Financing Conservation - Role of Bonds
The World Bank Treasury: Promoting Sustainable Finance

Processes used by the World Bank are recognized as international best practice.

Works with market actors to set standards for issuers and investors to promote the integrity of the market.

Leverage its knowledge and experience to provide technical assistance and advisory services to emerging market issuers.

The World Bank issued the first green bond in 2008.

Raised about US$ 18 billion through 200 green bond transactions in 25 currencies.
Sustainable Finance and ESG Advisory Program

Scaling up private capital mobilization to meet our clients' sustainable development needs

- Helping regulators create enabling environments to scale up financing
- Helping borrowers identify and access sustainable financing options
- Helping investors integrate ESG criteria in investment decision-making process
- Delivering training, knowledge products and guidance to the overall market
Background & context
Investors and lenders are changing the way they invest money

- Banks, financial institutions, asset managers and owners are analyzing how climate, environment and governance related risks and opportunities impact the financial value of their investments.

- As a result, they are acknowledging the relevance of environmental, social, and governance factors for their investment decisions.

- In some cases, investors are increasingly interested in making a positive environmental and social impact while earning a financial return.
Assets available for environmental actions

$121 trillion
of assets under management signatories of the United Nations Principles for Responsible Investment

$53 trillion
ESG assets may hit $53 trillion by 2025, a third of global AUM

$130 trillion
private capital committed to transforming the economy for net zero

Glasgow Financial Alliance for Net Zero (GFANZ)
Bonds: Market-based sustainable financial instruments
Thematic Bonds

Four types of thematic bonds

- **Green bonds** finance projects and activities with positive environmental impact. **Blue bonds** are a subset of green bonds and finance projects aimed at ocean and marine conservation.

- **Social bonds** fund projects with positive social outcomes, helping issuers address societal inequalities. **Gender bonds** are a subset of social bonds and focus on gender equality.

- **Sustainability bonds** support a combination of green and social projects.

- **Sustainability-linked bonds** do not earmark proceeds. The issuer commits to meeting predefined key performance indicators (KPIs) within a timeline for defined sustainability policies and actions.
Green bonds support projects and activities with positive environmental impact.

Blue bonds are a subset of green bonds and support projects aimed at ocean and marine conservation.
Who can issue these bonds?

1) Governments (national and local)

2) Multilateral Development Banks, national and regional development banks

3) Companies

4) Banks, financial institutions and non-bank financial institutions
Thematic bond issuances are on the rise

- The global green, social, sustainable, and sustainability-linked (GSSS) bond market totaled US$ 4.7 trillion issued up to Sep 2023

- 2023 thematic bond annual issuance have reached US$ 807 billion vs US$ 967 billion in 2022

- Green bonds represent the largest portion of thematic bonds, at about 63% of the total issuances

- Emerging markets represent a small fraction – 16% of the total amount issued – but interest is growing

- YTD 2023, emerging market issuers issued US$ 135 billion in thematic bonds – more than double the amount issued in 2020

Source: World Bank based on BNEF and Bloomberg terminal.
Sovereigns are tapping into the thematic bond market

- Sovereign thematic bond issuances started in 2016 with Poland and even though **sovereigns represent a small fraction of the thematic bond market** – 10% of the total issued – interest in such instruments has grown.

- As of September 2023, **48 sovereign borrowers have issued a cumulative amount of US$ 359 billion**

- Twenty-one sovereigns are emerging markets and developing economies, with a total issuance of US$ 81 billion

- In 2023, **sovereign issuances reached US$ 120 billion**, almost triple the amount issued in 2020
### Emerging market sovereign thematic bond issuances

<table>
<thead>
<tr>
<th>Country</th>
<th>Amount</th>
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<tbody>
<tr>
<td>Benin</td>
<td>US$ 590.5 million</td>
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<tr>
<td>Chile</td>
<td>US$ 43.4 billion</td>
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<tr>
<td>Colombia</td>
<td>US$ 619 million</td>
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<tr>
<td>Ecuador</td>
<td>US$ 400 million</td>
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<tr>
<td>Egypt</td>
<td>US$ 750 million</td>
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<tr>
<td>Fiji</td>
<td>US$ 57.6 million</td>
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<tr>
<td>Guatemala</td>
<td>US$ 500 million</td>
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<tr>
<td>India</td>
<td>US$ 1.95 billion</td>
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<tr>
<td>Indonesia</td>
<td>US$ 7.6 billion</td>
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<tr>
<td>Malaysia</td>
<td>US$ 3.5 billion</td>
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<tr>
<td>Mexico</td>
<td>US$ 11.1 billion</td>
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<tr>
<td>Nigeria</td>
<td>US$ 71.3 million</td>
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<tr>
<td>Peru</td>
<td>US$ 8.9 billion</td>
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<tr>
<td>Philippines</td>
<td>US$ 3.6 billion</td>
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<tr>
<td>Poland</td>
<td>US$ 4313.3 million</td>
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<tr>
<td>Serbia</td>
<td>US$ 1.2 billion</td>
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<tr>
<td>Seychelles</td>
<td>US$ 15 million</td>
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<tr>
<td>Thailand</td>
<td>US$ 11.3 billion</td>
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<tr>
<td>Türkiye</td>
<td>US$ 2.5 billion</td>
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<tr>
<td>Uruguay</td>
<td>US$ 1.5 billion</td>
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<tr>
<td>Uzbekistan</td>
<td>US$ 235.3 million</td>
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Benefits of issuing a green bond

- Signals commitment to sustainability objectives
- Diversifies investor base
- Increases investor demand
- Better pricing
- Promotes transparency about use of proceeds
GSSS Bonds funding biodiversity conservation

- Bonds featuring terrestrial and aquatic biodiversity conservation in their use of proceeds **increased from 5% (2020) to 16% (2023 YTD)**.

- Incorporation of biodiversity-related KPIs **within sustainability-linked bond issuance remains muted**, due to challenges in monitoring and reporting.

- Momentum within emerging market-based entities to tap GSSS bonds for biodiversity-related projects and activities has been slow.

- In **Latin America**, GSS bonds with biodiversity as a UoP account for just **7.2%** of overall, while **Africa and Middle East together** account for **<1%**.

- Amongst supranationals, **World Bank is issuing >85% of biodiversity-related bonds**.\(^1\)

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1. Based on analysis undertaken by Sustainable Fitch
What is being financed under biodiversity

**Broader Nature Theme Presents Larger Opportunity**

- GSS bonds with nature UoPs, USDbn (LHS)
- GSS bonds with nature UoPs as share of total GSS bonds, % (RHS)

(GSS bonds with selected nature-related UoPs)

- Terrestrial and aquatic biodiversity conservation
- Environmentally sustainable management of living natural resources
- Pollution prevention and control
- Sustainable water management

Note: Data reflect whether the above UoPs are included or not. Most issues feature multiple UoPs.
Source: Sustainable Fitch, Environmental Finance
Example: Malaysia’s sovereign sustainability “sukuk”

- Sustainable management of natural resources was 2% of overall use of proceeds allocated in 2021. The projects contributed towards biodiversity conservation across all states in Malaysia.

- Project specific: Biodiversity conservation – a. Implementation of forestry, water and wildlife conservation programs and projects for a more sustainable environment; b. Implementation of fish and fisheries programs and projects for a more sustainable marine ecosystem; c. Implementation of sustainable agriculture techniques and sustainable agriculture production.

- Key outputs: 29 million trees planted; 1 million hectares of forest area; certified forest resource and river resource restoration activities; database on river water quality and quantity in permanent forest reserve in Peninsular Malaysia; Wildlife conservation center; Fisheries Management Plan; 3 marine waters gazetted as Marine Parks; 13 million fishes and shrimps released in public waters; 191 farm / aquaculture premises have been certified / recertified under MyGAP; 9,453 farms (crop) have been certified under MyGAP; 508 farm / aquaculture premises have been certified under myGAP; 2,506 livestock farms have been certified under myGAP.
Example: Indonesia’s sovereign green “sukuk”

- Indonesia: Sustainable management of natural resources was 0.03% of overall use of proceeds allocated in 2022.

- Projects contributed towards ecosystem restoration through forest and land rehabilitation in North Sulawesi Province, particularly the Likupang special economic zone.

- Forest rehabilitation – Development of facilities and infrastructures to support forest rehabilitation, including buildings and road access to nursery, forest and multipurpose species' seedling nursery, and wastewater treatment plant in the area.

- Key outputs: Number of seedlings propagated at Likupang Permanent Plant Nursery reached 2.5 million. Community participation is encouraged in the project.

Source: Indonesia’s Green Sukuk Allocation and Impact Report 2023
# Contacts

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