THE GREEN, SOCIAL, SUSTAINABLE AND OTHER LABELED (GSS+) BONDS INITIATIVE FOR SOUTHEAST ASIA

The GSS+ Bonds Initiative, established under the ADB–ASEAN Catalytic Green Finance Facility, aims to scale up GSS+ bonds issuances across Southeast Asia by $1 billion within 2025. The GSS+ Bonds Initiative is managed by ADB’s Thailand Resident Mission.

Objectives
The GSS+ Bonds Initiative aims to deepen and accelerate the development of sustainable capital markets, catalyze signature GSS+ issuances, and create enabling environments for growth. The target is at least $1 billion worth of GSS+ bond issuances by 2025.

Outcome 1
Creating enabling environments and ecosystems to catalyze signature GSS+ issuances in the region.

Outcome 2
Better leverage public sector funds through derisking vehicles to enhance the flow of private capital funds to GSS+ bond issuance.

Why Now?
Southeast Asia is seeing an increase in the issuance of GSS+ bonds, but the region represents only a small portion of the global total. In the first half of 2022, $8 billion in GSS+ bonds were issued in the Association of Southeast Asian Nations (ASEAN)—accounting for only 2% of the global total. This calls for increasing capacity and awareness building on GSS+ bonds at the national and subnational levels in the region, especially for cities and SOEs to attract the interest of global investors. Generating more GSS+ bond issuances in the region can enable countries to address investment needs and achieve climate resilience targets.

GSS+ Bonds
(as of June 2022)

GLOBAL
$3.3 trillion

ASEAN
$38 billion

$ = United States dollar
Note: ASEAN comprises Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Viet Nam. Cumulative outstanding as of June 2022.
Sources: AsianBondsOnline and Bloomberg LP

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The 3-Pronged Strategy

Activity 1
Capacity and Policy Development for GSS+ Bonds

Activity 2
Signature Pilot GSS+ Bonds Development
- Frameworks
- Project Selection
- External Review

Activity 3
Propose Enabling Funds and Derisking Mechanisms

Planned Approach and Activities by 2025
- Six origination roundtables with global bond experts
- Technical assistance targeting 4–5 thematic bonds (including at least 1 green municipal bond) totalling $1 billion in issuances
- Develop and propose at least 3 financial mechanisms for ADB’s developing member countries

The initiative aims to create a programmatic capacity building facility over a 3-year period.

ADB’s Southeast Asia Department Green Finance Hub has actively supported issuers from developing member countries to develop thematic bonds. For instance, bonds issued by the Government of Thailand and the National Housing Authority in 2020 and 2021 raised around $6.5 billion from the capital markets.
CASE STUDY 1

ASEAN’s First Sovereign Sustainability Bond Issued by the Government of Thailand

Thailand’s Public Debt Management Office (PDMO) issued its maiden B30 billion (approximately $860 million) sustainability bond in August 2020. The 15-year bond’s proceeds were used to finance green infrastructure through the Mass Rapid Transit Orange Line (East) Project and social impact projects supporting the country’s recovery from the COVID-19 pandemic, including public health measures, job creation through small and medium-sized enterprises, and local public infrastructure development with social and environmental benefits.

The groundbreaking transaction, the first of its kind by an ASEAN member government, was highly successful. Exceptionally strong demand from investors generated bids totaling B60.9 billion (almost $1.7 billion), or 3.05 times the announced offering. The bond was issued with an interest rate of 1.585%, which was lower than the market yield of the existing 15-year benchmark bond.

The sustainability bond attracted a diversified group of investors including banks, asset management companies, financial institutions, insurance companies, and international investors. The green bond portion was certified by the Climate Bonds Initiative and was listed on the Luxembourg Green Exchange. Furthermore, it has received the “Best Sustainability Bond” award along with the Government of Thailand as “Best Issuer for Sustainable Finance” from Asian financial magazine The Asset. The bond’s current outstanding amount is B210 billion (approximately $6 billion) as of May 2022.

ADB, through the ASEAN Catalytic Green Finance Facility, supported the issuance by (i) providing inputs to the framework; (ii) facilitating an external review; and (iii) assisting in project selection, third-party certification, and annual reporting.

CASE STUDY 2

The National Housing Authority of Thailand’s Sustainability Bond Issuance Journey

Thailand’s National Housing Authority (NHA) is a state-owned enterprise with a mandate to develop affordable housing for those in need, especially low-income households. NHA has incorporated the Bio–Circular–Green economy policy into its 2017–2027 strategic plan, prioritizing economic wealth, social welfare and security, a more sustainable environment, and achievement of Sustainable Development Goals 7 (affordable and clean energy) and 11 (make cities inclusive, safe, resilient, and sustainable). NHA issued its maiden social bond in September 2020 in three tranches totaling B6.8 billion (about $195 million). Among the first social bonds issued by a state-owned enterprise in an ASEAN member economy, NHA’s bond was used to finance affordable housing in Thailand and promote sustainable communities. The current NHA’s outstanding social bonds is B9.8 billion (about $280 million).

To further demonstrate its commitment to sustainability, NHA issued a sustainability bond worth B2.1 billion (about $65 million) in September 2021. The proceeds from the sustainability bonds were used to finance the development of affordable energy-efficient housing projects.
This landmark transaction marked the first sustainability bond issued in Thailand by a state-owned enterprise. The bond was also offered to retail investors, thereby contributing to the growth of a sustainable domestic capital market.

ADB provided support to NHA by selecting eligible projects and setting up the bond issuance plan. ADB subsequently played an active role in drafting NHA’s social bond framework and sustainability finance framework. ADB’s support includes framework preparation, external review, green and social housing project selection, and benchmarking against international standards for all issuances and tranches.

Note: “$” refers to United States dollars and “B” refers to the baht.

Areas of Support Under the GSS+ Bonds Initiative

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<td>- development of capacity of government officials and relevant stakeholders</td>
<td>- development of derisking finance facility, credit enhancement structures, especially from multilateral development banks, to improve risk perception among private investors</td>
<td>- exploration further support areas for developing green/ COVID-19 recovery bonds</td>
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<td>- facilitating the constitution of a green coordination committee within the central government and local governments</td>
<td>- Kickoff the program and collaborate with governments in developing</td>
<td>- development of shadow credit rating mechanisms and national taxonomy structure</td>
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<td>- development of policy levers, incentives, and other aspects of an enabling regulatory environment</td>
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<td>- green and sustainable financing frameworks</td>
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ABOUT THE ACGF

The ASEAN Catalytic Green Finance Facility (ACGF) is a regional $2 billion facility under the ASEAN Infrastructure Fund (AIF), which is administered by ADB. The AIF is owned by the Association of Southeast Asian Nations (ASEAN) and ADB.

THE ACGF MISSION

To accelerate the development of green infrastructure in ASEAN by better utilizing public funds to create bankable projects and catalyze private capital, technologies and management efficiencies.

The ACGF was launched in 2019 to accelerate green infrastructure investments in Southeast Asia and support ASEAN members in meeting their climate change and environmental sustainability goals. In June 2021, following a successful pilot phase, the ACGF became a permanent facility of the AIF Board.

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