

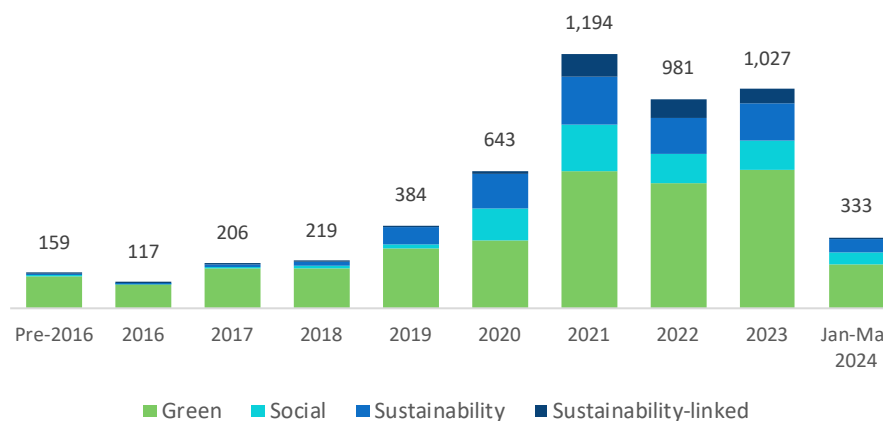
## Green, Social, Sustainability, and Sustainability-Linked (GSSS) Bonds Market Update – April 2024

Hello, and welcome to the first 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 to the 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 5.3 trillion. Performance in the first quarter of 2024 was strong, with cumulative issuance in Jan-Mar 2024 reaching USD 333 billion. 2024 is expected to be a year of broadening regional reach and instrument types accompanied by a modest growth, according to an analysis by S&P ([link](#)). Green bond issuances dominate the GSSS market, representing 63% of the overall issuances.

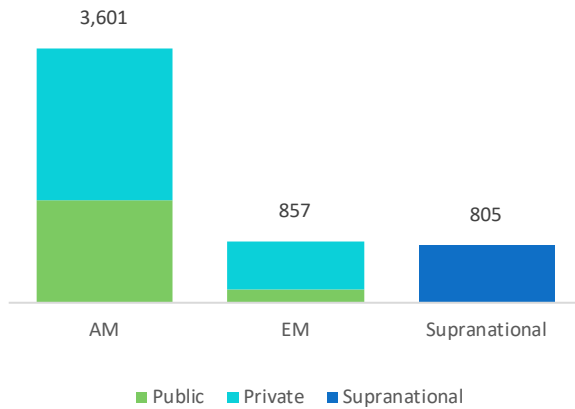
**Global GSSS bond annual issuance, USD bn**



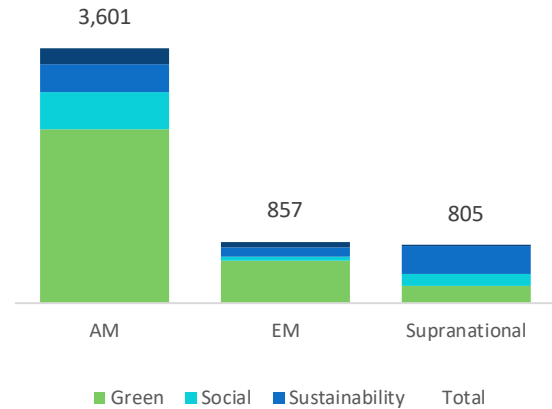
*Source: World Bank based on data from Bloomberg and Bloomberg NEF*

**EM vs AM trends:** Share of emerging market (EM) within GSSS bonds represented 16% of the total amount issued. Green bond issuances dominate both the emerging market and advanced markets (AM), representing 71% and 68% of overall issuances, respectively. Public sector participation in EM GSSS bond markets remains limited, representing 23% of overall issuances, compared to 40% 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**

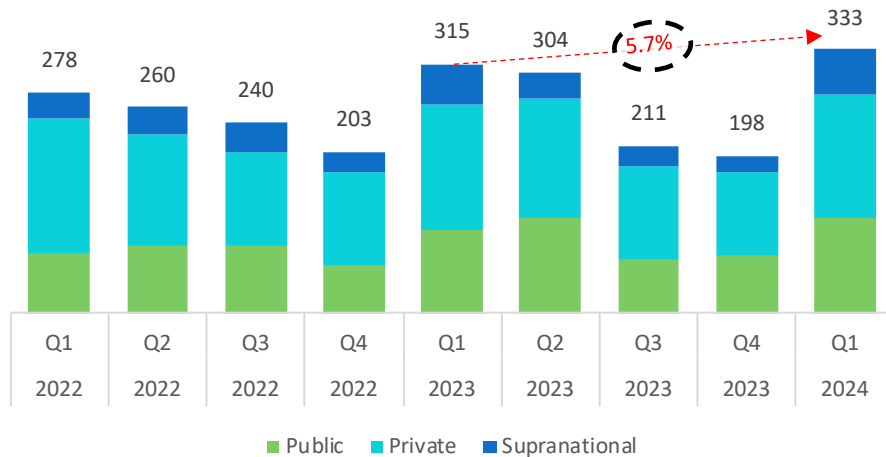


Source: World Bank based on data from Bloomberg and Bloomberg NEF

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**Quarter 1, 2024 performance:** Issuances remained strong in the first quarter for the third year in a row, driven by a strong growth in the public sector. Overall issuances increased by 5.7% compared to Q1 2023 and 68% compared to Q4 2023. Issuances amongst green, social and sustainability issuances increased by 8%, 31% and 8% respectively compared to Q1 2023. Sustainability-linked issuances decreased by 35% compared to Q1 2023. Q1 2024 EM issuances increased by 4.2% compared to Q1 2023 and decreased by 21% compared to Q4 2023. Increased development and adoption of sustainable taxonomies and efforts to accelerate the energy transition could spur growth of GSSS issuance in emerging markets in 2024.

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



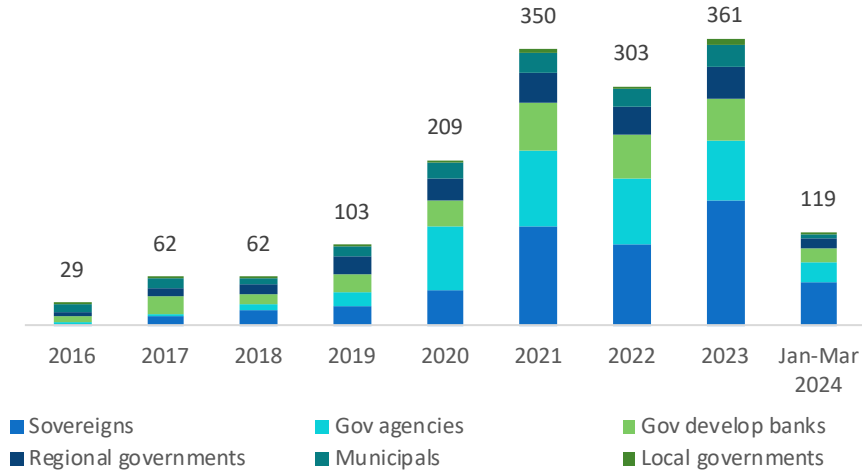
Source: World Bank based on data from Bloomberg and Bloomberg NEF

## Public Sector

The public sector includes issuances from sovereigns, government agencies, government development banks, regional governments, municipalities, and local governments. Public sector issuances represent 31% (USD 1.65 trillion) of the total amount of GSSS bonds issued to date. Green bonds are still the preferred instrument for public sector issuers, comprising 59% of the overall issuances. Sovereigns

continue to be the biggest segment (33%) among public sector issuers, followed closely by government agencies (24%) and government development banks (18%). In Q1 2024, the public sector issued USD 119 billion in GSSS bonds, where sovereigns and government agencies represented more 68% of the issuances.

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

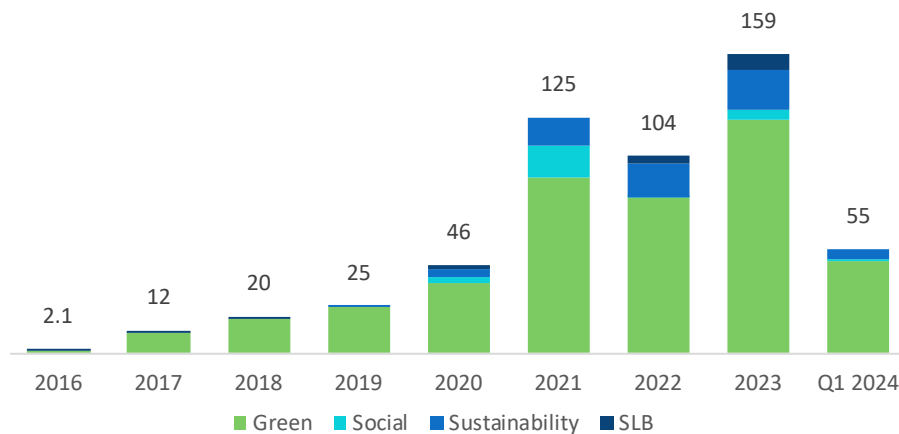


Source: World Bank based on data from Bloomberg and Bloomberg NEF

## Sovereigns

Large ticket issuances and inaugural issuances were in the spotlight for this quarter. 23 sovereigns represented cumulative GSSS bond issuances of USD 55 billion in Q1 2024, with inaugural issuances from [Côte d’Ivoire](#), [Iceland](#), [Japan](#), and [Romania](#). Large ticket issuances were seen from AM, particularly [EU](#), [France](#), [Austria](#) and the [UK](#). Overall issuances in the market is now represented by 54 sovereigns, who have issued a cumulative amount of USD 547.3 billion in the GSSS bond market. Debut issuances from [Kenya](#), [Australia](#), and [Oman](#) are also expected this year.

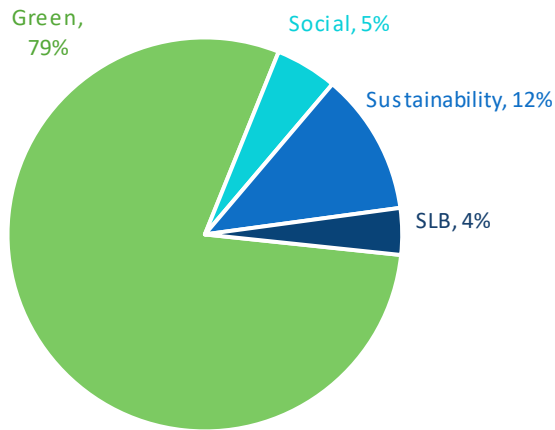
**Sovereign GSSS bond annual issuance, USD bn**



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 437 billion issued to date using this instrument.

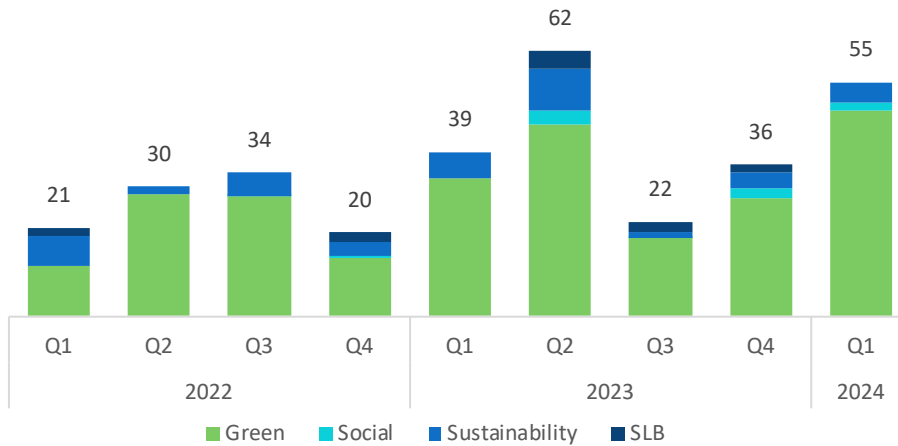
**Sovereign GSSS issuance by type of instrument, % total amount to date**



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

Sovereign issuances in Q1 2024 increased by 54% on a year on year basis compared to Q1 2023, and increased by 42% from the previous quarter (Q4 2023).

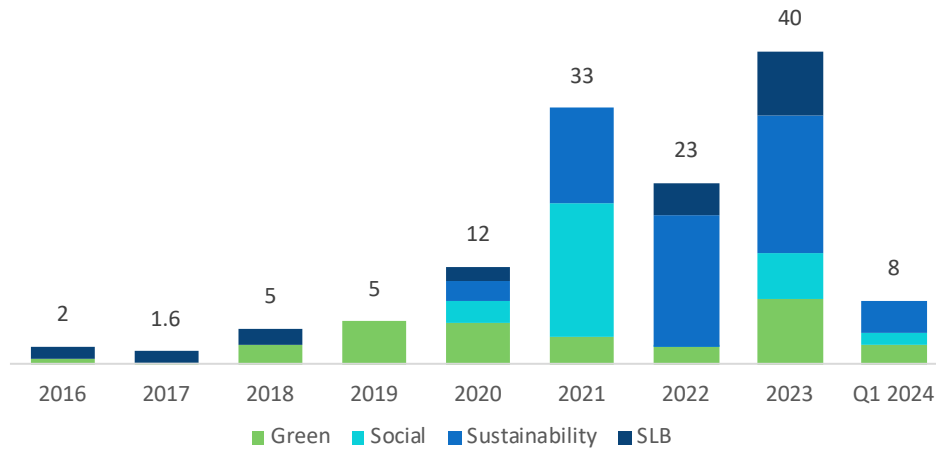
**Quarterly sovereign GSSS bond issuance, USD bn**



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

Since 2016, 25 emerging market (EM) sovereigns have issued GSSS bonds for a total of USD 133 billion, representing 2.5% of total GSSS bonds ever issued globally.

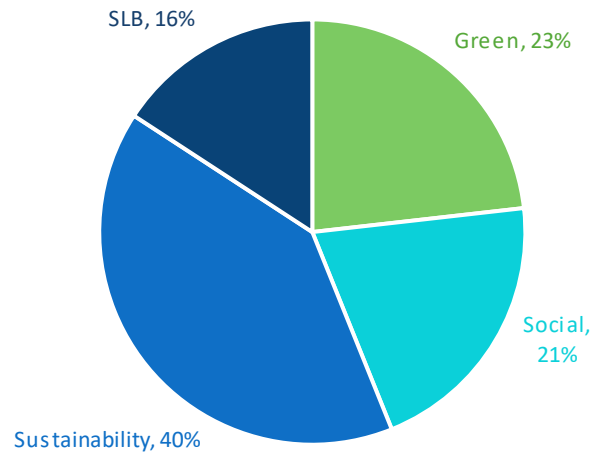
### EM sovereign GSSS bond annual issuance, USD bn



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 (40% of their total amount issued), rather than green projects only.

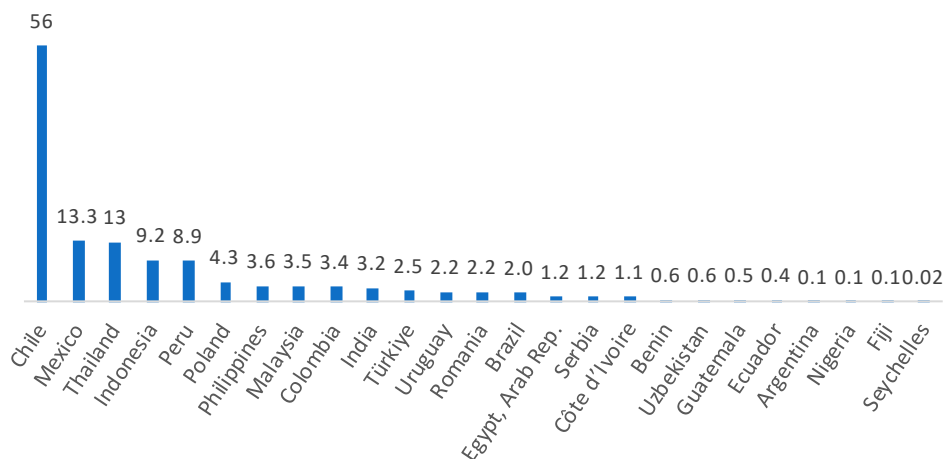
### EM sovereign GSSS issuance by type of bond, % total amount to date



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

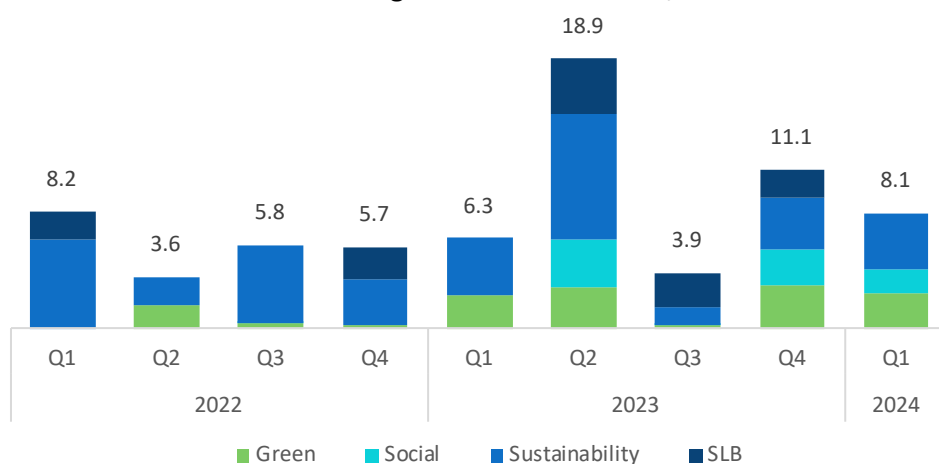
Among the EMs, Chile remains the largest issuer, with a total of USD 56 billion issued in GSSS bonds, followed by Mexico with USD 13.3 billion, and Thailand with USD 13 billion, as of March 2024.

### 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

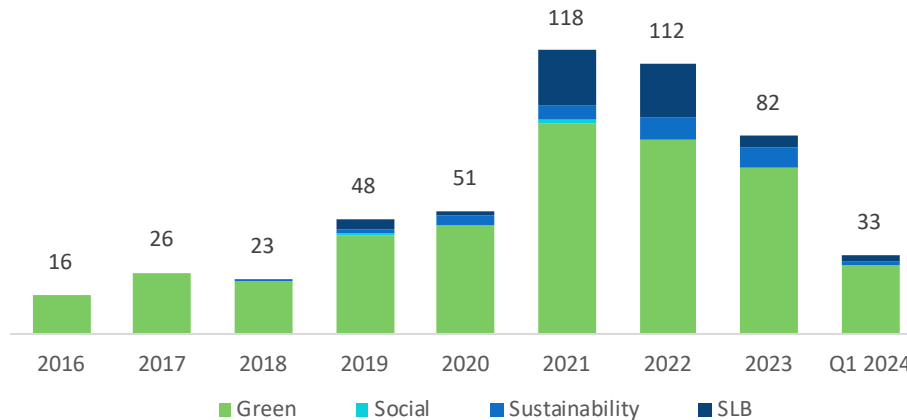


Source: World Bank based on data from Bloomberg and Bloomberg NEF

## Utilities

Utility company (which can be public or private depending on the jurisdiction) issuances totaled USD 533 billion up to March 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 83% of their total issued in GSSS bonds.

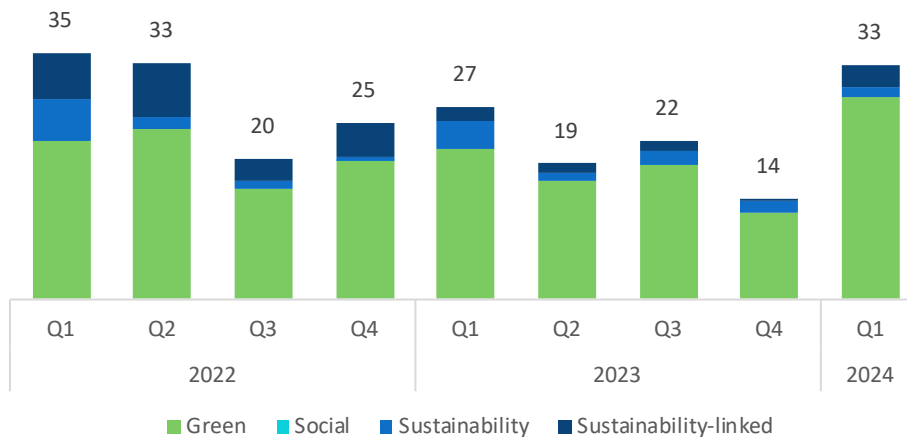
### Utilities GSSS bond annual issuance, USD bn



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

In Q1 2024, utilities issued USD 33 billion, more than double the issuance compared to Q4 2023, and a 22% increase compared to Q1 2023, marking a 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

### Romania makes its sovereign green bond debut with twelve year dated deal worth EUR 2 bn

On February 15, 2024, the Government of Romania issued the largest ever euro-denominated green bond —EUR 2 billion— by an emerging market sovereign to date. Among the most important green projects eligible for financing are the development of the metro transport network in the cities of Bucharest and Cluj-Napoca, the electrification of the railway to ensure fully electric railway services in the main urban areas in Romania, rehabilitating existing flood defense lines, increasing the energy efficiency of the building stock, and establishing new urban forest areas. The transaction was facilitated with technical assistance from the World Bank Treasury's [Sustainable Finance and ESG Advisory](#) program. The financing had a 12-year maturity with a reoffer yield of 5.734%, a coupon of 5.625%, and was oversubscribed more than four times. Read more [here](#).

## **Upcoming: World Bank to launch guide on Just Transition Taxonomy for coal**

The World Bank Treasury's Sustainable Finance and ESG Advisory program and the World Bank's Energy and Extractives Global Unit have jointly developed a Just Transition Taxonomy for coal. The taxonomy identifies eligible activities to guide investments that support Just Transition and is expected to make it easier for investors and other stakeholders to identify which activities are aligned with globally accepted principles. It can facilitate the issuance of Just Transition themed bonds and will support better-informed decision-making and response to investment opportunities that can contribute to achieving a Just Transition. More on this in our next market update.

## **Japan issues world's first sovereign climate transition bond**

On February 14, 2024, Japan raised JPY 800 billion (USD 5.3 billion) from its debut 'climate transition' bond (CTB), with the ground-breaking deal almost three-times oversubscribed. The Japanese Finance Ministry said the 10-year bond – with a 0.7% coupon – secured bids in excess of JPY 2.3 trillion. The transaction makes Japan the first sovereign issuer to use the 'transition bond' label. A further JPY 800 billion CTB will be auctioned by Japan on February 27, with a five-year maturity. The issuance followed Japan publishing its closely watched [CTB framework](#) in November 2023 which included carbon capture and storage (CCS), 'next-generation aircraft' and nuclear energy among eligible categories. Japan secured Climate Bonds Standard-certification for its CTB program from the widely respected sustainable finance not-for-profit Climate Bonds Initiative (CBI). The Japanese government announced plans to raise JPY 20 trillion (USD 133 billion) from its CTB program over the next decade. Read more [here](#).

## **Financial transactions supported by World Bank receive Environmental Finance Awards**

Three financial transactions facilitated by World Bank support received the '2024 Environmental Finance Sustainable Debt Awards' across various categories. The awards seek to recognize those that excel, innovate, and contribute to the successful development of the market. The inaugural USD 24.8 million sustainability linked bond (SLB) from The [Development Bank of Rwanda](#) (BRD) received two awards: one for the 'Sustainability-linked bond of the year - SSAs/sub-sovereigns' category and the 'Sustainability-linked bond of the year - financial institution' category. The first sovereign USD 350 million sustainability-linked loan deal approved by the World Bank for [Uruguay](#) received the award for the 'Sustainability-linked loan of the year - SSAs/sub-sovereigns' category. Lastly, [Brazil](#)'s USD 2 billion inaugural sovereign sustainable bond received the award for the 'Sustainability bond of the year – sovereign' category.

## **World Bank issues USD 100 m, 7yr plastic waste reduction-linked bond**

On January 24, 2024, the World Bank raised USD 100 million from a ground-breaking outcomes-based bond that links its coupon payments to verified plastic and carbon credits generated by projects in Ghana and Indonesia. This bond mobilizes private capital to support the financing of projects with positive climate and development impacts – with outcomes measured by the generation of plastic and carbon credits issued on the Verra Registry. Through the transaction, investors are providing approximately USD 14 million in up-front financing required by the projects to increase capacity at existing facilities, expand to new collection and recycling sites, and install food-grade recycling equipment. The bond is 100% principal protected with the USD 100 million proceeds used to support the World Bank's sustainable development activities globally. The plastic collection and recycling projects in Ghana and Indonesia are not World Bank projects. Read more [here](#).



### **Iceland raises EUR 750 m from inaugural green bond**

On March 14, 2024, Iceland made its sovereign green bond debut with a EUR 750 million (USD 817 million) green bond with a 10-year maturity, three years since it first launched its sustainable finance framework. The transaction experienced high demand from investors, with the final orderbook totaling EUR 7 billion. Iceland's Finance and Economic Affairs Ministry stated that round 280 investors were involved in the deal, which is the largest number of investors participating in an Icelandic sovereign bond to date. The bond bears a 3.5% fixed rate coupon, a reoffer yield of 3,636% and a 10-year maturity. Read more [here](#).

### **Ontario raises CAD 1.5 bn from green bond**

On February 29, 2024, the provincial Government of Ontario returned to market with its first green bond issued under a new framework that allows for nuclear expenditure. However, Ontario said that proceeds from this new green bond are earmarked for clean transportation projects only. The CAD 1.5 billion (USD 1.1 billion) transaction carries a coupon of 4.3% and a maturity of 2033. The issuer stated that the orderbook reached over CAD2.2 billion, while the spread was set at 63.5 basis points over Canada's June 2033 sovereign bond. The deal saw significant participation from green investors with 51% considered as dark green buyers and 11% as light green, according to Ontario. This is Ontario's 15th green bond issuance, from which it has raised CAD 18 billion in total. Read more [here](#).

### **Emirate of Sharjah raises USD 750 m from second sustainability bond**

On March 3, 2024, the Sharjah government closed its USD 750 million, 12-year USD-denominated senior unsecured sustainable bond issuance. The bond attracted significant investor interest, evidenced by an order book that exceeded USD 4 billion. The issuance was priced with a spread of 195 basis points over U.S. Treasuries, significantly tighter than the initial guidance of 235 basis points, reflecting the strong appetite for the government's credit from the international investors (outside the region) representing 67% of total demand. Read more [here](#).

### **Tanzanian water authority issues 'historic' green bond**

On February 22, 2024, Tanga Urban Water Supply and Sanitation Authority (Tanga UWASA) issued a TZS 53.1 billion (USD 21 million) 'water green bond,' which is believed to be the first municipal agency sustainable bond issuance in East Africa. The 10-year bond follows Tanga UWASA publishing its green bond framework in September which identified sustainable water and waste management, renewable energy, energy efficiency, and climate change adaptation projects as eligible use of proceeds. Second-party opinion provider ISS ESG judged the framework as aligned with the Green Bond Principles. The funds would be used to finance the expansion of water production, treatment, and distribution facilities to provide safe water to more than 26,000 people. The funds will also be used for conservation activities, including protecting the natural water sources of the river Zigi in the country. Read more [here](#).

### **Investors to challenge sovereign SLB issuers using ASCOR**

Investors plan to use a tool for assessing countries' climate progress to challenge issuers of sustainability-linked bonds (SLBs) on the strength of their targets, an investor has said. Claudia Gollmeier, co-chair of the Assessing Sovereign Climate-related Opportunities and Risks (ASCOR) initiative and managing director in Singapore & senior investment officer at Colchester Global Investors, said ASCOR would help investors "challenge" sovereign issuers of debt. Gollmeier was speaking on an ASCOR event a year after bond investors got a first look at a consultation version of the framework, an update of which came in November. The initiative is backed by investors managing more than \$5 trillion in assets. It published its first scores, on an initial batch of twenty-five countries

in December, with plans to extend assessments to seventy countries this year and one hundred countries next year. Read more [here](#).

### **ASEAN Taxonomy extended to transport, construction, and real estate**

On 27 March 2024, an update to the Association of Southeast Asian Nations (ASEAN) Taxonomy for Sustainable Finance was launched, where the ground-breaking 'green' list was extended to cover the transport and construction and real estate sectors. It is the third version of the ASEAN Taxonomy, which was first published in 2021, led by the ASEAN Capital Markets Forum (ACMF) and supported by the Sustainable Finance Institute of Asia (SFIA). The latest iteration includes technical screening criteria (TSC) for air, water, and land transport as well as the construction and real estate sectors. The second version introduced TSC for energy sectors including electricity and gas supply as well as transmission and distribution networks, as well as details for early coal power phase-out activities. The update also includes revisions to the do no significant harm (DNSH) assessment provision. It provides additional clarification on providing a lifecycle assessment for projects. 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:

- 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.

**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 March 2024 unless otherwise indicated.*