

# Green Bond

SEVENTH ANNUAL INVESTOR UPDATE 2015

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World Bank Green Bonds help achieve measurable social and environmental outcomes

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“In the next 20 years, there will be more infrastructure than was built in the last 6000 years. We can choose to build smart-cities and develop clean transportation systems. Food production and livestock produce 24% of global carbon emissions. The great news is that increasing farm productivity, protecting landscapes, and reducing emissions all go hand in hand”

**Jim Yong Kim**

President  
The World Bank Group



Helping People and the Environment  
**Green Bonds support the SDGs**

The Sustainable Development Goals (SDGs) call for a fifteen year plan of action to end poverty and hunger and foster economic prosperity, while securing the planet. In support of the SDGs, World Bank projects seek to help the poor by promoting inclusive economic growth and environmental sustainability. Climate change can inhibit and reverse social and economic progress. By addressing the causes and consequences of climate change, World Bank Green Bond projects help people become more resilient and improve their livelihoods. The social and environmental outcomes are detailed in the World Bank's first annual "Green Bond Impact Report" which can be found at <http://treasury.worldbank.org/cmd/pdf/WorldBankGreenBondImpactReport.pdf>

**Milestones/Noteworthy Bonds this Year**

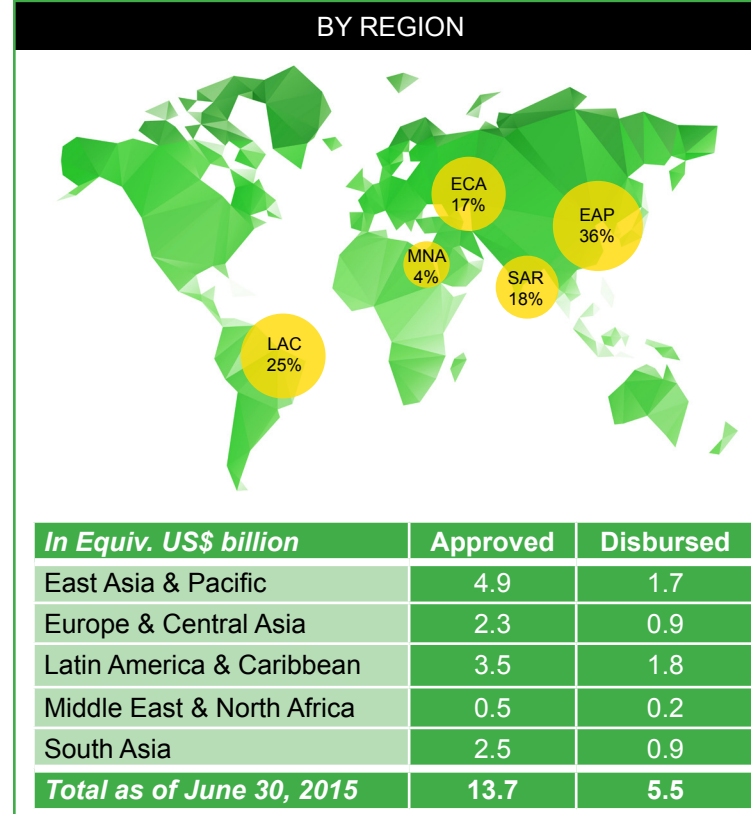
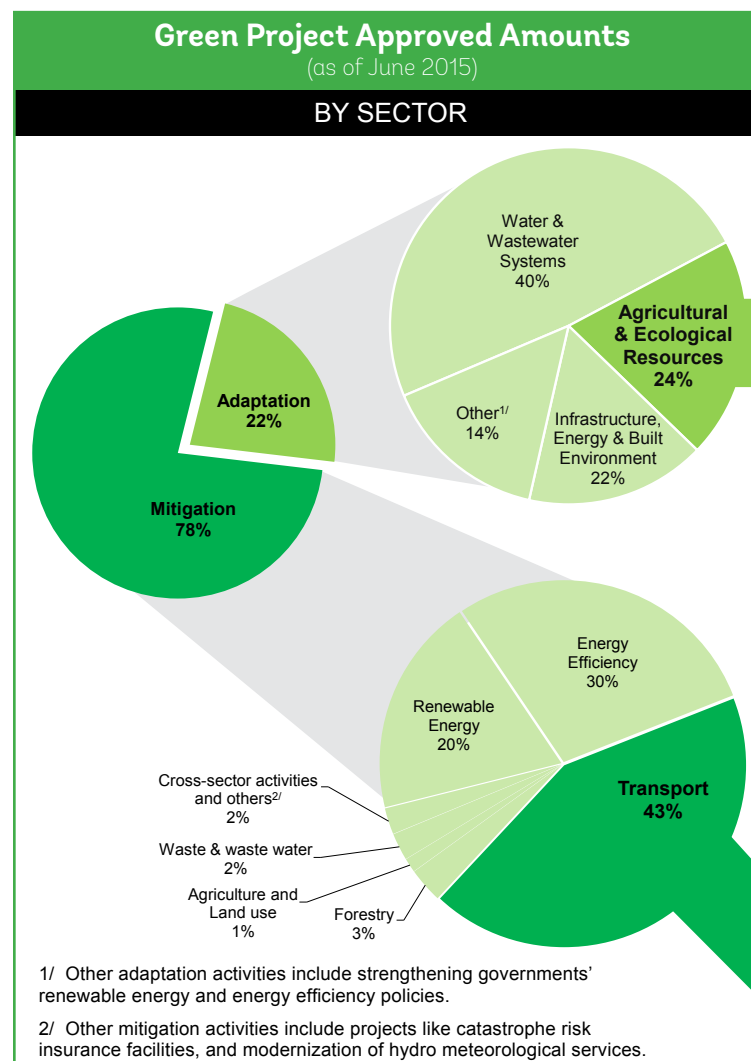
- **Over 100 World Bank Green Bonds issued since 2008:** with the hundredth transaction, cumulative issuance reached USD 8.5 billion in 18 currencies.
- **Equity-linked Green Bond Program:** designed through a successful partnership with BNP Paribas, the World Bank issued over USD 500 million in green bonds linked to an ethical index. The structure appealed to individual and institutional investors in Asia, Europe, and the U.S.
- **Longest-dated World Bank Green Bond:** a EUR 30 million 30-year green bond for Zurich Insurance Group.
- **First World Bank Green Bond denominated in Indian Rupee**
- **Largest and longest-dated World Bank Green Benchmark in US Dollars:** a USD 600 million 10-year green bond.
- **10-year USD callable green bonds:** two transactions designed for wealth management clients of Bank of America Merrill Lynch and Morgan Stanley for USD 12 million and USD 30 million, respectively.
- **A USD 50 million 2-year floating rate callable green bond** in response to demand from the California State Teachers Retirement System.

**World Bank in the News**

- **Euromoney, "Green Bonds Survey - What investors want"** - World Bank's Green Bond Impact Report viewed as important step for market (September 2015) <http://bit.ly/1O10Ye>
- **The Atlantic City Lab, "The Rise of Green Bonds, Explained"** (August 11, 2015) <http://www.citylab.com/weather/2015/08/the-rise-of-green-bonds-explained/400940/>
- **International Business Times, AU Edition, "To End Poverty, World Bank wants poor to have full access to clean energy,"** (August 11, 2015) <http://www.ibtimes.com.au/end-poverty-world-bank-wants-poor-have-full-access-clean-energy-1459917>
- **Environmental News Service, "Retail Investors Snap Up World Bank Green Growth Bonds"** (January 14, 2015) <http://ens-newswire.com/2015/01/14/retail-investors-snap-up-world-bank-green-growth-bonds/>

**World Bank Publications**

- **Green Bond Guide, "What are Green Bonds?"** published in 5 languages by International Bank for Reconstruction and Development (September 2015) [http://treasury.worldbank.org/cmd/pdf/What\\_are\\_Green\\_Bonds.pdf](http://treasury.worldbank.org/cmd/pdf/What_are_Green_Bonds.pdf)
- **World Bank Feature Story, "Investors Welcome Newly Released World Bank Green Bond Impact Report"** (August 11, 2015) [www.worldbank.org/en/news/feature/2015/08/11/investors-welcome-world-bank-green-bond-impact-report](http://www.worldbank.org/en/news/feature/2015/08/11/investors-welcome-world-bank-green-bond-impact-report)
- **Pension Fund Service Local Government, "Getting to know the Green Bond Market"** (April 15, 2015) [http://treasury.worldbank.org/cmd/pdf/GettingtoKnowtheGreenBondMarket\\_PensionFundService.pdf](http://treasury.worldbank.org/cmd/pdf/GettingtoKnowtheGreenBondMarket_PensionFundService.pdf)



Highlighted In This Issue  
**Agriculture & Transportation**

World Bank Green Bonds support the financing of projects that address climate change and its challenges to economic progress in the developing world. In this edition, we highlight social and environmental impacts of projects from two sectors – Agriculture and Transport. For the full 2015 "World Bank Green Bond Impact Report", please see <http://treasury.worldbank.org/cmd/pdf/WorldBankGreenBondImpactReport.pdf>

**Agriculture** has the potential to deliver a "triple win" of social and economic benefits to rural areas through increased productivity, enhanced resilience, and carbon sequestration. With the right investments, communities can strengthen their resilience against climate-related impacts. World Bank Green Bonds support projects that improve land and water management, farmers' access to markets, and techniques for climate-friendly farming and livestock management. Examples of these projects include the following:

**ARMENIA**

Improving pasture and livestock systems to reduce emissions and increase productivity through pasture rotation techniques, rehabilitation of degraded areas, improved milk production and animal disease control.

**Expected Impacts:**

- 110,000 hectares of land with sustainable practices
- More than 10,000 farmers benefit

**PHILIPPINES**

Investing in infrastructure and enterprise development to help farmers and fishing communities, with a focus on women and people living in areas affected by Typhoon Yolanda (Haiyan) and the Bohol earthquake.

**Expected Impacts:**

- Increase incomes of about 1.9 million beneficiaries



**Transportation** accounts for 15% of global greenhouse gas emissions and its share is growing. It is also a crucial driver of economic and social development, bringing opportunities for the poor and enabling economies to be more competitive. World Bank Green Bonds support safer, cleaner and more affordable transport systems that reduce congestion, facilitate access to jobs and lower transport energy consumption. Examples include:

**COLOMBIA**

75% of Colombia's city population relies on public transportation. Yet, historically poor transportation contributed to traffic congestion, accidents and crime. Pollutants have been responsible for 62% of Colombia's carbon emissions. The National Urban Transit Program aims to increase ridership and connect populations living on the outskirts to jobs in the cities.

**Expected Impacts:**

- 1.3 million passengers per day in 5 cities benefit from cleaner, safer, and more accessible bus transit systems.
- Significant time saved per trip. For example, 14 minutes saved per trip for passengers in Bucaramanga, and 22 minutes per trip saved for passengers in Medellín.

An inside look at the World Bank project in Colombia:  
**National Urban Transport**



Above, Heike Reichelt, Head of Investor Relations and New Products at the World Bank hosts a documentary video for investors about the implementation process and impacts of the Colombian Bus Rapid Transport system in the cities of Bogotá and Pereira.

**WATCH A VIDEO** about this project:  
[http://www.youtube.com/watch?v=1K90\\_gKB1V8d](http://www.youtube.com/watch?v=1K90_gKB1V8d)

**CHINA**

As China's cities continue to grow, its transport sector is expected to exacerbate long commuting times and air pollution. World Bank Green Bonds are currently supporting 11 transportation projects in China, which are expected to result in reduced travel time, traffic accidents, and fatalities; improved access to bus stations for pedestrians, cyclists, and people with special needs; and reduced air pollution, including greenhouse gases.

**Expected Impacts:**

- 680,000 new bus passengers per day (7 World Bank projects).
- At least 25 minutes per trip saved through the Nanchang Urban Rail Project.
- 459,000 tons of CO<sub>2</sub>eq. emissions reduced annually through the Wuhan Urban Transport Project.

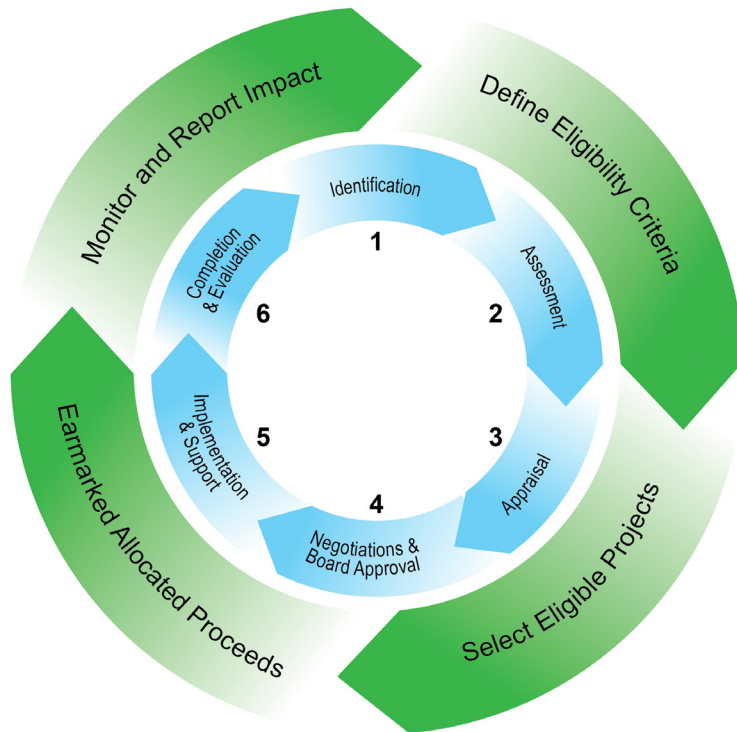
# What makes a World Bank Green Bond "Green"?

The World Bank's Green Bonds are a subset of our sustainable investment opportunities in that they support economic and social objectives, specifically through the financing of climate change mitigation and adaptation activities. For more information about other sustainable investment opportunities offered by the World Bank see: <http://treasury.worldbank.org/cmd/pdf/World-Bank-Investor-Newsletter.pdf>

## Green Bond Process

All World Bank projects undergo a rigorous six-step review and approval process and address the development priorities agreed with borrowing member countries. Green bond projects follow the same process, including environmental and social due diligence. In addition, World Bank Treasury overlays four steps to projects supported by green bonds:

- 1. Use of Proceeds:** Support transition to low-carbon and climate resilient development. Independent review of selection criteria (see box on the right).
- 2. Project Evaluation and Selection:** Environment specialists identify approved projects that meet the green bond eligibility criteria.
- 3. Management of Proceeds:** Funds credited to special account until allocated to support financing of eligible project disbursements.
- 4. Reporting:** Detailed project reporting, summarized project information, and green bond impact reporting available.



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## Project Selection Criteria

### Examples of Eligible Projects

#### Mitigation

- Solar and wind installations;
- Funding for new technologies that permit significant reductions in greenhouse gas (GHG) emissions;
- Rehabilitation of power plants and transmission facilities to reduce GHG emissions;
- Greater efficiency in transportation, including fuel switching and mass transport;
- Waste management (methane emissions) and construction of energy-efficient buildings;
- Carbon reduction through reforestation and avoided deforestation.

#### Adaptation

- Protection against flooding (including reforestation and watershed management);
- Food security improvement and stress-resilient agricultural systems (which slow down deforestation);
- Sustainable forest management and avoided deforestation.

## What Green Bond Investors Said

“As an insurance company we frequently invest into maturities of 30 years and longer. Practically, this means investing for the next generation. What better way could we find than working with the World Bank on a customized solution to both outperform our liabilities and tackle climate change.”

**Dr. Michael Leinwand**, Chief Investment Officer  
Zurich Insurance Group, Germany

“IBRD’s effort in moving forward robust impact reporting on its green bond program is impressive. We view this as an important component of our green bond evaluation. Blackrock has been a strong supporter of World Bank Green Bonds in the past, and this pioneering work on reporting standards was a key factor behind our involvement in today’s 10-year bond.”

**Ashley Schulten**, Director, Portfolio Manager  
Blackrock

“The World Bank continues their strong leadership position in the green bond market. We are happy to continue our work with them to show that bonds really can have a positive impact and make a difference in our world.”

**Benjamin J. Bailey**, Senior Fixed Income Investment Manager  
Praxis Intermediate Income Fund

**About the World Bank:** The World Bank (International Bank for Reconstruction and Development, IBRD), rated Aaa/AAA (Moody’s/S&P) operates as a global development cooperative owned by 188 member countries. The World Bank has two main goals: to end extreme poverty and promote shared prosperity. It provides its members with financing, expertise and coordination services so they can achieve equitable and sustainable economic growth in their national economies and find effective solutions to pressing regional and global economic and environmental problems.

**About the World Bank Group:** The World Bank Group consists of five separate legal organizations working towards a common mission to eradicate extreme poverty and promote shared prosperity. It includes International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), the International Finance Corporation (IFC), the Multilateral Investment Guarantee Agency (MIGA), and the International Centre for Settlement of Investment Disputes (ICSID). Both IBRD and IFC are issuers of green bonds.



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