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

**Market Overview**

The cumulative amount of green, social, sustainability, and sustainability-linked bonds issued reached USD 4.1 trillion up to March 2023. Green bonds represent 64% and emerging market issuances 15% of the total amount.

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

Quarter 1 2023 performance: Quarterly issuances bounced back, increasing 49% compared to Q4 2022 and 6% compared to Q1 2022, led by supranational institutions and the public sector of advanced markets.

**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, including sovereigns, government agencies, government development banks, regional governments, municipalities, and local governments, continues to represent 30% (USD 1.2 trillion) of the total amount issued to date. At 60% of the amount issued, green bonds are still the preferred instrument for public sector issuers. Sovereigns continue to be the biggest segment (30%) among public sector issuers, followed closely by government agencies (25%) and government development banks (20%). In Q1 2023, the public sector issued USD 96 billion in green bonds, a 64% increase compared to Q4 2022 and a 33% increase compared to Q1 2022, mainly pushed by sovereigns and regional governments.

**Quarterly public sector GSSS bond issuance, USD Bn**

46 sovereigns have tapped the GSSS bond market up to March 2023. In Q1 2023, India, Israel, and the United Arab Emirates debuted in the market. Sovereign cumulative issuances reached USD 366 billion (9% of the total amount ever issued in green bonds).

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

Green bonds continue to be the most preferred instrument for sovereign issuers, with USD 298 million issued using this instrument.
In Q1 2023, sovereign issuances reached USD 39 billion, close to the USD 40 billion of Q3 2021—the quarter with the highest amount issued by sovereigns. Sovereign issuances in Q1 2023 represented more than double the amount issued in Q4 2022 and 87% more than the amount issued in Q1 2022.

Since 2016, 20 emerging market (EM) sovereigns have issued GSSS bonds for a total of USD 81 billion, representing 2% of total GSSS bonds ever issued globally.

Unlike advanced market sovereigns, which still demonstrate a strong preference for green bonds (representing 97% of their total amount issued), EM sovereigns are issuing more bonds that finance a combination of green and social projects, i.e. sustainability bonds (46% of their total amount issued), rather than green projects only.
Among the EMs, Chile remains the largest issuer, with a total of USD 34 billion issued in GSSS bonds, followed by Thailand with USD 9.6 billion, and Mexico with USD 7.3 billion, as of March 2023.

**EM sovereign GSSS bond issuers, USD Bn total to date**

**QoQ EM sovereign GSSS bond issuance, USD Bn**
Utilities

Utility company (which can be public or private depending on the jurisdiction) issuances totaled USD 438 billion up to March 2023, corresponding to 11% 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

In Q1 2023, utilities issued USD 26 billion, a 4% slight increase compared to Q4 2022 but 25% less compared to Q1 2022.

QoQ utilities GSSS bond issuance, USD Bn

Source: World Bank based on data from Bloomberg and Bloomberg NEF
The World Bank launches **new GSS bonds e-learning**

In response to the growing interest in green, social, and sustainability (GSS) bonds, the World Bank has developed an e-Learning course that explains the rationale for utilizing GSS bonds, the process for issuing them, and how the World Bank can help countries achieve a green, more resilient, and inclusive growth.

**India green bond**

On January 25, 2023, 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. On February 9, the two bonds were tapped to raise an additional INR 80 billion (USD 1 billion equivalent).

**Mexico publishes sustainable taxonomy**

In March 2023, the government of Mexico presented its sustainable finance taxonomy during the country’s 2023 banking convention. The taxonomy establishes goals and criteria that allow the identification of activities, assets, or projects that can be considered sustainable because of their positive environmental and social impacts. The taxonomy combines environmental and social dimensions and seeks to mobilize investments to address climate change, and promote gender equality and access to basic services. The document was developed with advice from multiple organizations, including the World Bank Group.

**Provisional agreement on the European Union green bond standards**

In February 2023, the Council and the European Parliament reached a provisional agreement on the creation of new standards for European green bonds (EuGB). The regulation is a result of stipulations in the European Green Deal Investment Plan of 2020 and aims to support the green bond market growth and promote its transparency and integrity. Amongst its provisions, the agreement establishes that proceeds of EuGB need to be allocated to activities aligned with the European Union taxonomy, provided that concerned sectors are already covered by it. The agreement needs to be confirmed and adopted by both the Council and the European Parliament before it is considered final and it will be applied 12 months after entering into force.

**United Arab Emirates’ first sovereign sustainability bond**

In February 2023, the Government of Sharjah issued the first sovereign sustainability bond of the United Arab Emirates. The USD 1 billion bond has almost 10 years of maturity and pays a 6.5% coupon. The Emirate of Sharja Sovereign Sustainable Financing Framework was published in February 2023. Proceeds can be used to finance eligible expenditures related to renewable energy, clean transportation, pollution prevention and control, climate change adaptation, affordable housing, access to essential services, affordable basic infrastructure, among others. S&P Global Ratings issued the second-party opinion of the framework, evaluating it as aligned with international bond and loan principles and guidelines.
ASEAN updates its taxonomy for sustainable finance

In March 2023, the Association of Southeast Asian Nations (ASEAN) released version 2 of its Taxonomy for Sustainable Finance. Building on its first version, the new taxonomy centers around the classification of activities, allowing users to assess them qualitatively using guiding questions, decision trees, and use cases. The new version includes guidance on phasing out coal-fired power plants to help countries transition to a low-carbon economy.

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

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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.


Public sector: Issuances of government agencies, development banks, local and regional governments, municipals (United States only), and sovereigns.

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