

WORLD BANK: SOVEREIGN SUSTAINABILITY AGENDA



ESG & Sovereign Bonds

Our work on Sovereign ESG



“[A New Dawn - Rethinking Sovereign ESG](#)” proposes improvements to the sovereign ESG framework and builds on findings and recommendations discussed in other papers in the series.

[Link to report](#)



“[Demystifying Sovereign ESG](#)” focuses on comparing sovereign ESG methodologies of leading sovereign ESG providers and presents structural challenges with the current sovereign ESG framework.

[Link to report](#)



“[Riding the Wave: Navigating the ESG Landscape for Sovereign Debt Managers](#)” provides a thorough discussion of sovereign ESG from a debt management office perspective.

[Link to report](#)



“[Paving the Path: Lessons from Chile's Experiences as a Sovereign Issuer for Sustainable Finance Action](#)” provides a focused study of Chile's ESG focused issuances to date and relevant lessons.

[Link to report](#)



“[Spatial Finance: Challenges and Opportunities in a Changing World](#)” in partnership with WWF discussed challenges with the E data, including at the sovereign level, and explores the use of satellite data to address the quality and availability of E data.

[Link to report](#)



“[Natural Capital and Sovereign Bonds](#)” builds the case that countries' level of development dominates ESG-related metrics. “[1% Growth in Natural Capital: Why It Matters for Sovereign Bonds](#)” quantifies materiality of natural capital and its impact on sovereign bonds by adjusting for ingrained income bias.



The chapter “[Natural Allies: Wealth and Sovereign ESG](#)” from the book “[The Changing Wealth of Nations 2021: Managing Assets for the Future](#)” focuses on challenges in ESG data, and discusses solutions with the application of the World Bank Wealth data.

[Link to report](#)



“[Natural Capital and Sovereign Bonds](#)” introduces the concept of ingrained income bias and presents evidence that sovereign bond yields reflect a country's various types of natural capital.

[Link to report](#)

Space for CRAs to improve – Index Providers already are.....

- 1. Transparency.** Sovereign CRA methodologies could be strengthened by introducing an ESG pillar
- 2. Data.** WB wealth accounting data, risks & opportunities related to stranded assets
- 3. Granularity.** As well as providing more granularity on ratings- particularly for lower rated sovereigns
- 4. Engagement** of issuers and policy makers also important – CRAs can play a key role here



Sovereign Risk Monitor Consultation – FTSE ESG Government Bond Index Series

04 April 2023

FTSE Russell is seeking market participant feedback on its proposal to use enhanced sovereign ESG scores in the [FTSE ESG Government Bond Index Series](#).

The FTSE Sovereign Risk Monitor (SRM) is designed to measure the material financial risk from ESG factors for sovereign issuers, with data available for 151 countries from 1999 onwards. SRM scores are used in the FTSE ESG Government Bond Series, as set out in the published ground rules.

In the [notice issued on 22 February 2023](#), FTSE Russell proposed specific enhancements to the environmental pillar of SRM and published a [research paper](#) and [methodology document](#) on 2SRM. **FTSE Russell is now proposing that 2SRM is used instead of SRM in the FTSE ESG Government Bond Series.**

FTSE Russell welcomes any feedback and questions on this proposal by **Thursday 04 May 2023**. Consultations responses should be sent to info@ftserussell.com. Further details on the proposal, its implications, and the feedback requested can be found on the FTSE Russell website: [Market Consultations | FTSE Russell](#).

The FTSE Russell Index Governance Board is responsible for the approval of this proposal and any changes. Index users and other stakeholders are informed of FTSE Russell's decisions via [Index Announcements | FTSE Russell](#).

WB Teams Contributions to the Agenda

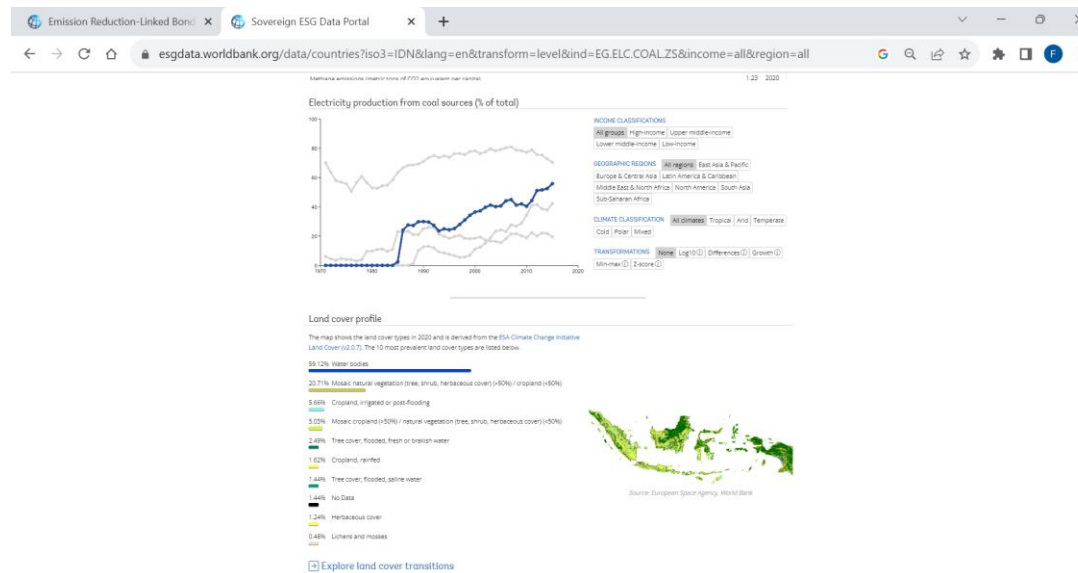
- Data (Sovereign Data Portal 2.0)
- Sovereign Reporting ('TCFD 4 Sovereigns')
- Instruments (Sovereign SLBs)



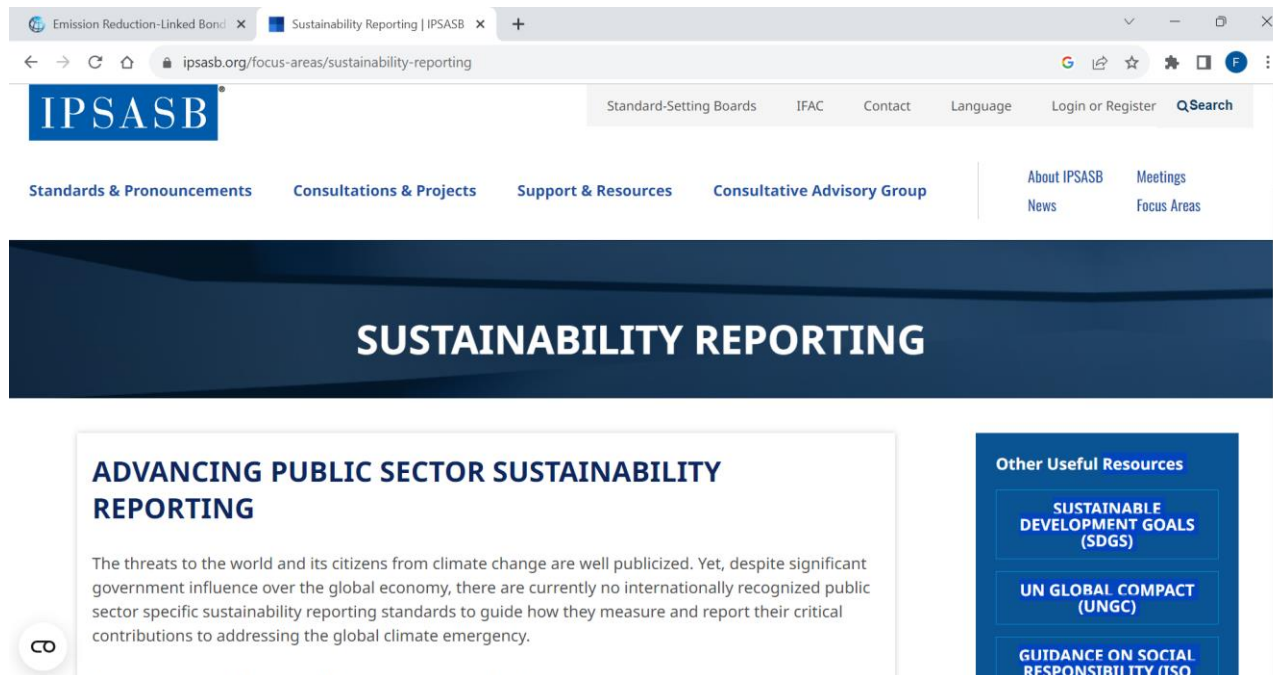
Sovereign ESG Data Portal 2.0

- Updated 'E' indicators
- Incorporated Natural Capital/
Wealth Accounting
- Income-bias correction tool
- Benchmarking tools
 - Income
 - Region
 - Topography

The screenshot shows the homepage of the Sovereign ESG Data Portal. At the top, there is a navigation bar with the World Bank logo and links for 'WHO WE ARE', 'WHAT WE DO', 'WHERE WE WORK', 'UNDERSTANDING POVERTY', and 'WORK WITH US'. A search bar is located on the right. A light blue banner at the top reads: 'Welcome and thank you for testing the new Portal! This version is fully functional but we are still in the final testing phase. We would therefore be very grateful, if you can share your Feedback & Suggestions using this form and report any Bugs & Errors using this form you find. — ESG Data Portal Team'. Below the banner is the 'Sovereign ESG Data Portal' logo and a navigation menu with 'Data', 'Tools', and 'Explore'. A search bar is also present. The main heading is 'Sovereign ESG Data Framework', followed by the text: 'The World Bank curates and maintains a wide range of ESG data for policy makers, financial market participants and academic researchers. This page'.

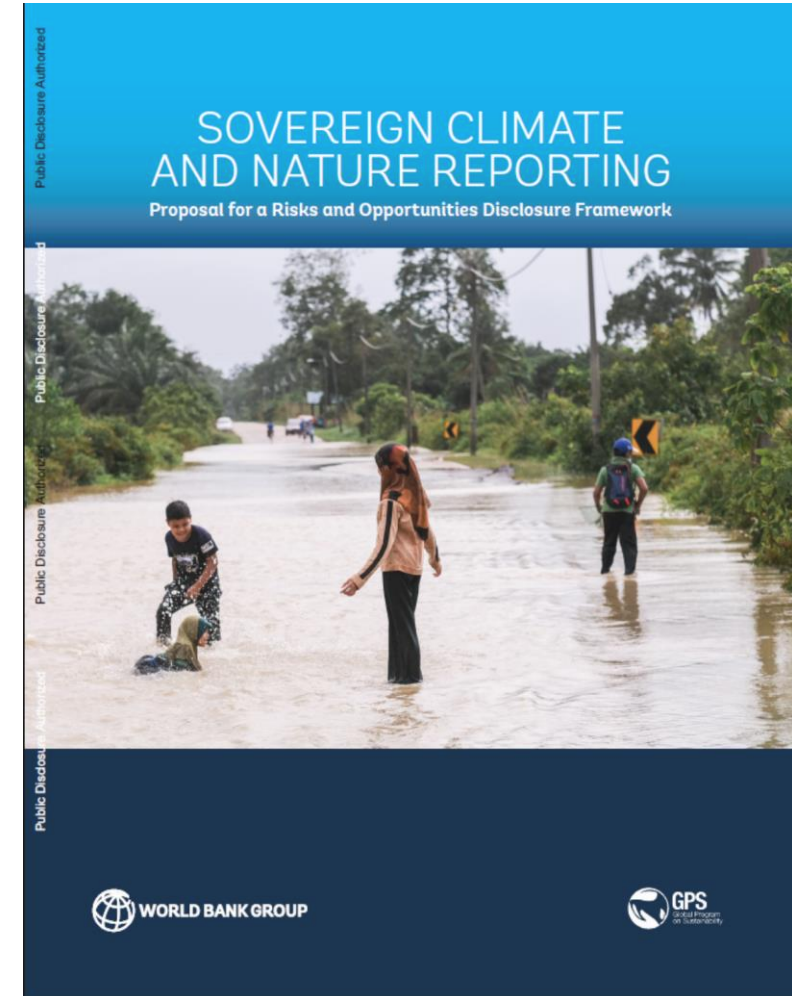


Time for a ‘Sovereign Climate & Nature Risks & Opportunities Disclosure Framework’?



The screenshot shows the IPSASB website with the following elements:

- Browser tabs: "Emission Reduction-Linked Bond" and "Sustainability Reporting | IPSASB".
- Address bar: "ipsasb.org/focus-areas/sustainability-reporting".
- IPSASB logo and navigation menu: "Standard-Setting Boards", "IFAC", "Contact", "Language", "Login or Register", "QSearch".
- Secondary navigation: "Standards & Pronouncements", "Consultations & Projects", "Support & Resources", "Consultative Advisory Group", "About IPSASB", "Meetings", "News", "Focus Areas".
- Section header: "SUSTAINABILITY REPORTING".
- Content area: "ADVANCING PUBLIC SECTOR SUSTAINABILITY REPORTING".
- Text: "The threats to the world and its citizens from climate change are well publicized. Yet, despite significant government influence over the global economy, there are currently no internationally recognized public sector specific sustainability reporting standards to guide how they measure and report their critical contributions to addressing the global climate emergency."
- Other Useful Resources: "SUSTAINABLE DEVELOPMENT GOALS (SDGS)", "UN GLOBAL COMPACT (UNGC)", "GUIDANCE ON SOCIAL RESPONSIBILITY (ISO)".



The report cover features a blue header with the title "SOVEREIGN CLIMATE AND NATURE REPORTING" and subtitle "Proposal for a Risks and Opportunities Disclosure Framework". The main image shows a flooded road with people wading through the water. The logos for the World Bank Group and GPS (Global Platform on Sustainability) are at the bottom.

Sovereign SLBs

- SLBs fast growing within corporate markets – despite outstanding challenges (metric comparability; metric relevance; metric ambition; financial penalty; bond structure – S&P/ IFC etc.)
- Growing interest in sovereign market following 2 issues: Chile & Uruguay
- Private and public investors still need reassurance that sovereign SLBs represent an effective mechanism for investments in climate and nature

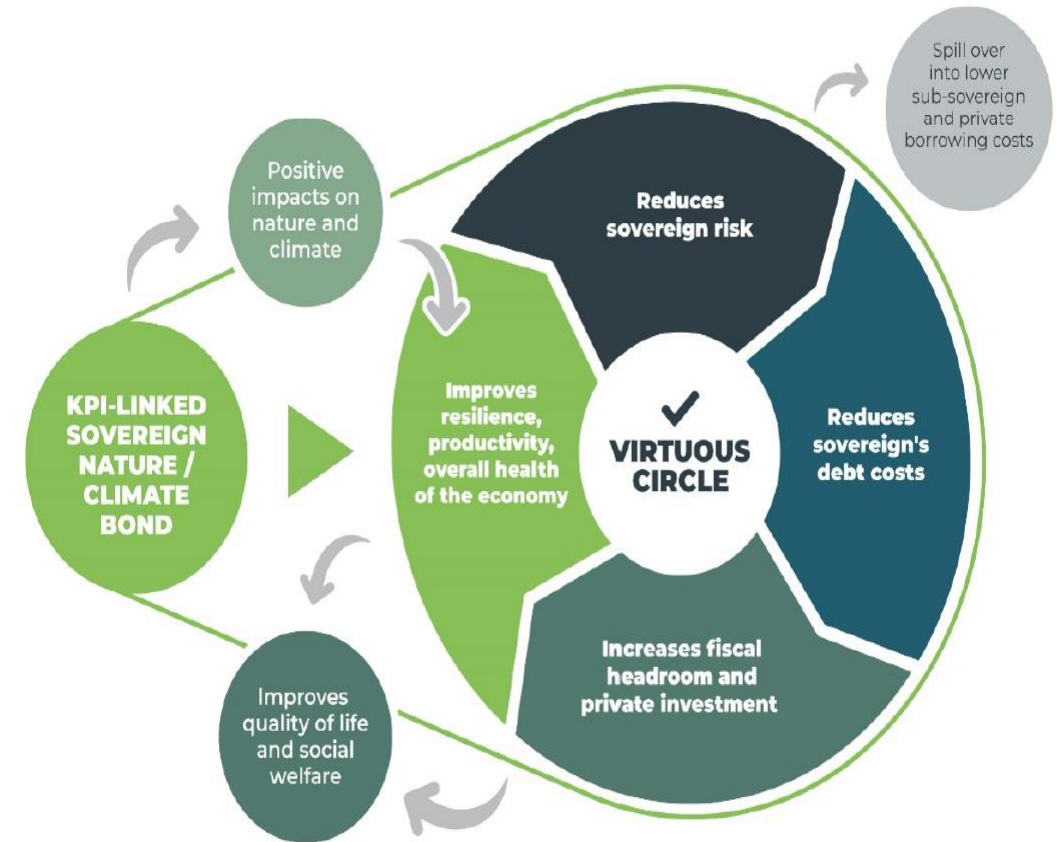
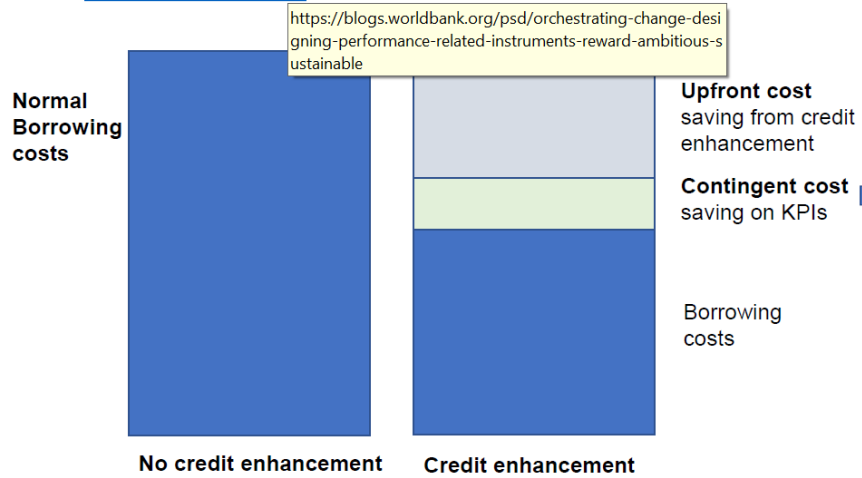


Illustration of core credit enhancement idea *

See: <https://blogs.worldbank.org/psd/orchestrating-change-designing-performance-related-instruments-reward-ambitious-sustainable>



No credit enhancement **Credit enhancement**

*the size of the borrowing costs reduction is not indicative and serves purely for an illustrative purpose

6/12/2023



Who We Are / News

PRESS RELEASE | JUNE 9, 2023

World Bank Approves First Sustainability-Linked Bond for Rwanda to Boost Private Capital Mobilization

WASHINGTON, June 9, 2023 — The World Bank’s Board of Directors approved an additional credit of \$100 million in International Development Association* (IDA) financing to support Rwanda in increasing access to finance and supporting businesses’ recovery and resilience in the post-pandemic period. The additional finance will scale up investments under the [Access to Finance for Recovery and Resilience project](#) by providing financial

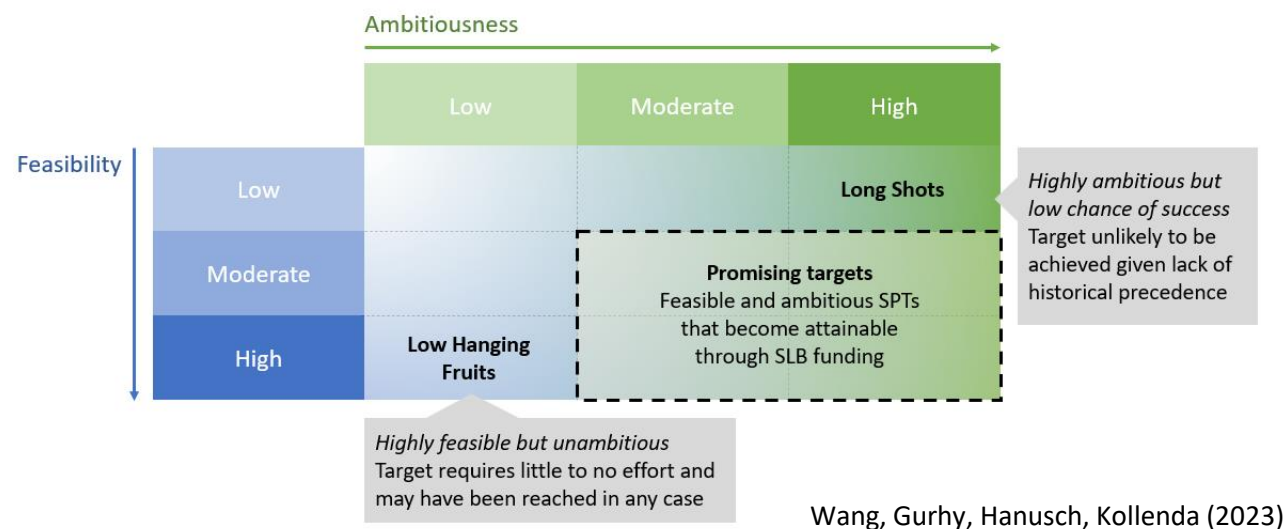
RELATED

- [Access to Finance for Recovery and Resilience Project](#)
- [World Bank in Rwanda](#)

KPI contingent portion invested at T= 0. Payout at time T= 1, if the KPI is met. Payout is FV of initial KPI portion. Otherwise, credit enhancer (DFI/donor) retain FV.

Feasibility-Ambitiousness Matrix (FAM)

Setting promising targets requires finding highly ambitious targets that are nevertheless still feasible. “Low hanging fruits” or “Long shots” are less desirable for issuers and investors.



Ambitiousness

- forward-looking
- forecast of business-as-usual scenario
- common trends in peer countries.

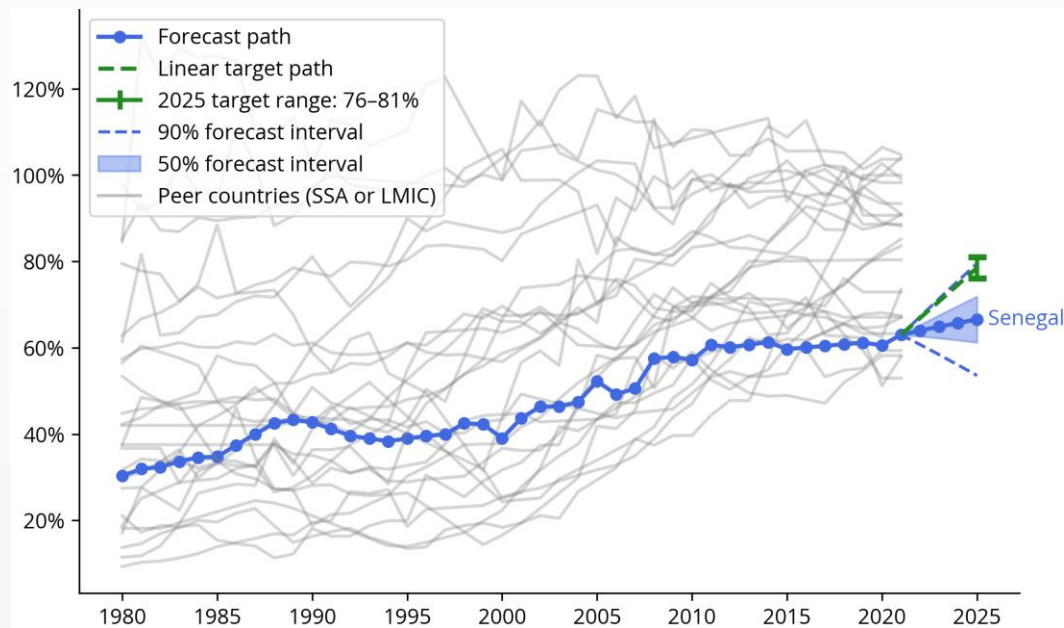
Feasibility

- Backward-looking
- Identify historical precedents
- compare with peer countries at similar level of development in the past.

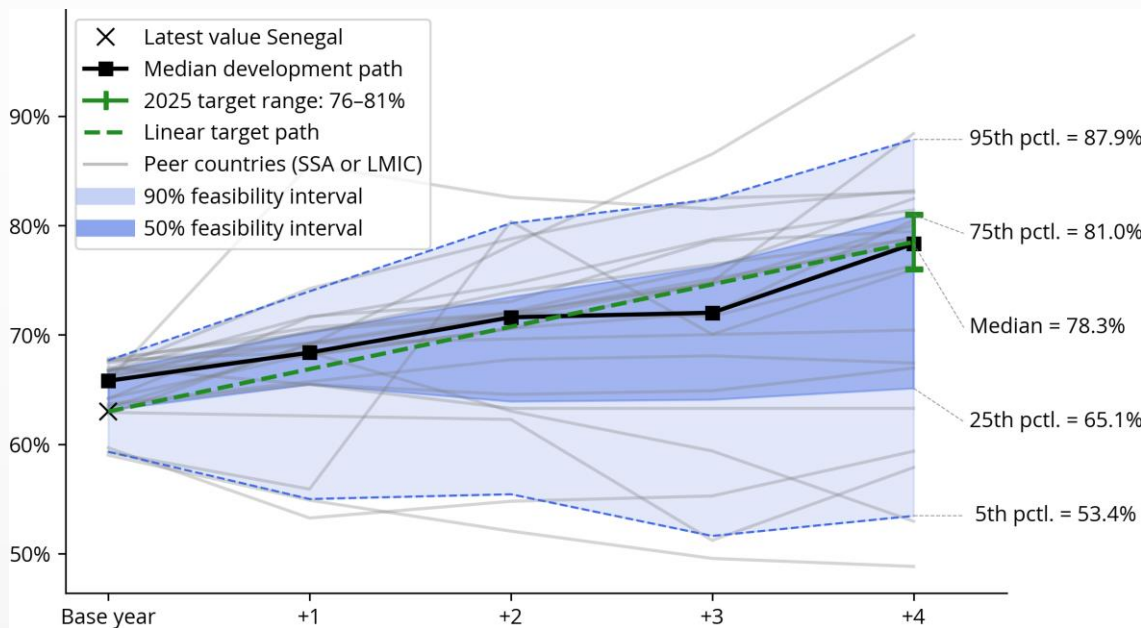
See Appendix for details on chosen parameters per indicator.

KPI 1: Primary School Completion Rate

Assessment of ambition and feasibility



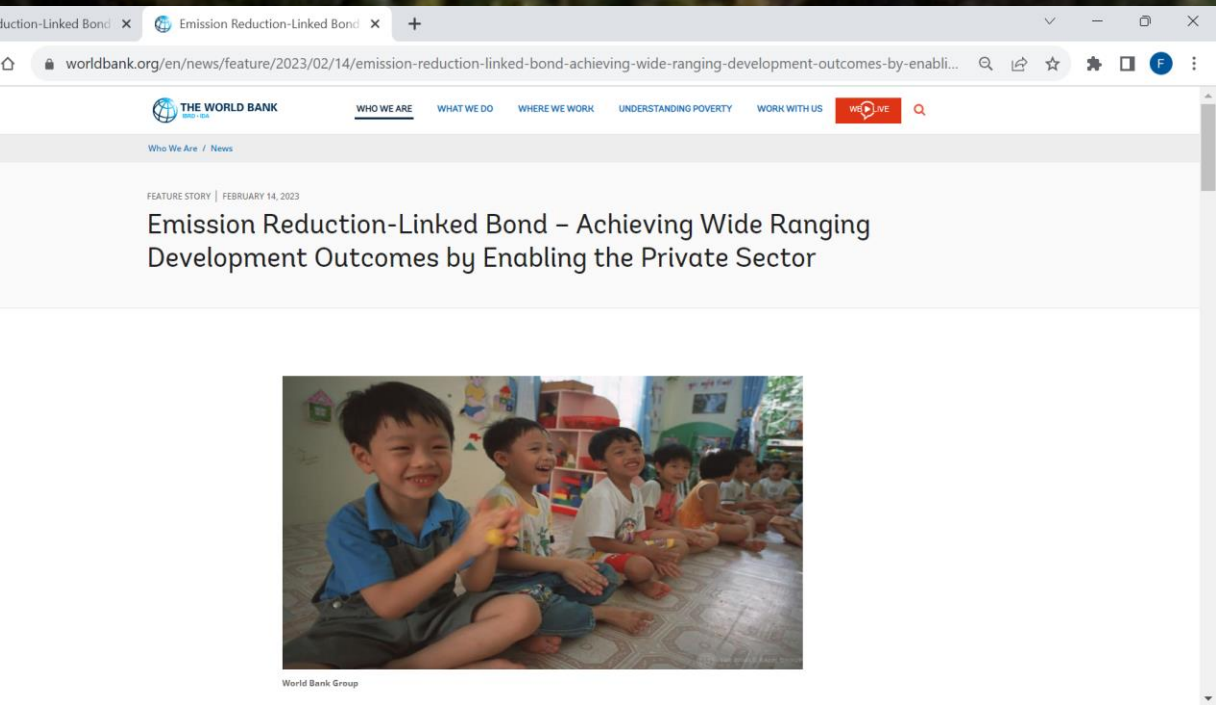
Ambitiousness: High



Feasibility: High



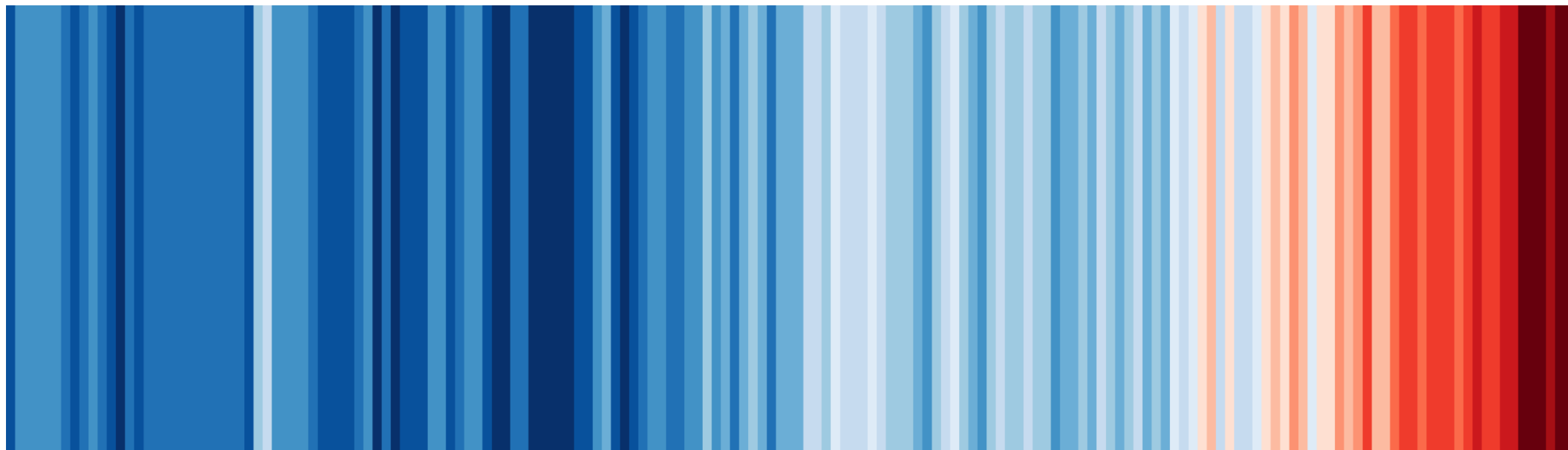
Other Sustainability Investments



Rhino Bond

- The World Bank's Wildlife Conservation
- First-of-its-kind of bond that supports conservation activities with financing from Environment Facility project risk from do
- The transaction m capital to facilitate rhino conservation protected areas in S





THANK YOU

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