

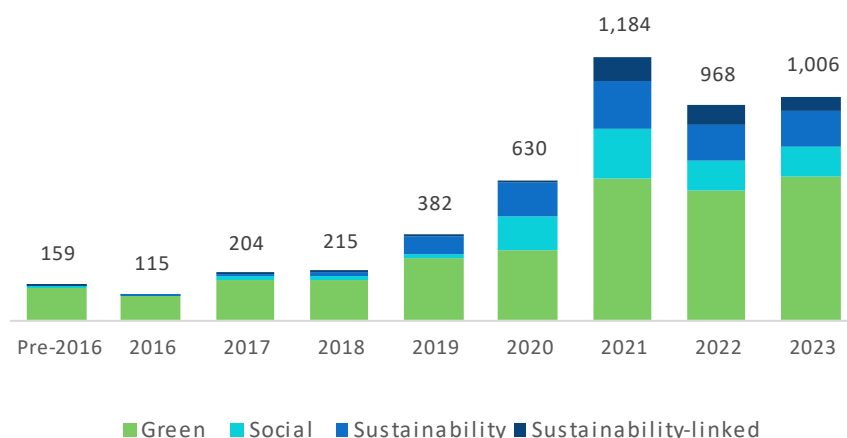
Green, Social, Sustainability, and Sustainability-Linked (GSSS) Bonds Market Update – January 2024

Hello and welcome to the fourth quarter update on the trends in the GSSS bond market for 2023. Prepared by the World Bank Treasury, this newsletter wraps up all the trends that occurred in the year and the quarter end. This newsletter provides 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 in the market reached USD 4.9 trillion. Total issuances in 2023 breached USD1 trillion, marking a reversal from the lower volumes seen in 2022. In addition, for the second year in a row, global banks profited more from underwriting bonds and providing loans for green projects than they did from financing oil, gas and coal activities (see Bloomberg article [here](#)). Green bond issuances continued to dominate the GSSS market, representing 64% of the overall issuances.

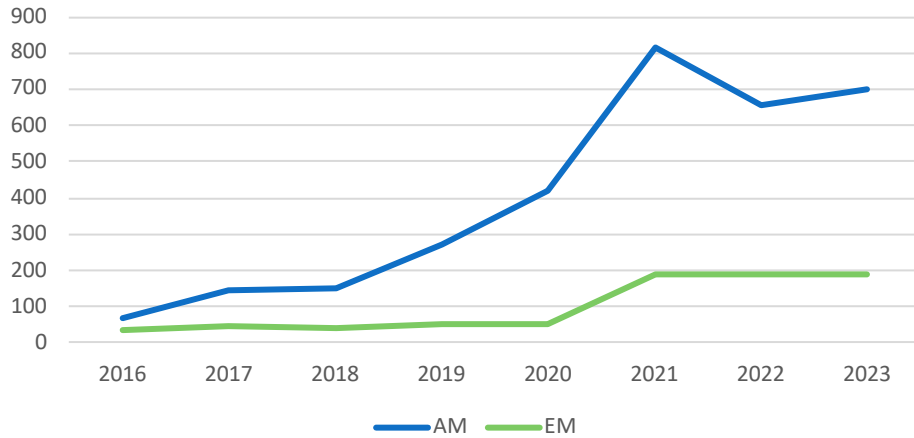
Global GSSS bond annual issuance, USD bn



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

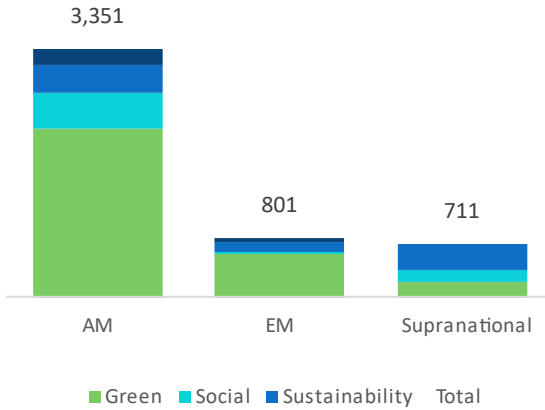
EM vs AM trends: Share of emerging market (EM) within GSSS bonds nudged slightly upwards, representing 17% of the total amount issued. Green bond issuances dominate both the emerging market and advanced markets (AM), representing 73% and 68% of overall issuances, respectively. Annual market volumes for EM have largely held since 2021, declining by 1% (USD 188 billion) in 2023, while the volumes for AM have recovered slightly, increasing to 7% (USD 702 billion) in 2023. Public sector participation in EM GSSS bond markets remains limited, representing 22% of overall issuances, compared to 40% in AM GSSS bond market.

Trend in AM vs EM GSSS issuances since 2016, USD bn

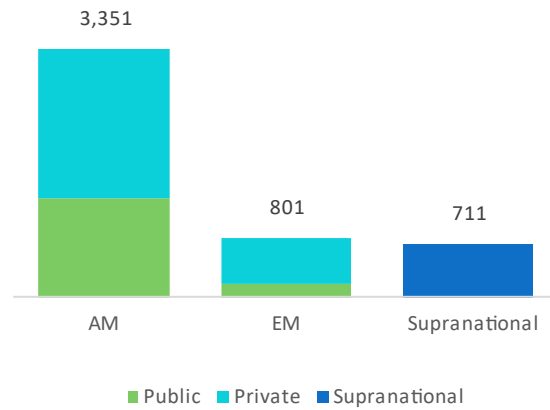


Source: World Bank based on data from Bloomberg and Bloomberg NEF

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



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

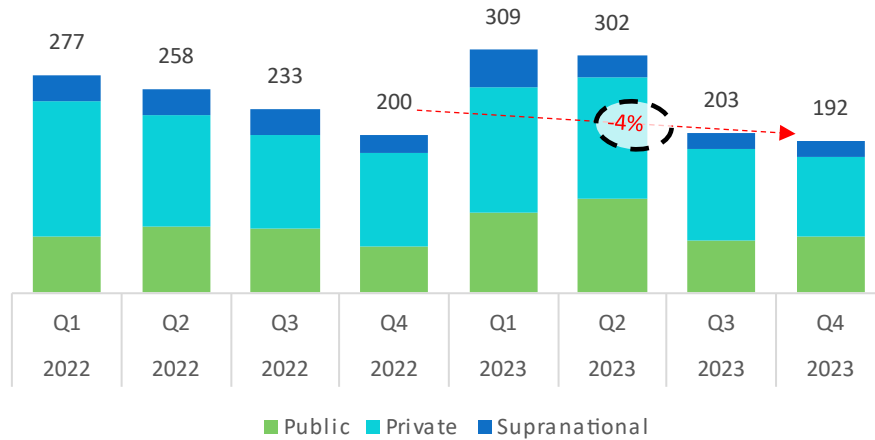


Source: World Bank based on data from Bloomberg and Bloomberg NEF

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

Quarter 4, 2023 performance: Even with an expected slow Q4, on a year-on-year basis, issuances for the quarter declined for the third year in a row, decreasing 3.9% compared to Q4 2022 and 5.5% compared to Q3 2023. The trend continues to reflect the declining trend in the overall bond market seen in Q3 2023, spurred by higher interest rates. However, total issuances for 2023 exceeded predictions by [market analysts](#), largely buoyed by strong issuances in the first two quarters. And while AM reflected the overall market trend, the trend in EM also showed resilience. Q4 2023 EM issuances increased by 57% compared to Q3 2023 and 14% compared to Q4 2022.

Quarterly GSSS bond issuance by type of issuer, USD bn

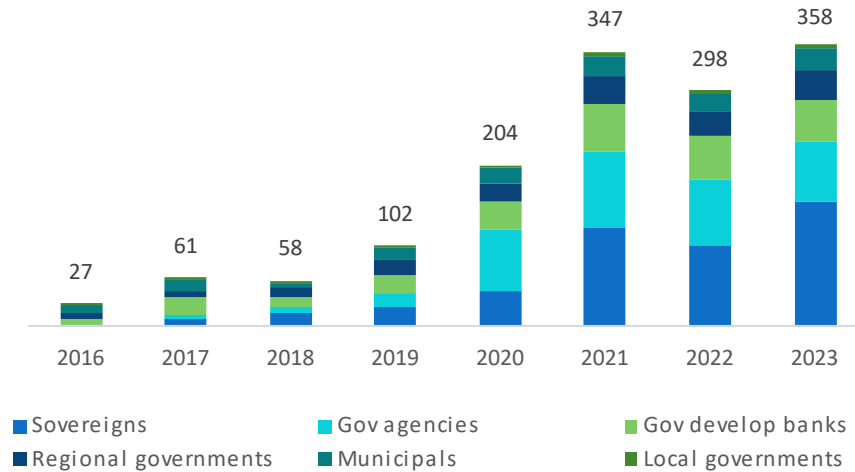


Source: World Bank based on data from Bloomberg and Bloomberg NEF

Public Sector

Public sector GSSS issuances broke the record levels seen in 2021 with cumulative bond issuances of USD 358 billion in 2023. The public sector includes issuances from sovereigns, government agencies, government development banks, regional governments, municipalities, and local governments. Public sector issuances represent 31% (USD 1.5 trillion) of the total amount of GSSS bonds issued to date. Green bonds are still the preferred instrument for public sector issuers, comprising 60% of the overall issuances. Sovereigns continue to be the biggest segment (32%) among public sector issuers, followed closely by government agencies (24%) and government development banks (19%). In Q4 2023, the public sector issued USD 71 billion in GSSS bonds, where sovereigns and government agencies represented more 65% of the issuances.

Cumulative public sector GSSS bond issuance, USD bn

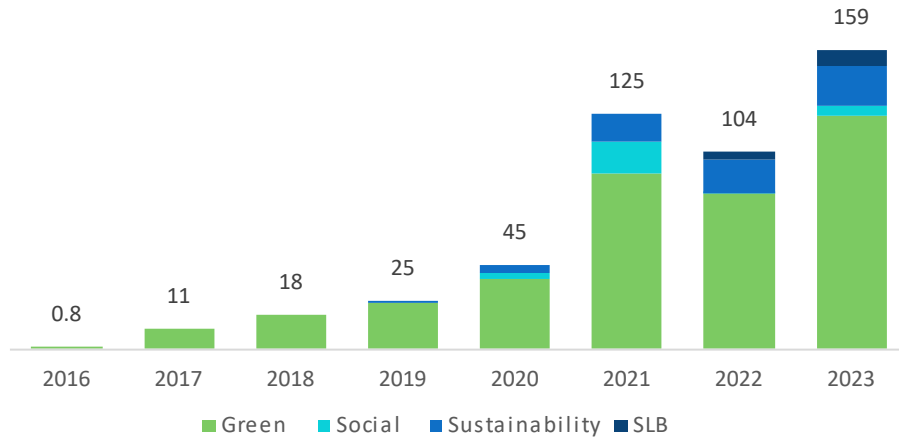


Source: World Bank based on data from Bloomberg and Bloomberg NEF

Sovereigns

Sovereign bond issuances in 2023 beat industry estimates and broke the record volume issuances in 2021. In 2023, 34 sovereigns represented cumulative GSSS bond issuances of USD 159 billion, with inaugural issuances from Argentina, Brazil, Cyprus, India, Israel, Turkey and United Arab Emirates. Overall issuances in the market were represented by 50 sovereigns who have issued a cumulative amount of USD 486 billion in the GSSS bond market.

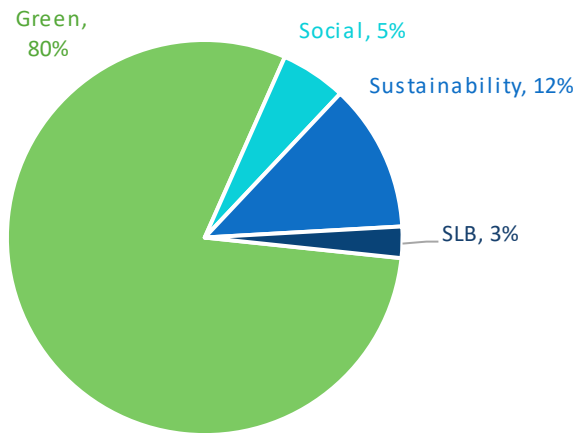
Sovereign GSSS bond annual issuance, USD bn



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 389 billion issued to date using this instrument.

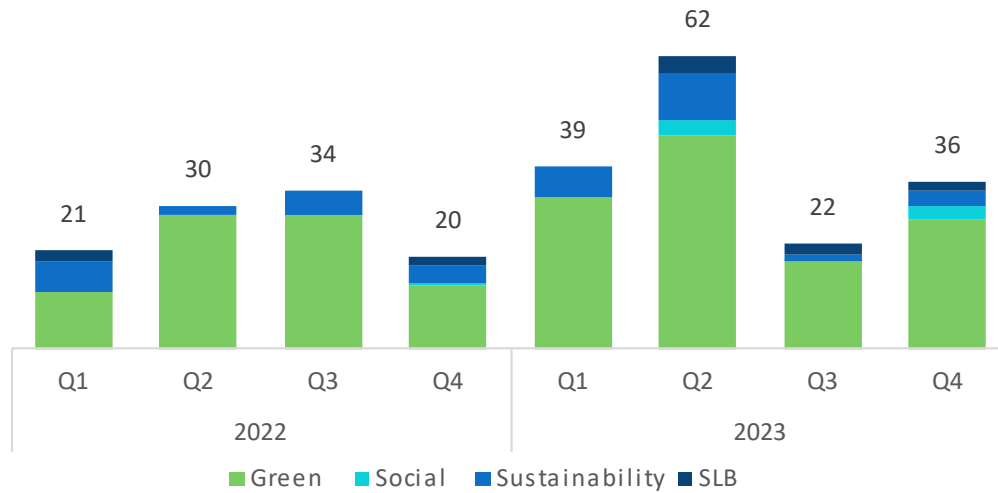
Sovereign GSSS issuance by type of instrument, % total amount to date



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

In Q4 2023, sovereign issuances reached USD 36 billion, increasing from USD 22 billion of Q3 2023. Record issuance of USD 62 billion in Q2 2023—the quarter with the highest amount issued ever by sovereigns – buoyed the record issuance for 2023.

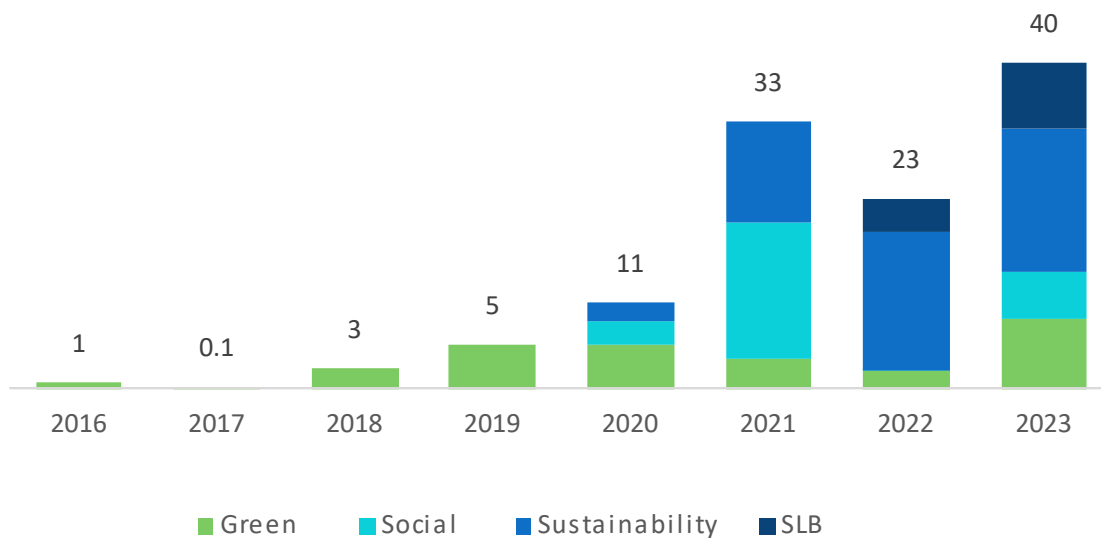
Quarterly sovereign GSSS bond issuance, USD bn



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

Since 2016, 22 emerging market (EM) sovereigns have issued GSSS bonds for a total of USD 116 billion, representing 2.4% of total GSSS bonds ever issued globally.

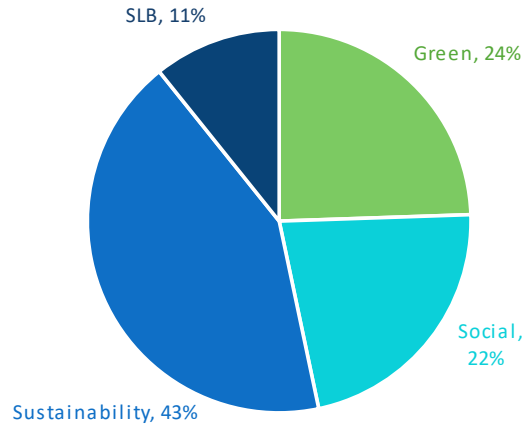
EM sovereign GSSS bond annual issuance, USD bn



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

Unlike 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 (43% of their total amount issued), rather than green projects only – a trend which persisted in 2023.

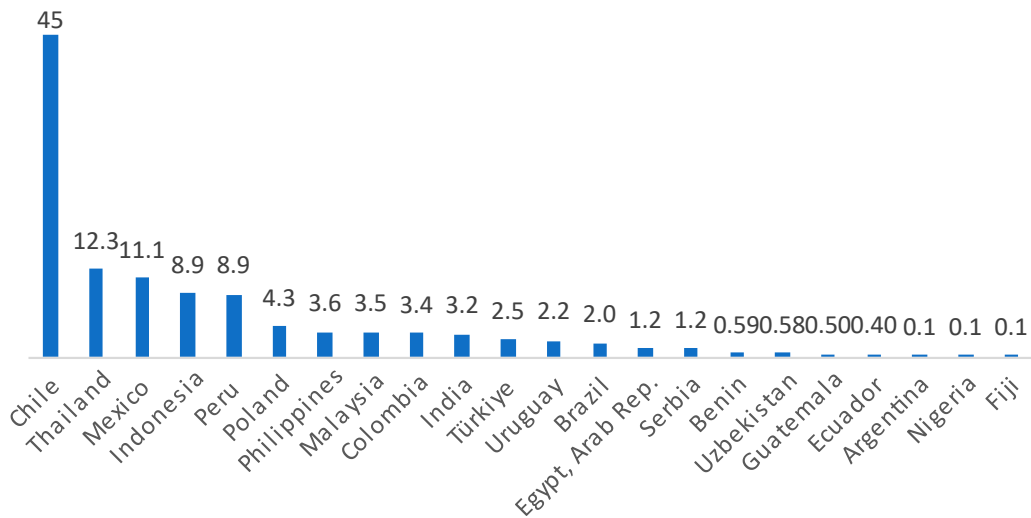
EM sovereign GSSS issuance by type of bond, % total amount to date



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

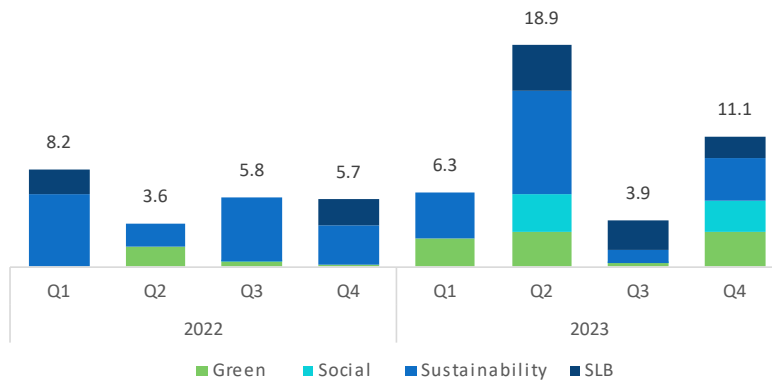
Among the EMs, Chile remains the largest issuer, with a total of USD 45 billion issued in GSSS bonds, followed by Thailand with USD 12.3 billion, and Mexico with USD 11.1 billion, as of December 2023.

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

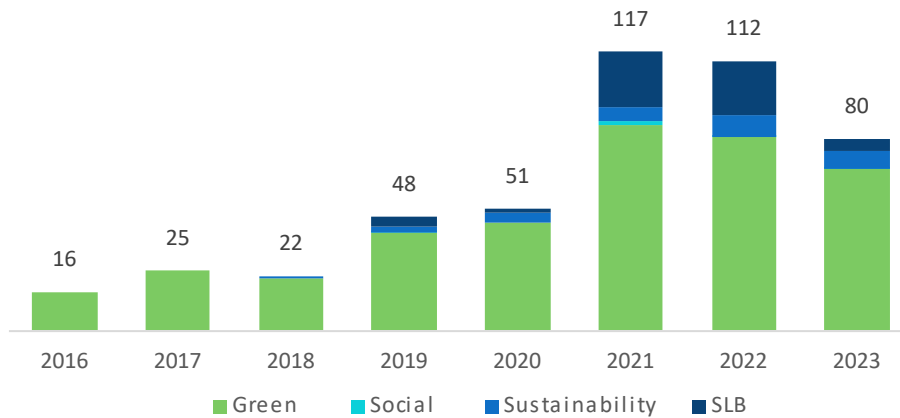


Source: World Bank based on data from Bloomberg and Bloomberg NEF

Utilities

Utility company (which can be public or private depending on the jurisdiction) issuances totaled USD 495 billion up to December 2023, corresponding to 10% of the total GSSS bond market. 78% 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.

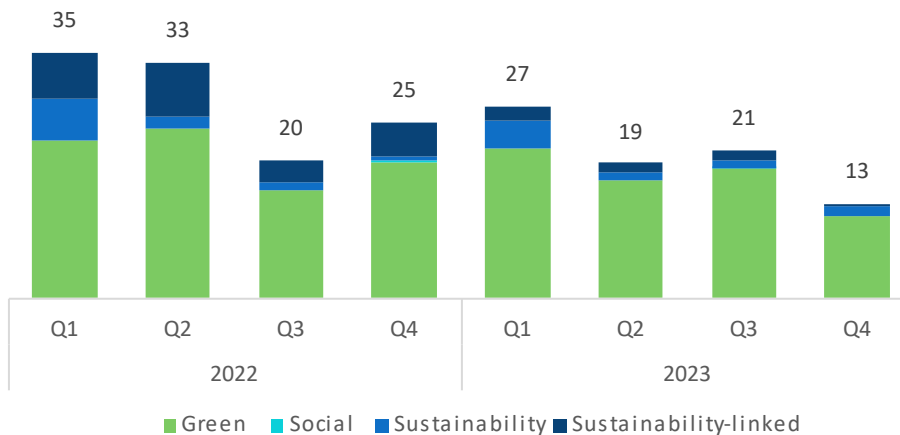
Utilities GSSS bond annual issuance, USD bn



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

In Q4 2023, utilities issued USD 13.2 billion, a 37% decrease compared to Q3 2023, and a 47% decrease compared to Q4 2022, marking a disappointing year for the sector.

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 made its sustainable bond debut with a seven-year dated deal worth USD 2 billion.

In November 2023, Brazil issued its first dollar sustainability bond on the international market: a 7-year benchmark that will mature in 2031. The sovereign saw an orderbook of around USD 6 billion with more than 240 orders at the top of the order book. The transaction saw significant overseas

interest with 75% of the final allocation going to European and North American investors. The World Bank Treasury's Sustainable Finance and ESG Advisory Program and Inter-American Development Bank provided technical assistance to the sovereign in establishing its sustainable bond program. Read more [here](#).

Fiji launches debut sovereign 'blue' bond

Fiji, which kickstarted emerging market sovereign green bonds back in 2017 with technical assistance from the World Bank Group, issued its first sovereign blue bond, raising up to FJD 20 million (USD 8.7 million) in November 2023. The three-year tranche has a 1% coupon, with the 15-year tranche holding a 4.2% coupon. The proceeds from the bond will be used to finance projects in four priority areas, including using nature-based solutions to provide protection for low-lying vulnerable coastal communities, scaling up its aquaculture sector, and enhancing its solid waste management infrastructure. Another funding priority for the bond is the integrated planning of towns and cities with a particular focus on advancing the 'blue town' concept in Fiji. Read more [here](#).

Romania launches green bond framework ahead of debut

In December 2023, Romania published its green bond framework signaling its market debut, with initial discussions with investors on the inaugural sovereign green bond having started in the week of December 18, 2023. Romanian public debt deputy director Diana Popescu told media that "timing, currency and the size will be decided closer to the transaction". The World Bank Treasury's Sustainable Finance and ESG Advisory Services Program provided technical assistance to Romania's debt management office for the establishment of the sovereign green bond program. Second-party opinion provider S&P [confirmed](#) the framework aligned with ICMA Green Bond principles. Read more [here](#).

Development Bank of Rwanda raises RWF30 bn in landmark sustainability-linked bond

In September 2023, the Development Bank of Rwanda (BRD) raised RWF 30 billion (USD 24 million) from its debut sustainability-linked bond (SLB), which is the first instrument of this type issued by a development bank and the first sustainable bond from a Rwandan issuer. The SLB is partially credit-enhanced via a [World Bank lending operation](#) to the Government of Rwanda through the Access to Finance for Economic Recovery and Resilience Project ([AFIRR](#)). The BRD deal also included a 'step-down' coupon structure for targets achieved. The seven-year bond secured an orderbook of RWF 33.2 billion. Read more [here](#).

Uruguay signs USD 350m sustainability-linked loan in world first among sovereign borrowers

In November 2023, Uruguay signed a USD 350 million sustainability-linked loan with the World Bank, which is the first sustainability-linked loan deal involving a sovereign country. The financing will support a reform agenda to drive a more sustainable economy and robust, resilient growth. Uruguay could see a reduction of up to USD 12.5 million in interest on this Development Policy Loan (DPL) if it achieves a verifiable decrease in the intensity of methane gas emissions from livestock production. The loan's financing costs are dependent on the country reducing the intensity of methane emissions, linked to beef production, exceeding Uruguay's nationally determined contribution (NDC) committed to as part of the Paris Agreement. Read more [here](#).

Uruguay raises USD 700m from sustainability-linked bond tap

In November 2023, Uruguay also raised USD 700 million tap of its sustainability-linked bond (SLB). The reopened bond deal attracted an orderbook in excess of USD 2.7 billion from 139 investors, which the Uruguayan economy and finance ministry said included 15 investors who had never invested in

sovereign bonds from the country before. Uruguay said investor demand meant the reopening of the 2034 maturity bond was able to be priced 15 basis points below the price of the bond in the secondary market. Read more [here](#).

Chile raises UF 24m from landmark sustainability-linked bond

In October 2023, Chile raised UF 24 million (USD 925 million) from its first sovereign sustainability-linked bond (SLB) issued in inflation-linked local currency, with the deal more than three times oversubscribed and attracting international investors. The Chilean Ministry of Finance said the orderbook for the 16-year bond reached UF 76 million, more than three-times the offered amount. The bond is inflation-linked through its issuance in UF and has a 3.4% coupon, which it estimated represented a 'greenium' of between 10 and 12.5 basis points (bps). The bond is tied to two targets related to greenhouse gas (GHG) emissions and female participation on large company boards. Read more [here](#).

Egypt secures USD 500m sustainability loan

In November 2023, Egypt's Ministry of Finance took out a USD 500 million sustainability loan with a seven-year maturity. The loan was issued under Egypt's Sustainable Financing Framework and will be used to fund green and social use of proceeds. This includes clean transportation, climate change adaptation, energy efficiency, pollution prevention and control, renewable energy, sustainable water management, and terrestrial and aquatic biodiversity conservation. On the social side, access to essential services, affordable basic infrastructure, and affordable housing are all eligible use of proceeds. The financing also benefits from guarantees extended to it from the Arab Investment and Export Credit Guarantee Corporation. Read more [here](#).

Côte d'Ivoire raised a 15-year, EUR 533 million, ESG commercial loan

In January 2024, Côte d'Ivoire raised a 15-year, EUR 533 million, ESG commercial loan arranged by Standard Chartered that benefited from an AfDB partial credit guarantee. The loan provides funds for sustainable projects as part of the Republic's National Development Plan for 2021–2025. It aims to boost Côte d'Ivoire's economic and social progress in line with the country's sovereign sustainable framework. Read more [here](#).

MAS launches transition taxonomy and pilots 'transition credits'

The Monetary Authority of Singapore (MAS) has launched a 'transition' taxonomy for eight priority sectors and announced a 'transition credit' coalition for 'early phase out' of coal power plants. Sectors included within the Singapore-Asia Taxonomy are energy, transport, real estate, industry, forestry, carbon capture, IT, waste, water, and agriculture. MAS said the global nature of Singapore's economy led it to make the majority of its metrics non-locally specific so it could be used more widely across the region and within 'global portfolios'. The taxonomy uses a traffic-light system, with green activities aligned to a 1.5°C outcome, MAS said. Amber – which denotes 'transition' activities– refers to activities that do not meet the green thresholds but will move over a defined period of time or facilitate significant emissions reduction in the short term. 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:

- 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:**

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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 (United States only), and sovereigns.

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 December 2023 unless otherwise indicated.