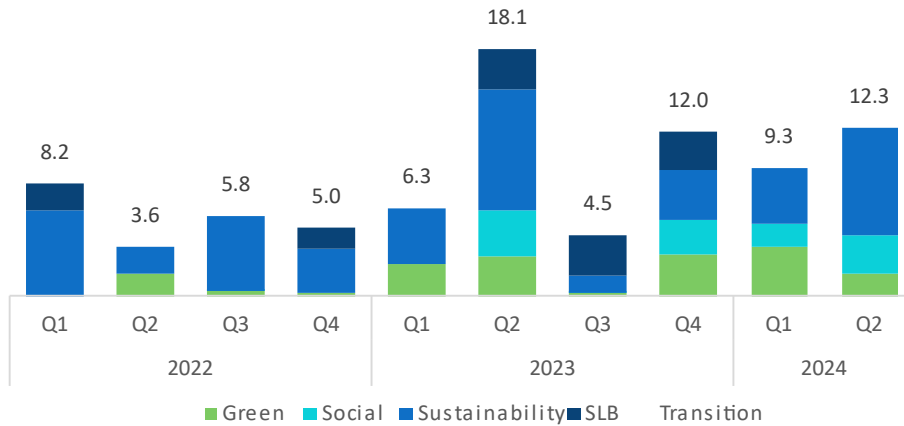
Among the EMs, Chile remains the largest GSSS bond issuer, with a total of USD 48 billion, followed by Thailand with USD 13.8 billion, and Mexico with USD 13.3 billion, as of June 2024.

### 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

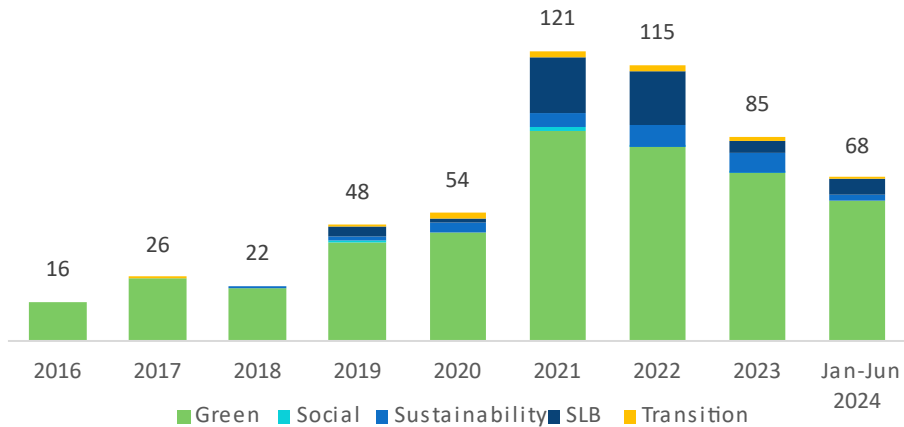


Source: World Bank based on data from Bloomberg and Bloomberg NEF

## Utilities

Utility company (which can be public or private depending on the jurisdiction) issuances totaled USD 581.4 billion up to June 2024, 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 81% of their total issued in GSSS bonds.

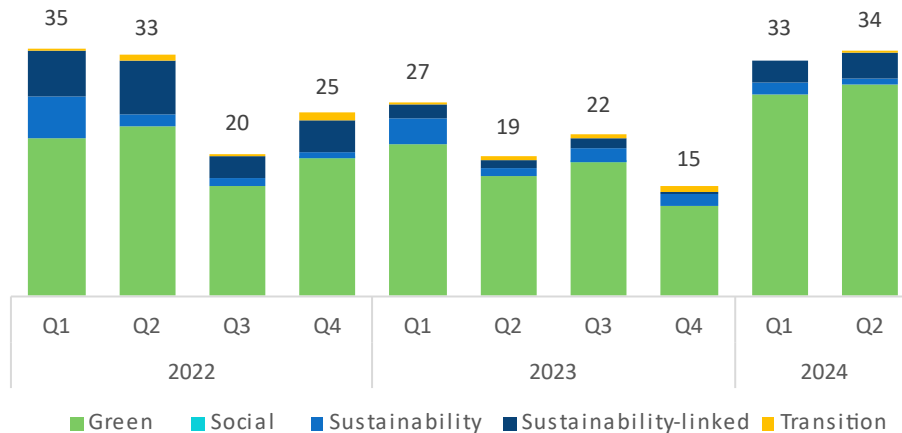
### Utilities GSSS bond annual issuance, USD bn



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

In Q2 2024, utilities issued USD 33 billion, an increase of 4% compared to Q1 2024 and 76% compared to Q2 2023, continuing the resurgence in the sector to levels seen in 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

### Dominican Republic raises USD 750m from green bond debut

In June 2024, the Dominican Republic made its sovereign sustainable bond debut with a USD 750 million green bond with a maturity of 2036. The green deal was priced with a coupon of 6.7%, approximately 15 basis points (bps) lower than its equivalent 'vanilla' bond issuance. The sovereign reported that demand for the transaction was six times higher than the amount offered, indicating an orderbook of around USD4.5 billion. According to the government, between 56% and 80% of the proceeds are expected to be allocated to low-carbon transport, 10% to 24% for efficient and resilient water and waste management, and 10% to 16% for renewable energy projects. Up to 4% of the proceeds can be used for natural capital and sustainable marine projects. The bond was facilitated with technical assistance from the World Bank. Read more [here](#).

### Serbia raises USD 1.5 billion with sustainability bond

In June 2024, Serbia issued its first US dollar-denominated sustainable bond in the international market, raising USD 1.5 billion to finance sustainable development and social responsibility projects, according to finance minister Sinisa Mali. The 10-year sustainability bond, issued at a 6% coupon rate and secured at 4.754% after a swap transaction, attracted \$6.5 billion in investor demand, showing strong international interest, Mali noted. Serbia, which issued its first green Eurobond in 2021, decided to offer the sustainable bonds in US dollars in order to tap into a broader range of investors, Mali added. Read more on the story [here](#).

### Australia sees strong orderbook for AUD7bn debut sovereign green bond

The Australian government in June 2024 raised AUD7 billion (USD 4.7 billion) from its debut sovereign green bond, with the final orderbook around AUD23 billion. The 10-year bond – with a 4.25% coupon – was launched on Monday by the Australian Office of Financial Management (AOFM). Investor demand allowed the deal to be priced in the middle of the initial pricing range at three basis points below the 10-year Australian sovereign bond equivalent. Money raised from the green bond will go towards projects like green hydrogen hubs, community batteries and clean transport, as well as programs to conserve biodiversity, among others. AOFM said the debut bond would be part of an “ongoing programme” of issuance to “support liquidity” of the sovereign green bonds. Read more [here](#).

### **Qatar raises USD 2.5bn from green bond debut**

In May 2024, Qatar made its debut in the sustainable bond market with a two-tranche sovereign green bond worth USD 2.5 billion, making it the first country in the Gulf Cooperation Council (GCC) to issue a sovereign green bond. The deal consists of a five-year tranche worth USD 1 billion which priced at US Treasuries plus 30 basis points (bps) and a USD 1.5 billion, 10-year tranche priced at 40 bps over US Treasuries. The orderbook attracted demand of over USD 14 billion which allowed the sovereign to upsize the deal to USD 2.5 billion and tighten pricing by 40 bps compared to initial pricing. The green bond launched by the Qatar Central Bank is set to finance a wide range of projects including renewable energy developments, energy efficiency upgrades, sustainable water management, and green buildings. This strategic move aligns with Qatar's National Vision 2030, which emphasizes environmental development as a key pillar of the country's long-term growth strategy. Read more [here](#).

### **Iceland issues first sovereign gender bond**

In June 2024, Iceland raised EUR 50 million (USD 53.6 million) with the world's first sovereign gender bond in a private placement. The bond has been issued off an annex to Iceland's Sustainable Financing Framework on Financing for Gender Equality. It has a three-year maturity and carries a 3.4% fixed rate coupon. The proceeds will be used to finance government spending that advances gender equality. Eligible schemes include expenditure to provide decent living standards for women and gender minorities in vulnerable positions. Schemes that increase the supply of affordable housing the target group, consisting mainly of low-income women, the majority of whom are single parents or those with reduced work capacity. Proceeds may also go towards projects that reduce and redistribute the burden of unpaid care and domestic such as via increased parental leave pay. Read more about the issuance [here](#).

### **Austria launches ground-breaking 'green' money market instrument**

In April 2024, Austria launched the first sovereign 'green' money market product which is open to retail investors. The "[Bundesschatz](#)" scheme by the Austrian government allows retail investors to directly invest in sovereign debt instruments with maturities of between one month and ten years. The scheme includes the ground-breaking 'green' Bundesschatz which have maturities of either six months or four years, with current yields of 3.25% and 2.75%, respectively. Money market investments are short-term highly-liquid, low-risk investments often used as an alternative to holding cash. The proceeds raised through the 'green' Bundesschatz will be used to finance the EUR 4.8 billion (USD 5.1 billion) of green expenditures for 2024 that Austria plans to finance through its medium- and long-term green funding programme for the year. The new product follows Austria bringing several novel 'green' instruments to the market in recent years. For example, Austria launched its innovative 'green' Treasury Bills (T-Bills) and Commercial Paper (CP) for institutional money market investors in 2022 and 2023, respectively. Read more about the product [here](#).

### **Climate risks included in Basel Core Principles**

Following a review of the "*Basel Core Principles for effective banking supervision*" which began in 2022, climate risks have been included among a group of potentially material risks to financial stability in the global banking supervision principles for the first time, meaning regulators and banks must identify and address such risks. The principles represent "the global standard for sound prudential regulation and supervision of banks and banking systems" and are used by supervisors to assess the effectiveness of their regulatory and supervisory frameworks. The update includes climate-related risks as potentially material risks that banks are required to identify, measure, evaluate, monitor, report and control or mitigate. Supervisors, in turn, must consider climate risks in their risk assessment of banks, and have the power to require banks to submit information that allows for the assessment of the materiality of these risks. Read more about the revised Principles [here](#)



### **National Bank of Kuwait issues first sustainable bond in Kuwait**

In June 2024, National Bank of Kuwait (NBK) issued its inaugural green bond worth USD 500 million, making it the first Kuwaiti issuer to issue a sustainable bond. The six-year maturity bond has a first call date after five-years and carry value of 5.5% until the first call date when the coupon is swapped to a floating rate thereafter. The total order book for the deal exceeded USD 1.5 billion and allowed the deal to be priced at a spread of 95 bps over US Treasuries. The bank stated that it was committed to building a sustainable asset portfolio exceeding USD 10 billion by 2030. NBK has also set interim targets for its gross operational emissions (Scope 1 and Scope 2), targeting reduction of 25% by 2025. Read more [here](#).

### **ICMA, IsDB publish 'milestone' sustainable sukuk guidance**

In April 2024, The International Capital Market Association (ICMA), Islamic Development Bank (IsDB) and London Stock Exchange Group (LSEG) have published guidance on issuing sukuk aligned with the widely used Green and Social Bond Principles. Part of the guidance provides an overview of the ICMA Principles for those issuers unfamiliar with issuing instruments under these guidelines, as well as explaining sukuk for those who have not issued in this format previously. Read more [here](#). The World Bank provided technical assistance to Bank Negara Malaysia and Securities Commission Malaysia to develop the [domestic green sukuk market](#) in 2017. With technical assistance from the World Bank, Tadau Energy Sdn Bhd issued the [world's first green sukuk](#) in July 2017.

### **ICMA, LMA release 'sustainability-linked loan bond' guidance**

In June 2024, The International Capital Market Association (ICMA) and Loan Market Association (LMA) developed the 'Guidelines for Sustainability-Linked Loans financing Bonds' (SLLBG). The core recommendation of these Guidelines is that the existing Sustainability-Linked Loan Principles (SLLP) should be used as the basis for construction of any such portfolio which may be communicated to the market via a bond instrument. SLLBs consist of financing a portfolio of sustainability-linked loans aligned with the SLLP, adopting the Use of Proceeds project financing structuring usual to GSS bonds. Read more [here](#).

### **ECB to set decarbonization targets for corporate bond portfolios**

The European Central Bank (ECB) announced in June 2024 that it will target near-term greenhouse gas emissions reductions in its EUR 352 billion (USD 376 billion) corporate bond portfolio for the first time and will consider 'remedial actions' if these diverge from a strict decarbonization trajectory. It said the 'interim' targets will "take into account, as guidance" the trajectory identified in the EU's climate benchmarks regulation, which introduced two levels of ambition that benchmarks must achieve, of at least a 7% year-on-year average decarbonization, as well as either 50% reduction or 30% reduction in carbon emissions relative to their investable universe at launch. Its longer-term target for the corporate bond portfolio aims at "limiting global warming to well below 2°C while pursuing efforts to limit it to 1.5°C," but noted that its ability to do so will be determined by the decarbonization of issuers whose bonds it purchases. Read more [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:

- Romania issued its **first sovereign green bond**
- Brazil issued its **first sovereign sustainable bond**
- Colombia issued the **first sovereign green bond in local currency in Latin America**
- Egypt issued the **first sovereign green bond in the Middle East and North Africa**
- An Indonesian **non-bank financial institution issued its first sustainability bond**
- A Malaysian issuer issued **the world's first green sukuk/Islamic bond**
- Viet Nam's oldest bank issued **the first green bond in domestic market**

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:**

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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.

**Transition bonds:** Subset of green bonds, these are bonds with proceeds earmarked for projects aimed at transitioning the entity to its climate targets.

**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.

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*This Newsletter is published by the World Bank Treasury's Financial Products and Client Solutions team. The sources of data for the report are Bloomberg terminal and Bloomberg NEF with data up to June 2024 unless otherwise indicated.*