



Panel Session #3 – Sovereign Green, Social and Sustainability bonds

GSS+ bonds relate to debt instruments dedicated to finance sustainable projects, activities and expenditures. Historically the market has been driven by Green and Social bonds or a combination of both (Sustainability bonds), which are “use-of-proceeds” bonds, where the funds raised are directly allocated to green or social projects. Since then, Sustainability-linked bonds (SLBs) recently joined the green debt market, they work with a coupon linked to specific sustainability performance targets. GSS+ bonds carry considerable opportunities for sovereign issuers.

Sovereign GSS bond volumes more than doubled in 2021 raising cumulative issuance to almost USD 200 billion at the end of the year. Green bonds constitute 74% of the new issuances and 15% of the Sustainability bonds stock. Yet, Social bonds demonstrated the most ambitious growth in issuances with almost a fivefold increase reaching 11% of the total sovereign GSS bond stock.

Advanced economies are the largest issuers of Green bonds, but emerging markets are leading the way for Social and Sustainability bonds. Europe is the main growth engine of this Sovereign GSS market with 75% of volumes issued in the region. Several emerging or middle-income countries have adopted Social and Sustainable bonds such as Chile - the only sovereign to have issued in all three GSS themes - Peru or Benin. This growing trend offers very interesting prospects for issuing countries and investors alike.

Adapting Sustainability-Linked bonds to sovereign issuances has proved difficult, even though the market has shown a strong appetite for such issuances in the corporate sector. In the wake of the COP26, countries are urged to set targets underlying their climate actions and report their decarbonization efforts to the United Nations. Considering the rising urgency on the climate front, this dynamic could strengthen the issuance of Sustainability Linked Bonds (SLBs). Early March 2022, Chile was the first sovereign issuing a Sustainability-Linked bond.

Issues to be discussed:

- What means could be put in place to support a more widespread and credible Sovereign GSS+ bond market?
- What are your thoughts on the potential barriers to entry in the GSS+ bond market for emerging countries?
- What are the development prospects for sustainability-linked sovereign bonds?