

Labeled Bonds

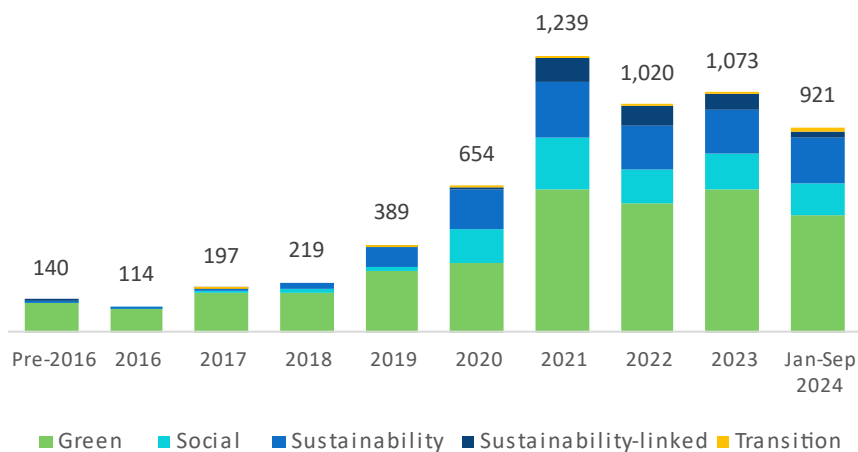
Market Update – November 2024

Hello, and welcome to the third quarter update on the trends in the labeled bond market for the year 2024, prepared by the World Bank Treasury. The labeled bond market comprises of green, social, sustainability, sustainability-linked and transition bonds, which we previously abbreviated to GSSS bonds in this newsletter. 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, sustainability-linked, and transition (labeled) bonds issued in the market reached USD 6 trillion as of September 2024. Strong performance in the third quarter of 2024 resulted in the cumulative annual issuance reaching USD 921 billion as of September 2024. Green bond issuances continue to dominate the labeled market in 2024, representing 57% of the annual issuance as of September 2024. The labeled market is expected to comfortably achieve USD 1 trillion in annual issuance by the end of this year.

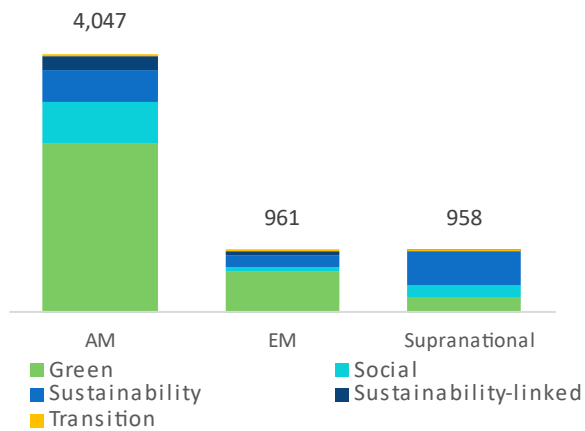
Global labeled bond annual issuance, USD bn



Source: World Bank based on data from Bloomberg Terminal

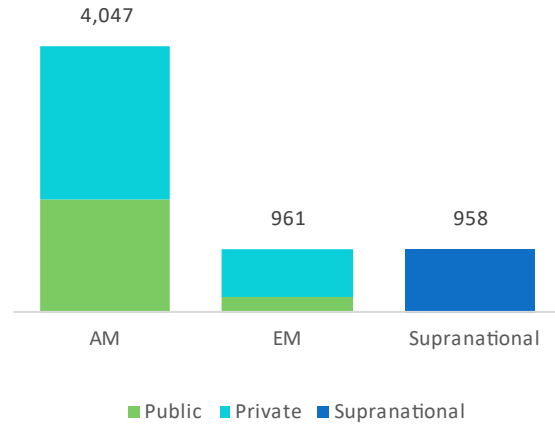
EM vs AM trends: Share of emerging market (EM) within labeled bonds represented 16% of the total amount issued. Green bond issuances dominate both the emerging market and advanced markets (AM), representing 69% and 66% of overall cumulative issuances, respectively. Public sector participation in EM labeled bond markets remains low, representing 23% of overall issuances, compared to 42% in AM labeled bond market.

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



Source: World Bank based on data from Bloomberg Terminal

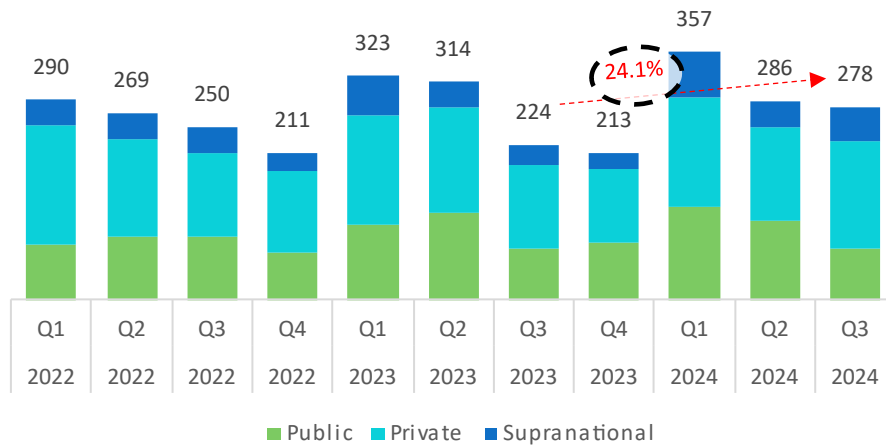
Total accumulated issuance by market and by issuer type, USD bn



Source: World Bank based on data from Bloomberg Terminal

Quarter 3, 2024 performance: Overall issuances in the quarter reached USD 278 bn, an increase of 24.1% compared to Q3 2023 and decrease of 3.1% compared to Q2 2024. Green, social, and sustainability bond issuances increased by 20.1%, 43.5%, and 50.3% respectively compared to Q3 2023. Issuances in emerging markets (EM) for the quarter also registered strong growth, increasing by 78.3% and 44.8% compared to Q3 2023 and Q2 2024 respectively. However, sustainability-linked bond issuances continued to slump, with only USD 7.3 billion issuances in the quarter, a reduction of 56.8% and 35.1% compared to Q3 2023 and Q2 2024 respectively. Investors and issuers continue to be apprehensive about the credibility of the instrument and evaluation challenges of the key performance indicators. In fact, no sustainability-linked bond issuances were observed in United States and Australia in 2024, which were previously active markets for the instruments. Transition bonds, which registered a strong volume in issuances in Q1 2024 (USD 12.3 bn), have failed to attract further interest in the two successive quarters. Issuances in Q3 2024 were USD 0.71 bn, decreasing by 32.5% and 77.7% compared to Q3 2023 (USD 0.79 bn) and Q2 2024 (USD 3.2 bn) respectively.

Quarterly labeled bond issuance by type of issuer, USD bn

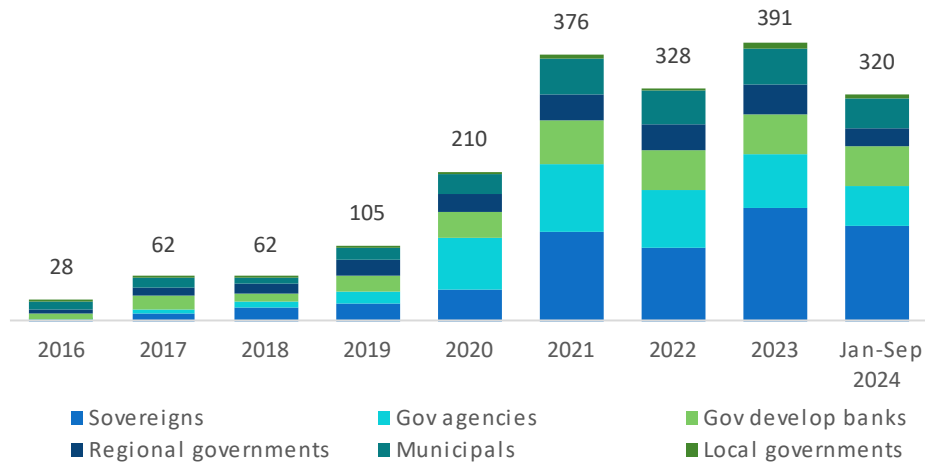


Source: World Bank based on data from Bloomberg Terminal

Public Sector

The public sector includes issuances from sovereigns, government agencies, government development banks, regional governments, municipalities, and local governments. Public sector issuances represent 32% (USD 1.94 trillion) of the total amount of labeled bonds issued. Green bonds are the preferred instrument for public sector issuers, comprising 55% of the overall issuances, and 79% of the issuances in 2024. Sovereigns continue to be the biggest segment (32% overall, 41% in 2024) among public sector issuers, followed closely by government agencies (21% overall, 18% in 2024) and government development banks (17% overall, 18% in 2024). In Q3 2024, the public sector issued USD 73 billion in labeled bonds, with strong activity from government development banks, representing 28% of the overall issuances.

Cumulative public sector labeled bond issuance, USD bn

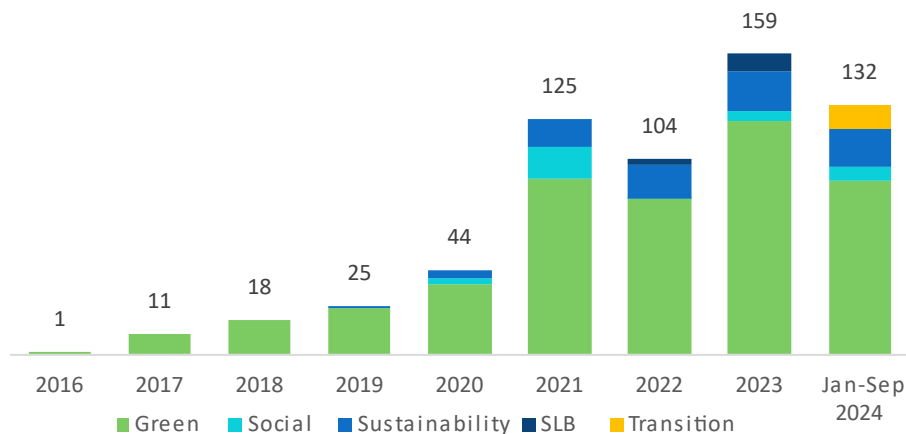


Source: World Bank based on data from Bloomberg Terminal

Sovereigns

Sovereign issuances remained muted during the quarter. Twelve sovereigns represented cumulative labeled bond issuances of USD 16 billion in Q3 2024. Overall issuances in the market is represented by 57 sovereigns, who have issued a cumulative amount of USD 618 billion in the labeled bond market.

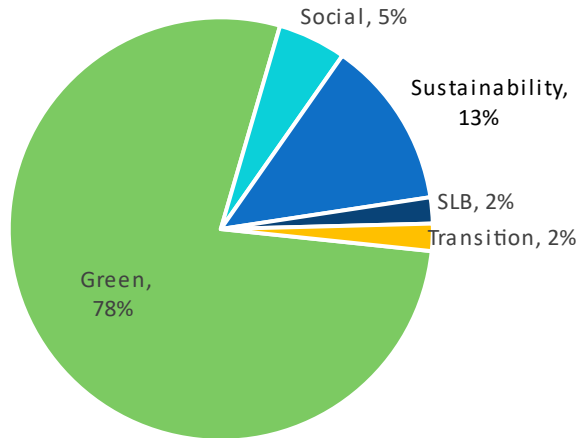
Sovereign labeled bond annual issuance, USD bn



Source: World Bank based on data from Bloomberg Terminal

Green bonds continue to be the most preferred instrument for sovereign issuers, with USD 481 billion issued as of September 2024 using this instrument. No sustainability-linked bonds were issued by sovereigns during the year, reflecting an overall decline in the issuance of these instruments in the market.

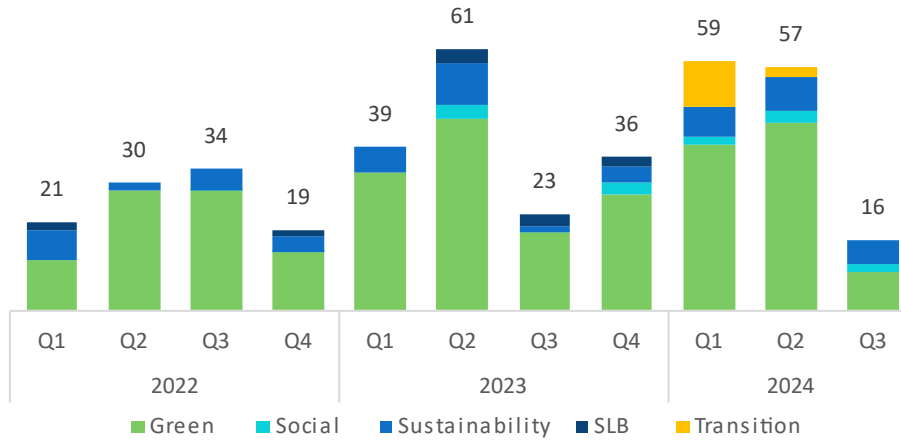
Sovereign labeled issuance by type of instrument, % total amount to date



Source: World Bank based on data from Bloomberg Terminal

Sovereign issuances in Q3 2024 dropped significantly, decreasing by 27.7% on a year on year basis compared to Q3 2023, and by 71% from the previous quarter (Q2 2024).

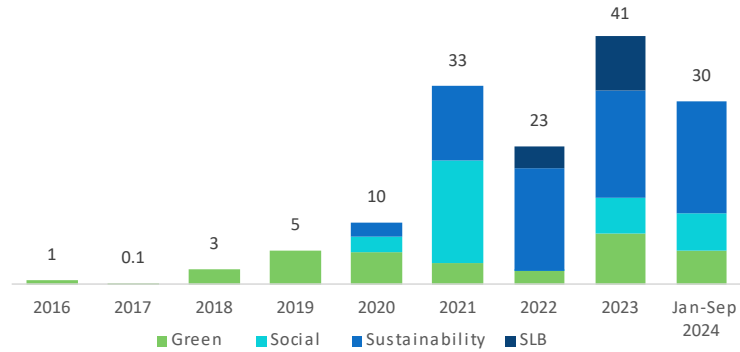
Quarterly sovereign labeled bond issuance, USD bn



Source: World Bank based on data from Bloomberg Terminal

Since 2016, 26 emerging market (EM) sovereigns have issued labeled bonds for a total of USD 145.5 billion, representing 2.4% of total labeled bonds ever issued globally. No inaugural issuances were undertaken by EM sovereigns during the quarter.

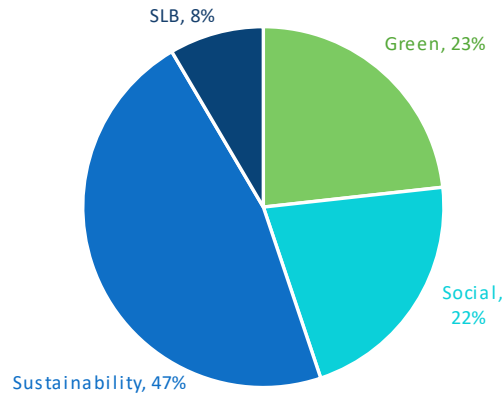
EM sovereign labeled bond annual issuance, USD bn



Source: World Bank based on data from Bloomberg Terminal

Unlike advanced market (AM) sovereigns, EM sovereigns are issuing more bonds that finance a combination of green and social projects, i.e., sustainability bonds (47% of the total amount issued), rather than green projects only. This proportion is expected to grow, with sustainability bonds representing a greater share (61%) of the overall issuances in 2024.

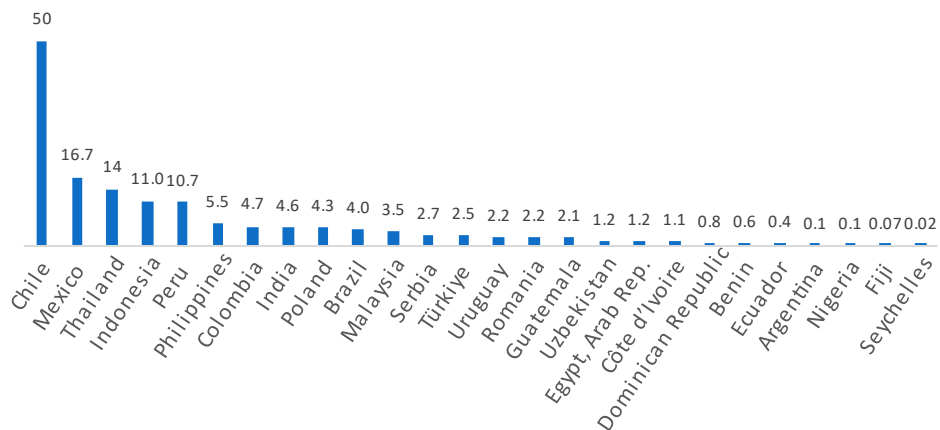
EM sovereign labeled issuance by type of bond, % total amount to date



Source: World Bank based on data from Bloomberg Terminal

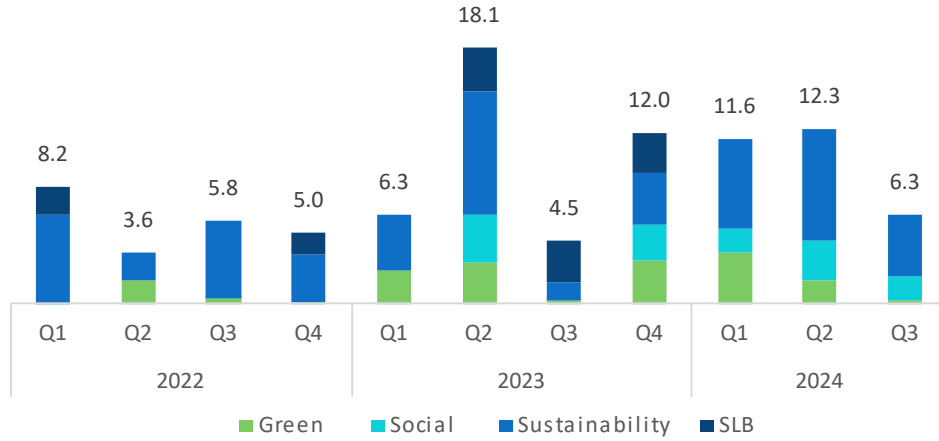
Among the EM sovereigns, Chile remains the largest issuer, with a total of USD 49.7 billion, followed by Mexico with USD 16.7 billion, and Thailand with USD 13.8 billion, as of September 2024.

EM sovereign labeled bond issuers, USD bn total to date



Source: World Bank based on data from Bloomberg Terminal

QoQ EM sovereign labeled bond issuance, USD bn

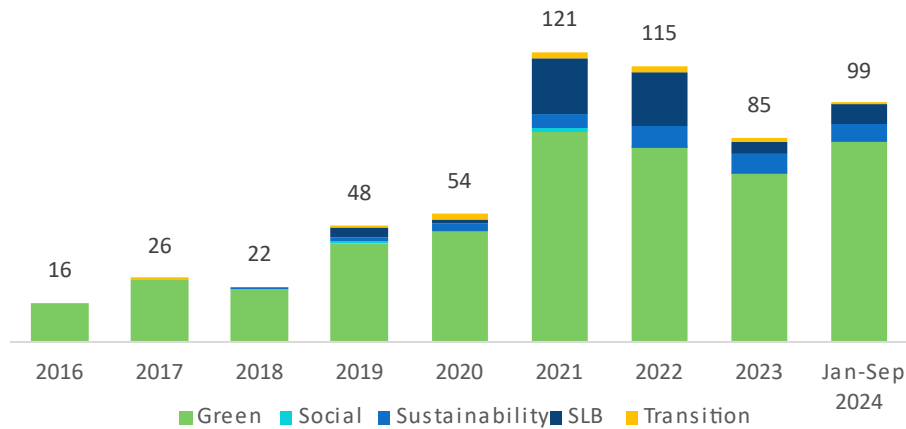


Source: World Bank based on data from Bloomberg Terminal

Utilities

Utility company (which can be public or private depending on the jurisdiction) issuances totaled USD 604.1 billion up to September 2024, corresponding to 10% of the total labeled bond market. 78% of the labeled 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 labeled bonds.

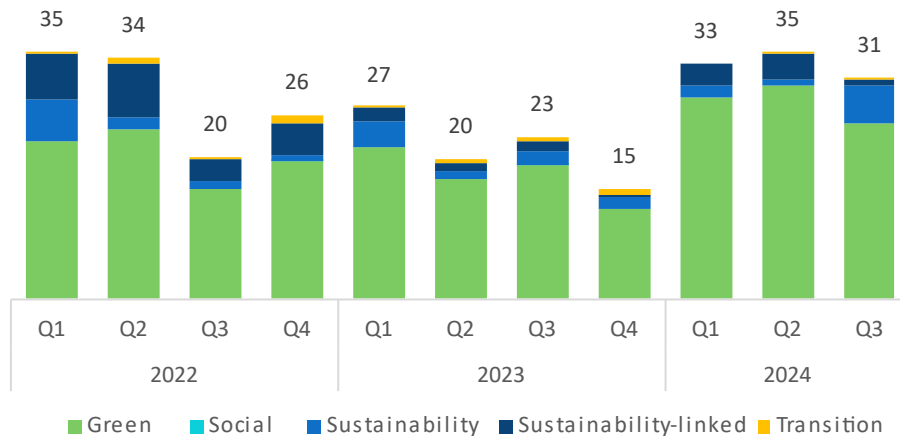
Utilities labeled bond annual issuance, USD bn



Source: World Bank based on data from Bloomberg Terminal

In Q3 2024, utilities issued USD 31 billion, declining by 10.2% compared to Q2 2024 and 36.9% compared to Q3 2023, enabling issuances to surpass volumes seen in 2023.

QoQ utilities labeled bond issuance, USD bn



Source: World Bank based on data from Bloomberg Terminal

Featured Public Sector Issuances and Sustainable News

BIDV issues inaugural sustainability bond

In August 2024, BIDV, the largest bank in Vietnam, issued its first VND3 trillion (USD 120 million equivalent) sustainability bond in Vietnam. The issuance also makes BIDV the first Vietnamese issuer of the sustainability bond in the domestic market. The World Bank’s Treasury’s [Sustainable Finance and ESG Advisory](#) program provided technical assistance to BIDV. The issuance followed a successful green bond issued in October 2023. The sustainability bond expands the scope of BIDV’s ‘thematic bond’ products to enable the funding of social projects. The issuance was followed by BIDV publishing its [allocation and impact report](#) for its inaugural green bond issuance in October 2024, which was externally reviewed by FiinRatings. Read more [here](#).

Romania issues ‘samurai’ green bond

In October 2024, Romania announced its first yen-denominated green bond issued in the Japanese market, also known as Samurai green bond. The JPY33bn (EUR200m equivalent) issuance further diversified Romania’s investor base, while addressing the interest of Japanese investors in sustainable investments in Romania. The issue was made in three tranches, of which JPY22 billion with a maturity of 3 years, with a yield of 2.10% per annum, JPY3.6 billion with a maturity of 5 years, with a yield of 2.63 % respectively JPY7.4 billion with a maturity of 7 years and a yield of 3.14%. The World Bank Treasury’s [Sustainable Finance and ESG Advisory](#) program provided technical assistance for the establishment of Romania’s green bond program. Read more [here](#).

Slovenia issues landmark ‘samurai’ social bond

In August 2024, Slovenia raised JPY50 billion (USD345 million) from a dual-tranche Japanese yen-denominated social bond. The Slovenian Finance Ministry said the deal priced at the “tight end” of the price guidance for the two remaining tranches after “strong demand from both Japanese domestic and offshore accounts”. More than half of the three-year tranche and a third of the five-year tranche were distributed to Japanese investors. The final coupons for the deal were 0.75% and 0.89% for the three- and five-year tranches, respectively. The ministry said the “highly successful” deal provides the country with a “strong footprint in the Japanese market” for future ‘Samurai’ issuances. Read more [here](#).

Honduras prepares to issue social bond

The government of Honduras is preparing to issue a new social bond before year-end as the country moves towards an agreement with the International Monetary Fund (IMF). Honduras is targeting a USD 500-USD 800m size with a 10-year or 20-year maturity. The World Bank Treasury's [Sustainable Finance and ESG Advisory](#) program shared best practices and market expectations with the issuer prior to the publication of the bond framework. Read more [here](#).

Costa Rica prepares to issue its debut sustainable bond

Costa Rica is planning to issue its debut sovereign sustainable bond in the first half of 2025. Costa Rica Deputy Minister of Expenditures Luis Antonio Molina Chacón told Environmental Finance that the country is “almost done” with its sustainable bond framework. He said the country has already secured a second-party opinion for the framework and will make it public “probably at the beginning of next year or at the end of this year”. Molina said the country intends to issue its debut sovereign sustainable bond in the first six months of 2025, publishing the framework two or three months in advance of the issuance. Costa Rica confirmed that it is not currently working on a sovereign SLB structure.

Bank of China raises CNY2.5bn from ground-breaking 'SGS' sustainable bond

Bank of China (BoC) has raised CNY2.5 billion (USD351 million) from the first 'sustainability-linked, green, and social loan' (SGS) bond issued under its innovative framework, which follows the publication of recent market guidance by ICMA. The two-year SGS bond – with a 2.68% coupon – will be used to finance use-of-proceeds green and social loans as well as target-based sustainability-linked loans (SLLs) extended by the bank. The bond is the first issued under the SGS Bond Framework published by the Frankfurt branch of the BoC this month. Alongside identifying use-of-proceeds categories for eligible green and social loan deals financed by the bond funds, the SGS Bond framework also includes details on the metric criteria required for an SLL to be eligible for inclusion in the bond-financed portfolio. The new framework follows two influential debt market trade associations publishing ground-breaking guidance for issuing use-of-proceeds focused 'Sustainability-Linked Loan Bonds' (SLLBs) to support lending through these performance-based loan instruments.

World Bank issues landmark Amazon reforestation-linked bond

In August 2024, The World Bank has raised USD225 million from its biggest ever outcomes-based bond that links its coupon payments to verified carbon removal credits generated by reforestation projects in the Amazon rainforest in Brazil. The nine-year bond is its first to link investor returns to the sale of carbon reduction units (CRUs). Previous World Bank outcome-based bonds have focused on credits generated by carbon emissions avoided. Microsoft, which has pledged to be carbon negative emissions by 2030, has entered into a separate agreement to buy the CRUs. The proceeds from the Amazon reforestation-linked bond will be used to finance sustainable projects supported by the World Bank under its Sustainable Development Bond programme. The deal will provide around USD36 million for the projects undertaken by Mombak, a Brazilian based company, through a hedge transaction provided by HSBC which should support the reforestation of thousands of hectares of Brazilian Amazon rainforest. Read more [here](#).

Costa Rica unveils green taxonomy

In August 2024, Costa Rica unveiled its first green taxonomy, hoping to guide investors towards sustainable projects. Published last week, the taxonomy was jointly developed by the country's financial regulators and environment ministry, with the support of the Banco Central de Costa Rica and finance ministry. The World Bank Treasury's Sustainable Finance Program provided guidance and recommendations to the Central Bank of Costa Rica for the development of the Taxonomy. The UN Environment Programme's Finance Initiative (UNEP FI) coordinated the process. The Taxonomy focuses on climate change mitigation and adaptation activities across eight economic sectors: Electricity, gas, steam,

and air conditioning supply; Construction; Transport; Manufacturing; Solid waste and emissions capture; Water supply and treatment; Information and communication technology (ICT); and Land use (agriculture, livestock, and forestry). Read more [here](#).

Development Bank of Rwanda readies second sustainability-linked bond

In September 2024, The Development Bank of Rwanda (BRD) raised up to RWF30 billion (USD22 million) from its second sustainability-linked bond (SLB), less than a year after its landmark debut. BRD launched the seven-year SLB with a coupon rate of 12.9% and an initial size of RWF30 billion, with the option to increase to RWF35 billion. A standout feature of this issuance is the use of a fully digital platform for bond purchases, a first in Rwanda. The platform represents a major step toward making the bond market more accessible, especially for retail investors. The deal follows BRD raising RWF30 billion from its debut SLB in October 2023 which was tied to three targets related to loans to women-led small- and medium-sized enterprises (SMEs), affordable housing loans extended, and implementation of “robust” environmental and social management systems at partner commercial banks. Read more [here](#).

South Africa considering SLB as sovereign sustainable bond debut looms

South Africa is considering issuing a sustainability-linked bond (SLB) as the sovereign continues to progress with its plans to make a sustainable bond debut soon. A National Treasury spokesperson told media sources that the country was still drafting its sovereign sustainable finance framework, which will “support the issuance of both use-of-proceeds and sustainability-linked formats”. “We have received investor interest in a local currency issuance, and the exact format and currency will be communicated to the market closer to the time of issuance,” they added. If South Africa were to issue a SLB it would become the first African sovereign to issue the performance-based instrument and only the third government globally to do so after Chile and Uruguay.

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 sustainability 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.

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 September 2024 unless otherwise indicated.