



Scaling up green bond markets in developing countries

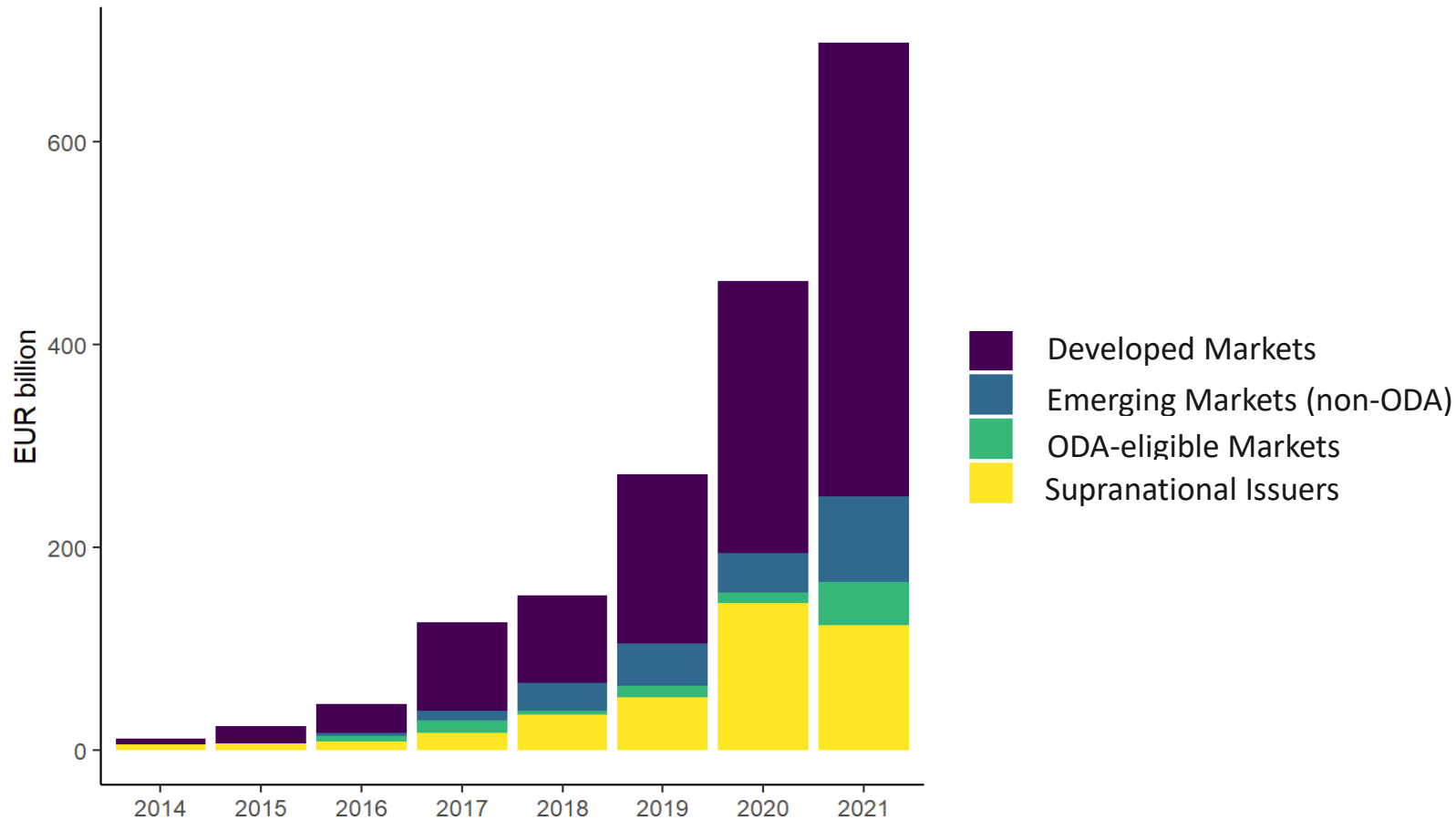
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Paul Horrocks, Head of Private Finance for Sustainable Development



Introduction to the GSSS bond market

Global issuance trends by market type (EUR billion)



OECD calculations based on LGX DataHub data

- The GSSS bond market is growing fast globally but is **mostly driven by developed markets**.
 - Issuances from ODA-eligible emerging markets remain limited (**representing 6% of issued amounts in 2021**).
- But the number of ODA-eligible countries who have issued at least one GSSS bond is increasing (**from 17 in 2019 to 31 in 2021**).

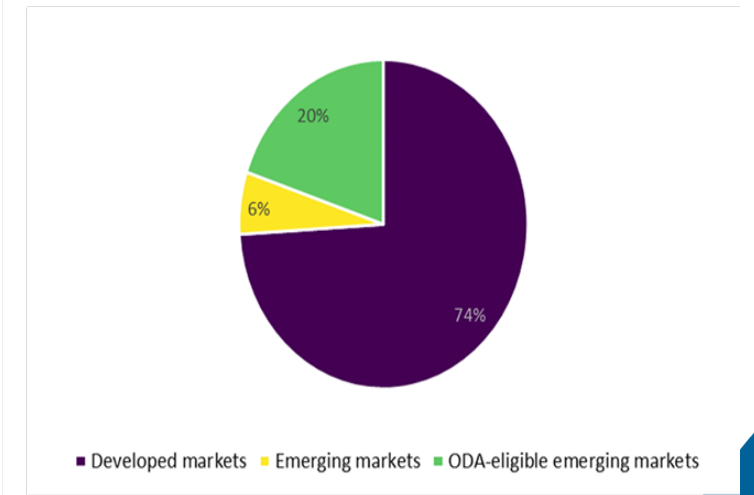
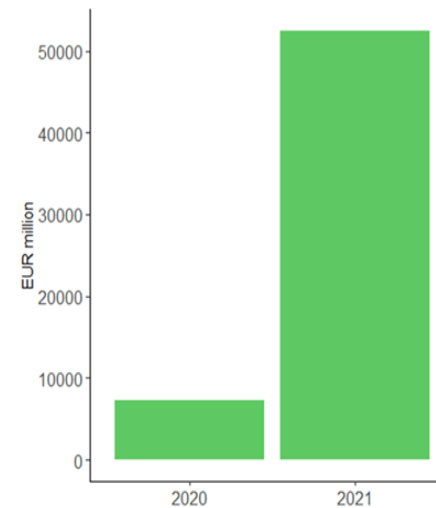


Developing country issuers embrace novel and innovative instruments

- ODA-eligible EM issuers are more likely to use sustainability and sustainability-linked bonds



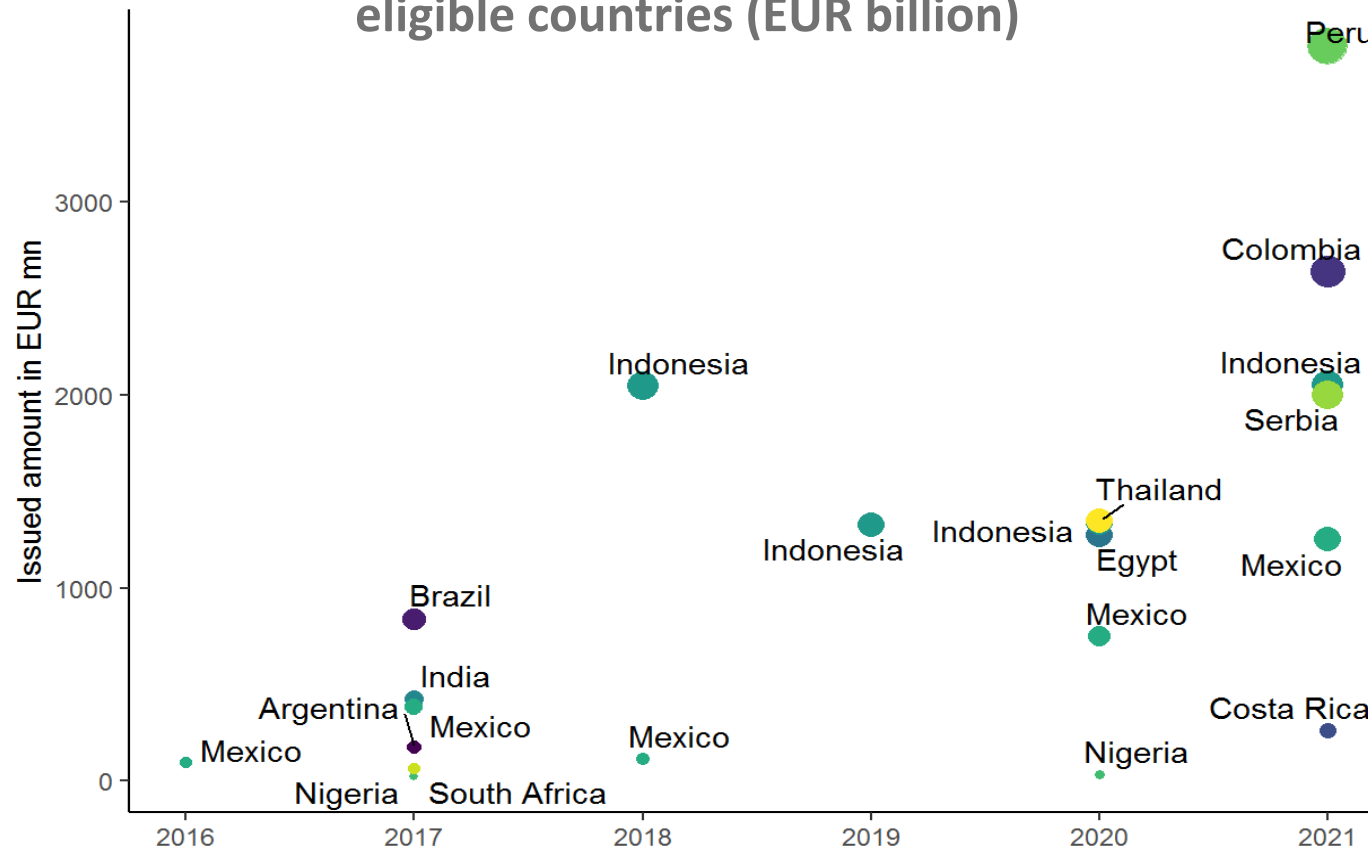
- Annual SLB issuances increased by more than seven times, from EUR 7.2 billion in 2020 to EUR 52.5 billion in 2021.
- The share of SLB issued in developing countries stands at 20%.





GSSS bonds gain traction among public sector actors in developing countries

GSSS bonds issued by public sector entities in ODA-eligible countries (EUR billion)



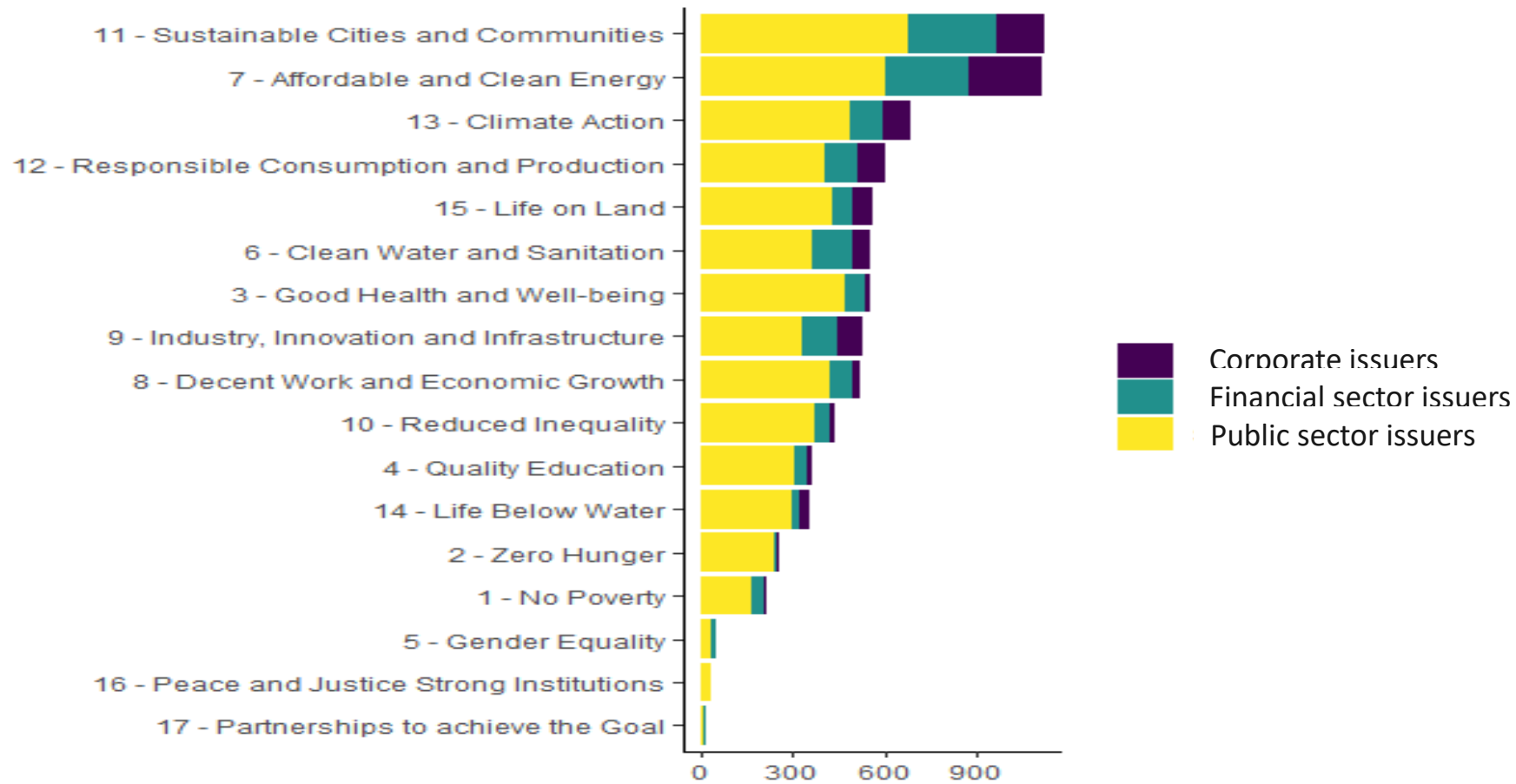
OECD calculations based on LGX DataHub data

1. More and more public sector issuers in developing countries are tapping the GSSS bond market
2. They represent an increasing number of countries and regions
3. There are more public sector bonds that raise larger amounts of capital



GSSS bonds offer an attractive means of SDG financing

Cumulative issuance amount of bonds with potential contribution to SDGs (EUR billion)



OECD calculations based on LGX DataHub data



Challenges to public sector issuances of GSSS bonds in developing countries

Weakened macro-fundamentals

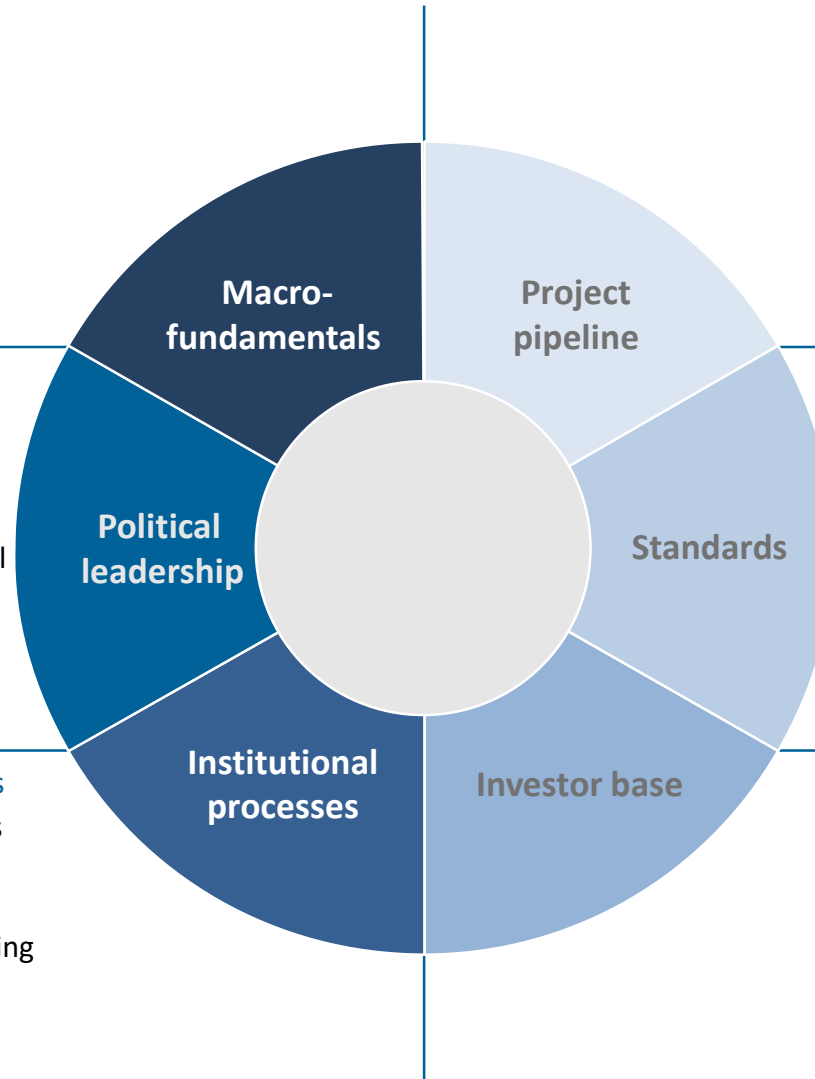
- Debt sustainability concerns are on the rise
- Economic growth aspects have been affected by pandemic

Weak financial markets

- Domestic capital markets lack liquidity
- Challenges to meet credit rating requirements to tap international markets

Complex public budgeting processes

- Involvement of various ministries and stakeholders can slow down process
- Compatibility with public budgeting law needs to be ensured



Lack of bankable projects

- Lack of resources and expertise to identify and prepare sustainable projects
- Weak regulatory environment can aggravate project risks

Localising international standards

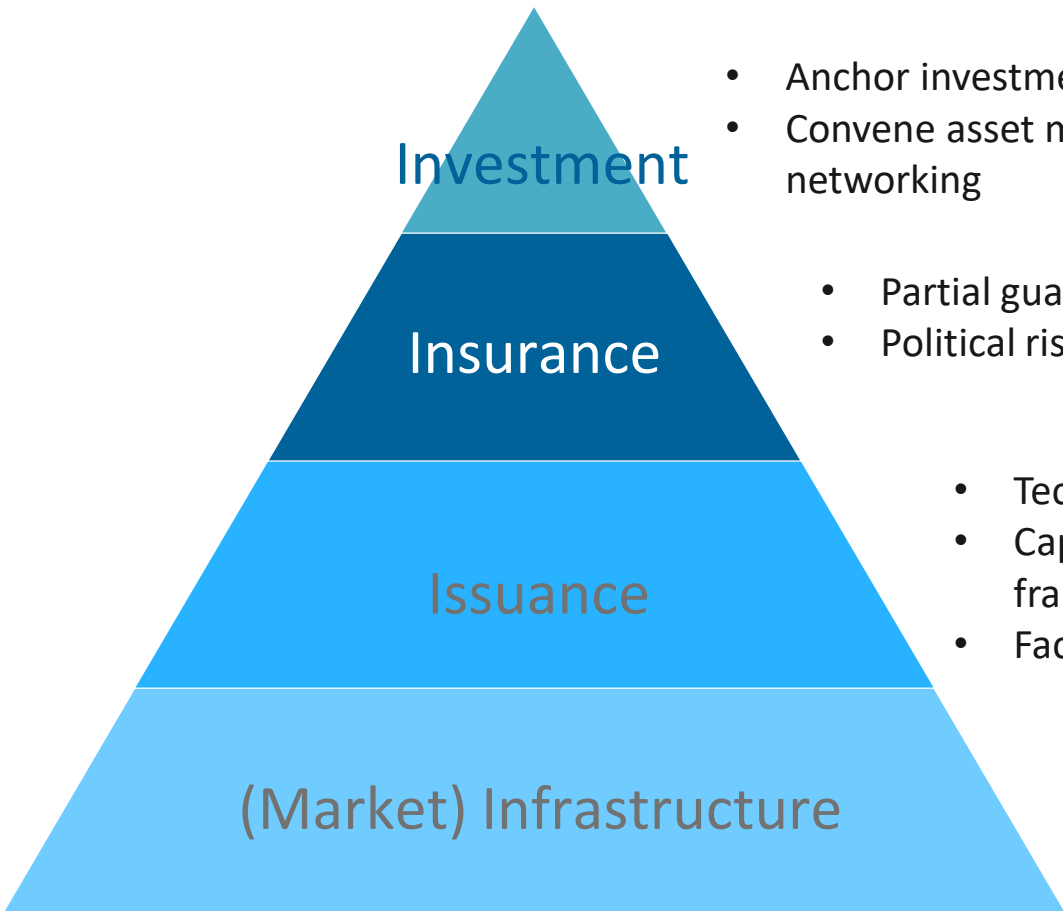
- Appetite for high-yield and ESG investments could create incentives for sustainability washing
- High-level nature of industry standards requires translation to local contexts

Limited familiarity with international investors

- Lack of networks to target investors with preferences for ESG debt
- Weak familiarity with listing options and requirements



What can development partners do? – The four I's



- Anchor investments
- Convene asset managers and developing country issuers to facilitate networking
- Partial guarantees (credit, liquidity, etc.)
- Political risk insurance
- Technical assistance for project preparation and development
- Capacity building to develop green, social and sustainability bond frameworks
- Facilities to aggregate projects at regional level
- Support for development of localised standards, guidelines and taxonomies
- Fostering of local second party opinion (SPO) providers
- Technical assistance for public investment and debt management



THANK YOU