



**MONETARY AND  
CAPITAL MARKETS**

# **Sustainable Bond Issuance: State of Play and the Way Forward**

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# Outline

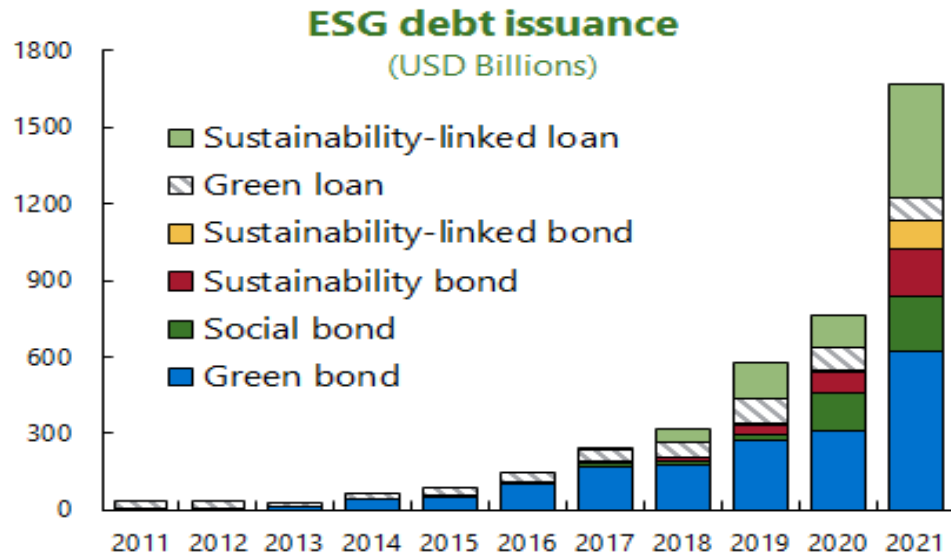
- **Trends in Sustainable Finance**
- The IMF's Role in Sustainable Finance
- Demand for Sustainable Debt

# What is Sustainable Debt?

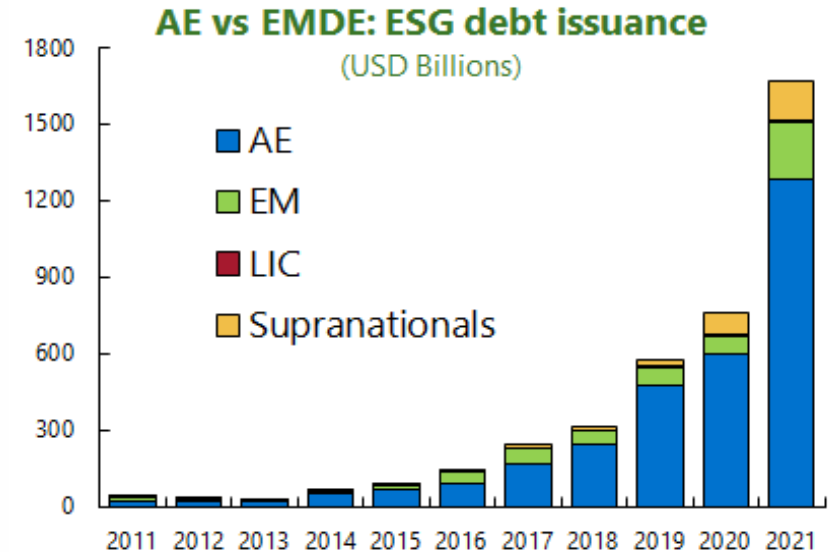
- Sustainable debt is debt issued in support of the UN's sustainable development goals
- It is also called ESG debt, that is debt issued in pursuit of Environmental, Social, or Governance objectives
- The covered expenses can span broad activity ranges:
  - Environmental: Power generation, transportation, subsidies for the adoption of new technologies
  - Social: Support payments for disadvantaged people, microlending, supporting women entrepreneurs
  - Governance: Increase the share of women on corporate boards, improve government administration

# ESG Debt Issuance has increased rapidly in recent Years

- Almost USD 1.8 trillion of ESG debt was issued in 2021
- AE issuers were behind the bulk of ESG debt issuances



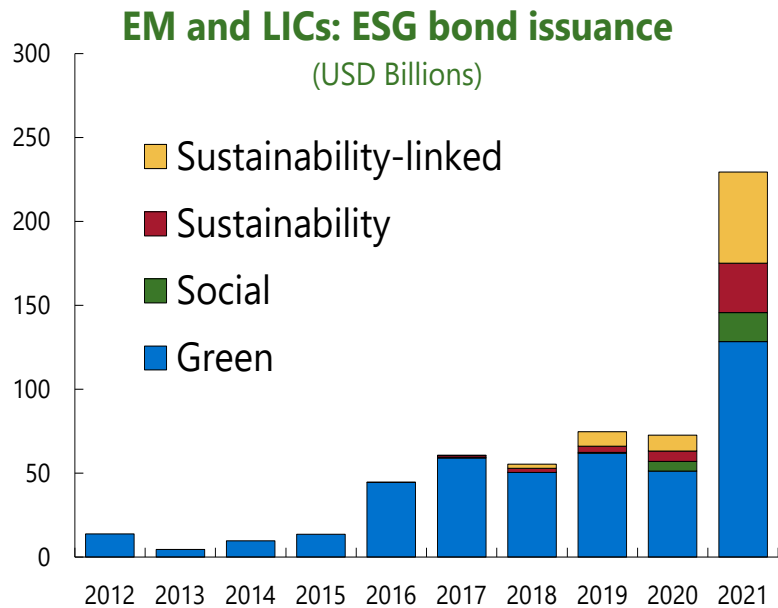
Sources: Bloomberg and IMF staff  
ESG = Environmental, Social, and Governance



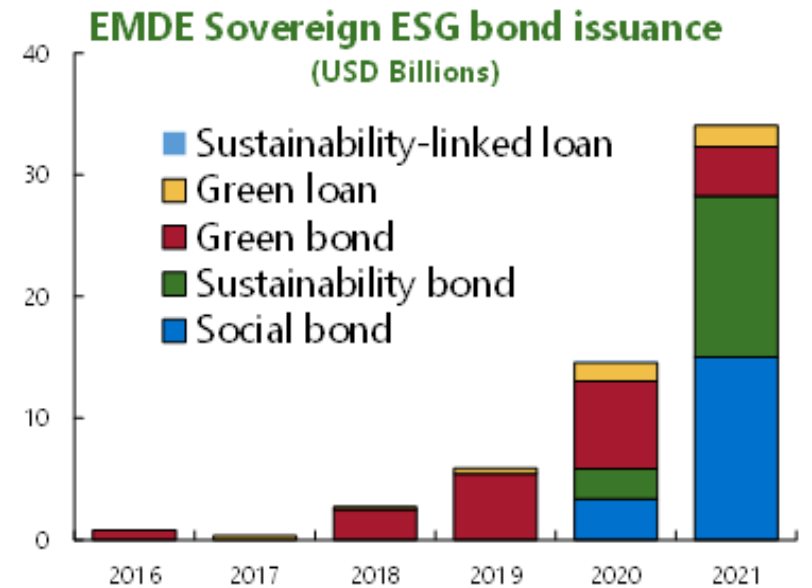
Sources: Bloomberg and IMF staff  
AE = Advanced Economies  
EMDE = Emerging and Developing Economies

# EMDEs experienced rapid increase in ESG Debt Issuance

- EMDE issuance grew faster than issuance by AE-based issuers
- Instrument composition has changed considerably over time



Sources: Bloomberg and IMF staff  
 ESG = Environmental, Social, and Governance  
 EM = Emerging Market Country  
 LICs = Low Income Countries



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 AE = Advanced Economies  
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# Types of Sustainable Debt

- Green debt
- Social debt
- Sustainability debt
- Sustainability-linked debt
- Transition debt
- Unlabeled debt

## Main Driver: Demand

- *Global ESG assets are on track to exceed \$53 trillion by 2025, representing more than a third of the \$140.5 trillion in projected total assets under management. (Bloomberg Market Intelligence, Feb. 23, 2021)*
- High demand results in
  - High bid-to-cover ratios at time of issue
  - High greeniums
  - High supply

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# Thought Leadership

- Climate change is macro-critical and important for the budget
- Climate change has become a central element in the IMF's ongoing workstream: Article IV mission, FSAPs, Annual and Spring Meetings
- Climate change is also frequently covered in the Fund's flagship publications:
  - Staff Climate Notes
  - World Economic Report
  - Global Financial Stability Report
  - Fiscal Monitor
  - Regional Economic Outlook
- Workstreams:
  - Green budgeting
  - Green taxation
  - Sovereign ESG issuance
  - IMF Working Papers

## Participation in the Global Climate Dialogue

- Climate change indicators dashboard was launched in 2021 (with the OECD, the World Bank, the UN, and the European Commission)
- Participation in the *COP26*
- Observer in *The Network of Central Banks and Supervisors for Greening the Financial System*
- Member of the *BIS*
- Member of the *Basel Committee on Banking Supervision*

# The Resilience and Sustainability Facility

- It will channel Special Drawing Rights (SDRs) contributed by countries with strong external positions to countries in need
- It provides affordable longer-term financing to strengthen members' resilience and sustainability
- Focus is on longer-term structural challenges—including climate change and pandemic preparedness

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# Small and Medium-Sized Enterprises and Climate Debt

- Kazakhstan has a history of domestic climate loan issuance
- While ESG debt is easily accessible for larger enterprises, accessing it can be challenging for small and medium-sized enterprises due to
  - High direct costs (Second-Party Opinion, evaluation and audits)
  - Cost of assessing Scope 1, 2 , and 3 emissions
  - Accounting for the effects of climate adaptation and mitigation measures

# Private Sector Funding is Central

- The amounts needed for effective climate finance very large
- Governments and IFIs can only provide a small share of the necessary funding
- Attract foreign investors through funds that intermediate
- IFIs can play role of catalysts
- Example: IFC

# Thank You