



SPECIAL EDITION

Monthly Sustainability Newsletter (MSN):



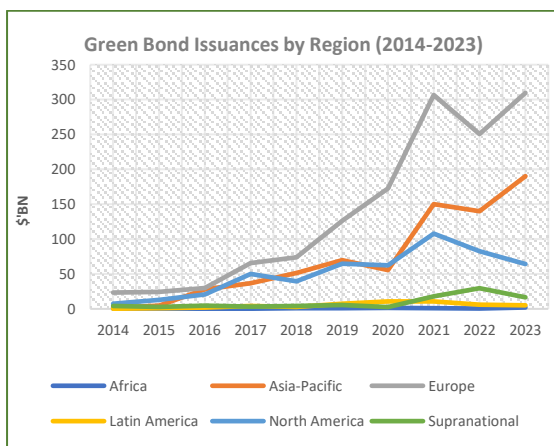
“The Rise and Rise of GSSS Bonds”

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Emerging Markets take the lead...

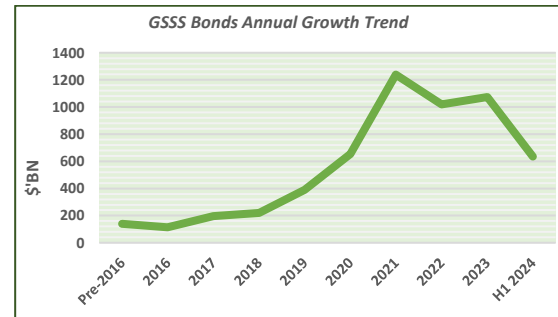
Sovereign issuances of green bonds in emerging markets more than tripled in 2023. Sovereign bonds made up **17%** of total green bond issuance, up from **7%** in 2022. Green bonds were the largest segment of GSSS bonds, accounting for two-thirds of issuances. In emerging markets outside China, green bond issuance grew by **81%**, with the Middle East and North Africa seeing the most notable growth, particularly in the UAE and Saudi Arabia, where issuance more than doubled.



Source: Data from The World Bank Treasury Newsletter

In 2023, emerging market issuance of Green, Social, Sustainability, and Sustainability-linked (GSSS) bonds surged by **45%**, reaching a record **\$209 billion**. This growth was driven by a **65%** increase in transactions outside China, amounting to \$111 billion, while China itself saw a **28%** increase, with **\$98 billion** in GSSS bonds issued. This was driven largely by sovereign borrowers and financial institutions, with proceeds primarily allocated to renewable energy (37%), green buildings (29%), and water projects (12%), demonstrating a growing commitment to sustainable finance within emerging markets. The Middle East and North Africa region saw an impressive doubling of green bond issuance in 2023, led by countries like United Arab Emirates (UAE) and Saudi Arabia. Meanwhile,

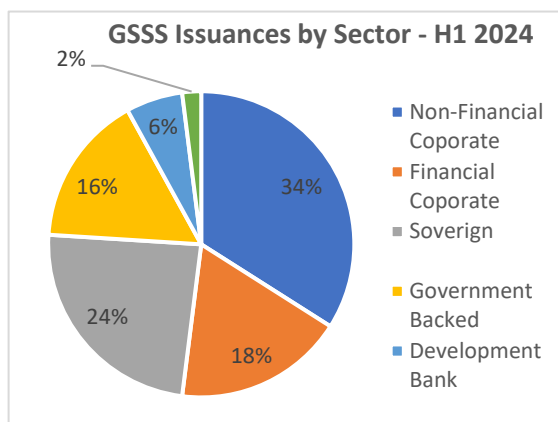
countries in South America such as Chile and Brazil continued to push forward with sustainability initiatives, with Chile introducing gender-based performance indicators in its sustainability-linked bonds.



Holistically, the GSSS bond market demonstrated continued growth throughout the first half of 2024. By June 2024, cumulative global GSSS bond issuances reached an impressive \$5.7 trillion, with \$636 billion issued between January and June alone. This follows a well-rounded Q1 2024, where \$333 billion in GSSS bonds were issued. However, the second quarter saw a slight dip in overall issuance, with Q2 2024 issuances totalling \$303 billion, reflecting a **9%** decrease compared to Q1 2024. Despite this slowdown, the market for GSSS Bonds is expected to grow modestly in 2024, reaching just about \$1trillion.

In the first half of 2024, the market distribution between **emerging markets (EM)** and **advanced markets (AM)** remained relatively stable over both quarters. The performance of AM far outpaced that of EM during the first half (H1) of 2024. Advanced markets accounted for **84%** of all GSSS issuances, with strong participation from the public sector. **Green bonds** remained the preferred choice, representing **70%** of issuances across both AM and EM. However, EMs exhibited growing diversity in issuance types, with **sustainability bonds** representing a significant portion (40%) of their issuances. In **Q1 2024**, emerging markets contributed **16%** of total GSSS bond

issuance. While Q2 2024 saw a **10% decline** in EM issuances compared to Q1 2024, cumulative EM issuance remains



Data from The World Bank Treasury



strong, with notable contributions from **Chile, Thailand, and Mexico**. These countries continue to lead in GSSS issuance within the EM space. The consistent low participation of EMs highlights the ongoing challenges these markets face, including policy and regulatory hurdles, as well as limited public sector involvement. The public sector in EMs remained a minor player, representing just **23%** of issuances in Q1 2024 and Q2 2024. In comparison, AM public sector participation was considerably higher, reaching **43%** by Q2 2024.

The public sector showed steady growth across both quarters. By the end of Q2 2024, total public sector issuances amounted to **\$1.86 trillion**, a **33% share** of the total market. In Q1 2024, the public sector issued **\$119 billion** in

GSSS bonds, with **sovereigns and government agencies** comprising the bulk of issuances. Public sector issuances fell slightly to **\$113 billion**, though the market continued to see large inaugural issuances from countries like **Australia, Dominican Republic, and Qatar**. Sovereign issuances carried the public sector's momentum in both quarters, with notable **large ticket issuances** from countries like **France, Austria, Japan, and Romania** in Q1 2024 and **Italy, Qatar, and the UK** in Q2 2024. These large issuances reflect the increasing interest of sovereigns to finance green and sustainability projects, despite the global market slowdown.

In both quarters, sovereigns continued to favor **green bonds** as their instrument of choice. By the end of Q2 2024, **green bonds represented 79%** of all sovereign GSSS bonds issued, up from **\$437 billion in Q1 2024**. Sovereigns in EMs increasingly issued **sustainability bonds** that combine both green and social goals, a trend driven by countries like **Chile and Mexico**. Q1 2024 saw strong growth compared to both Q4 2023 and Q1 2023, with issuances increasing by **5.7% year-on-year**. In contrast, Q2 2024 saw a **20% decline** compared to Q1 2024. Market factors like **uncertainty in the global economic environment** and **lack of a standardised transition bond label** contributed to this decline. Market analysts expect a strong rebound in GSSS bond issuance for the second half (H2) of 2024, driven by the continued growth in EMs and a potential revival of **sustainability-linked bonds**. With several countries, including **Kenya**, expected to debut in the GSSS bond market, H2 2024 promises to bring new dynamic.

Global Spotlight on Green Bonds..

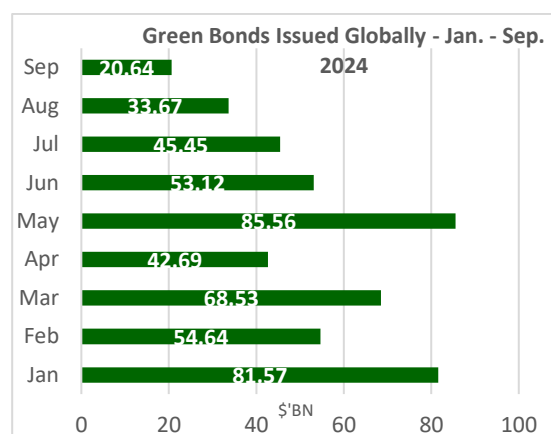
Around the world, countries are increasingly adopting green bonds to finance a wide array of projects, from renewable energy installations to sustainable agriculture and green buildings.

On a global scale, the green bond market is thriving, with significant issuances from countries like China, the United States, and various European nations. The market's growth reflects a broadening recognition of the importance of sustainable finance in achieving the goals set forth in the Paris Climate Agreement and the UN Sustainable Development Goals (SDGs).

Globally, the green bond market has seen exponential growth. Countries around the world are leveraging green bonds to fund a diverse array of projects aimed at combating climate change and fostering sustainable development.

Africa ramps up Social Bonds Issuance..

In Africa, countries like Kenya, South Africa, Tanzania and Morocco have explored the use of green bonds to fund their environmental initiatives and social initiatives. These efforts highlight the continent's growing commitment to sustainable development and the potential for regional collaboration in GSSS finance. The first social bond in Africa was issued by a commercial bank in Morocco – Banque Centrale Populaire (BCP).



Source: Climate Bonds Initiative

Total issuance stood from the BCP stood at \$20.4mm with the use of proceeds focused on creating access to finance for low-income women facing difficulties in accessing finance for developing income-generating activities. Tanzania also issued the \$160mm'/ NMB Jasiro Bond – a social bond targeting to advance gender equality and economic empowerment for women with a 197% oversubscription rate.

Outlook: A Greener and Brighter Future

With increasing focus on the greening of the global financial system, market experts expect a resurgence in the volume of GSSS bonds across continents with Africa set to play a key role in this trend. Essentially, the GSSS bond market in emerging economies is projected to grow at an annual rate of 7.1% between 2023 and 2025, reaching a volume of \$240 billion by 2025, with the green bond segment expected to grow even faster at 7.5% per year, reaching \$156 billion by 2025

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