



THE GOVERNMENT
OF THE GRAND DUCHY OF LUXEMBOURG

Global Trust Fund on Sustainable Finance Instruments



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The Global Green Growth Institute (GGGI) supports developing and emerging economies in issuing thematic bonds to achieve sustainable economic growth. National and local governments, multilateral and national development banks, exchanges, and donors highly value GGGI's expertise and seek its technical assistance to enhance their capacity and systems for mobilizing climate finance through thematic bond markets.

In 2023, with financial support from the Luxembourg government, GGGI established the Global Trust Fund (GTF), a four-year programme to accelerate the adoption of sustainable financial instruments, including thematic bonds and debt-for-nature swaps, in developing countries. This program aims to improve sustainable finance in emerging economies by enhancing policy frameworks, strengthening national green finance ecosystems, and building the capacity of market participants. It facilitates the issuance of thematic bonds by providing key policy support, technical assistance, and guidance to beneficiaries from developing countries.

The GTF is a novel approach to closing the development financing gap by leveraging the potential of the capital market to promote climate change mitigation and adaptation by creating policy incentives and risk mitigation measures to direct bond proceeds into low-carbon projects and initiatives.

The GTF will strengthen the national green finance ecosystem of at least 10 developing countries in Asia, Africa, Latin America and the Caribbean prioritized by the GTF's Board through the development of policy frameworks in 6 countries and the training of 400 sustainable finance experts in the private and public sectors. The Trust Fund will provide pre- and post-issuance and credit enhancement support of up to 15 potential issuers that are expected to result in 10 thematic bond issuances that will raise USD 2 billion towards nationally determined contributions (NDC) targets. Direct capital mobilization through the Trust Fund is expected to help avoid 130 million tCO₂ emissions, improve the resilience of 2 million beneficiaries to climate change and create 400,000 green jobs.

Main beneficiaries:

The main beneficiaries of GGGI's technical assistance include national and sub-national governments, national development banks, local financial institutions, government officials, stock exchanges and private sector players.

Donor:



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Expected program outputs:

The GTF has a flexible structure that will generate an economy of scale with its climate impact growing exponentially as its capital grows.

Enhance policy frameworks

- Enhancing national green finance ecosystems in emerging economies.

Enhance market participation capacity

- Delivering at least **15** capacity-building workshops, training over **400** public and private representatives, with a commitment to gender diversity (at least 50% of women).

Thematic bond issuance

- Supporting **15** prospective issuers and completing 10 sustainable bond issuances, raising **\$2 billion**.

Knowledge sharing

- Developing **5** or more valuable knowledge products for broader dissemination.

€5 mln	10	\$2 bln	400	129	5
budget	issuances	of investments	experts trained (50% women)	approx. MtCO ₂ avoided	knowledge products disseminated



Service Offering

Thematic Bond Framework

- **Key document for bond investors** to understand the issuer's approach to sustainability
- Sets out **guidelines on how funds will be used in the issuance of GSSS bonds** and how the issuer will monitor and report on the use of funds
- **Drafted by GGGI** and aligned with the Green and Social Bond Principles published by the International Capital Markets Association (ICMA)
- **Published on the issuer's website** at the time of the bond issuance

Second Party Opinion

- **An independent assessment** of the issuer's framework and its compliance with the ICMA Principles
- Provided by an **expert opinion provider** with assistance of GGGI
- We may conduct a **competitive bid process** for prospective opinion providers
- GGGI will **assist in the review and negotiation** of the opinion
- **Published on the opinion provider's website** at the time of the bond issuance

Due Diligence and Disclosure

- **"Green and social" due diligence** is carried out as part of the framework validation process
- **GGGI** may coordinate with legal counsel to ensure **seamless integration** of green and social due diligence **into the bond management due diligence** process
- The use of **bond proceeds section of the bond prospectus will reflect the criteria of the framework**
- **A market standard risk factor** on the suitability of social and environmental bonds for different investors will be included in the prospectus

Marketing Material

- **GGGI will help produce GSSS bond marketing material**, including a pre-transaction press release announcing investor meetings and a "Sustainability" slide for the roadshow deck
- **GGGI may prepare an additional Q&A for investors** to assist the issuer in answering investors' frequently asked questions
- A **post-transaction press release reflecting management's support** and including a **quote from a reputable socially responsible investor** can also be prepared by GGGI

Roadshow

- GGGI will add **green and social-focused investors** to its list of target investors
- As part of the roadshow process, **GGGI will seek feedback** from investors
- Investors will be asked to comment on **how social and green qualities drive their demand** so that marketing messages can be refined as the roadshow progresses
- GGGI can help with **targeted follow-ups with socially responsible investors**

Post issuance reporting

- **GGGI can assist in the preparation of annual impact reports** until the proceeds of the social and environmental bond have been allocated to eligible projects
- Reporting should be **accompanied by either a non-financial audit report or an annual compliance review** by an independent third party
- GGGI can **coordinate and negotiate an independent third-party review** by a qualified service provider

A key contribution of GGGI is the development of **Thematic Bond Frameworks** that set out the issuer's processes, methodology and governance framework that govern

- the use of bond proceeds;
- the process of project identification, evaluation and selection;
- the management of proceeds; and
- monitoring and reporting.

Global Trust Fund Results 2023

The Board of the GTF regularly discusses and approves support for the countries. As of December 2023, the GTF has supported the activities listed below:

	Country	Instrument Type	Issuer Type	Counterpart
Asia	Cambodia	Green Bond	Private Sector	Ministry of Finance
	Mongolia	Sustainability-linked Bond	Private Sector	Trade Development Bank
	Kazakhstan	TBD	Sovereign / Public Sector	Government of Kazakhstan (MoF)
	Kyrgyz Republic	TBD	Public Sector	Government of Kyrgyzstan
	Lao PDR	TBD	Public/ Private Sector	Lao Securities Commission (LSC)
	Sri Lanka		Green Bond Framework & Support for a potential Debt-for-Nature Swap	Sovereign
Sustainability Bond			Private Sector	National Development Bank, Commercial Bank
Latin America and Caribbean	Saint Lucia	Blue Bond	Sovereign	Government of Saint Lucia
	Dominican Republic	Green/ Sustainability Bond	Private Sector	BANFONDESA, Banco BHD, Banco Caribe
	Peru	Sustainable and Social Bonds	Sovereign	Government of Peru (MoF)
	Paraguay	Sustainability-linked Bond	Sovereign	Government of Paraguay (Ministry of Economy and Finance - MEF)
Africa (West African)	West African Economic and Monetary Union (WAEMU)	TBD	Public/ Private Sector	BRVM (Bourse Regional des Valeurs Mobiliers)

In **Saint Lucia**, GGGI supported key ministries in the development of the sovereign blue bond framework and the positive assessment of the second party opinion (SPO) with the aim of issuing a blue bond to finance a water treatment project to be certified by the Climate Bond Initiative.

In **the Dominican Republic**, GGGI is providing technical assistance to three local financial institutions for the issuance of thematic bonds. Banco BHD, Banfondesa and Banco Caribe have received pre-issuance support in the development of their sustainable bond frameworks and second party opinion provider. All three institutions are expected to issue a green, social, or sustainable bond in 2024.

In **Peru**, GGGI, with the support of the UK PACT Green Recovery Challenge Fund, enabled the government to issue its first sovereign sustainability and social bonds. This included defining the issuance strategy, creating a governance structure and drafting the Sustainable Bond Framework, which was officially adopted in July 2021. Peru successfully issued its first sustainability bond worth \$3.2 billion in October 2021, followed by a social bond worth EUR 1 billion.

In **Paraguay**, GGGI has partnered with the Ministry of Economy and Finance (MEF) to support the design and issuance of a sustainable bond that will help raise long-term capital to finance the national sustainable development agenda and the transition to a low-carbon economy in Paraguay. GGGI is also supporting the Paraguayan government in the development of a green taxonomy.

In **Cambodia**, GGGI, UNESCAP, CGIF and GuarantCo, in collaboration with SERC (a local regulator in Cambodia), have selected three companies from seven private sector applications as potential issuers seeking support in issuing thematic bonds. The partner consortium will jointly provide technical assistance and support. This will include advising on the development of frameworks, best practices, and guidelines for bonds, facilitating post-issuance reporting and providing co-financing options to reduce the cost of issuing bonds and encourage investment.

In **Sri Lanka**, GGGI's technical assistance and intervention will facilitate the country's NDC and sustainable finance goals by creating a framework for green sovereign bonds, validating the potential of these bonds through a debt-for-nature swap transaction, and improving government and private sector knowledge in creating a green taxonomy. This will create a viable path for the country's recovery from its macroeconomic crisis while promoting progress towards achieving sustainability goals. In addition, the institutional and policy framework of local private financial institutions (FIs) will be enhanced through GGGI's policy advice to strengthen the FIs' capacity to issue thematic bonds in the domestic and international capital markets to promote green investments in Sri Lanka's low-carbon economic development.

The **Lao People's Democratic Republic (Lao PDR)** is one of Luxembourg's "climate dialogue partners". The proposed project aims to address the above needs and build on and create synergies with LuxDev's recently completed work on capital markets in Lao PDR. The proposed project will increase the flow of sustainable finance in Lao PDR in line with Lao PDR's NDC targets. Together with the Lao capital market regulator, the Lao Securities Commission (LSC), GGGI will provide technical assistance, including the following activities:

1. Gap assessment on the national sustainable finance and policy framework at the national level
2. Survey on the local institutional investor appetite
3. Issuer assessment report of 2 or 3 companies based on the preliminary list of the LSC
4. Thematic preparatory activities for bond issuance for a selected company (Bond Framework & SPO, etc.)
5. Capacity building workshop - lessons learnt from the first thematic bond issuance in Lao PDR

In Central Asia, particularly in **Kazakhstan** and **Kyrgyzstan**, GGGI identifies regulatory and governance gaps in thematic bonds and raises public awareness through roundtable discussions. This will facilitate private sector transactions in thematic bond transactions in both the Kyrgyz Republic and Kazakhstan and create the infrastructure for further development and growth of the thematic bond market.

In **Mongolia**, the Trade and Development Bank of Mongolia (TDBM) plans to issue sustainability-linked bonds to increase investment in clean technologies, advocate for better policy incentives for carbon-neutral growth and demonstrate the viability of climate investments while reducing greenhouse gas emissions. GGGI will support the update of the TDBM's existing sustainability framework in line with recent updates from the International Capital Market Association, as well as the development of a new sustainability-linked bond framework.

In the **West African region**, the BRVM regional stock market plays a crucial role as a cornerstone within the West African Economic and Monetary Union (WAEMU). Its main objective is to promote greater integration between its eight member countries: Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal, and Togo. At the sub-regional market level, the successful implementation of robust corporate governance and the commitment of listed companies to environmental and social responsibility are cited as important priorities.

The BRVM is actively promoting the implementation of a comprehensive set of measures, including awareness campaigns, international cooperation with organizations such as the LuxSE (Luxembourg Stock Exchange), regional integration efforts and the creation of green indices. This trend reflects a shift towards the inclusion of sustainability aspects in activities and illustrates the growing awareness and commitment to environmentally and socially responsible investment within the WAEMU. These initiatives not only demonstrate a growing interest in sustainable finance, but also help to promote the development of a more sustainable and resilient economy in the region.

In 2022, LuxSE and the BRVM formalized their commitment to strengthening sustainable finance in the WAEMU region. GGGI, in collaboration with the LuxSE, will support the BRVM and its member countries in the following ways:

- **Capacity building for market participants:** This includes assessment and preparation, an awareness and education programme and technical capacity building. These efforts aim to promote the expansion of sustainable finance in both the public and private sectors and to strengthen coordination and cooperation between key stakeholders in the sub-region.
- **Thematic bond issuance** – programme to accelerate the issuance of bonds: This involves providing technical assistance and training to shortlisted companies (private or public) and support throughout the bond issuance process. The aim is to facilitate the issuance of thematic bonds and thus contribute to the promotion of sustainable financing in the sub-region.

What are thematic bonds?

Thematic bonds are financial instruments issued by governments, municipalities, or companies to finance projects that positively impact the environment and society: climate change, health, food, education, access to financial services, and other NDC and SDG targets.

These include green, social, sustainability bonds and sustainability-linked bonds (SLB).

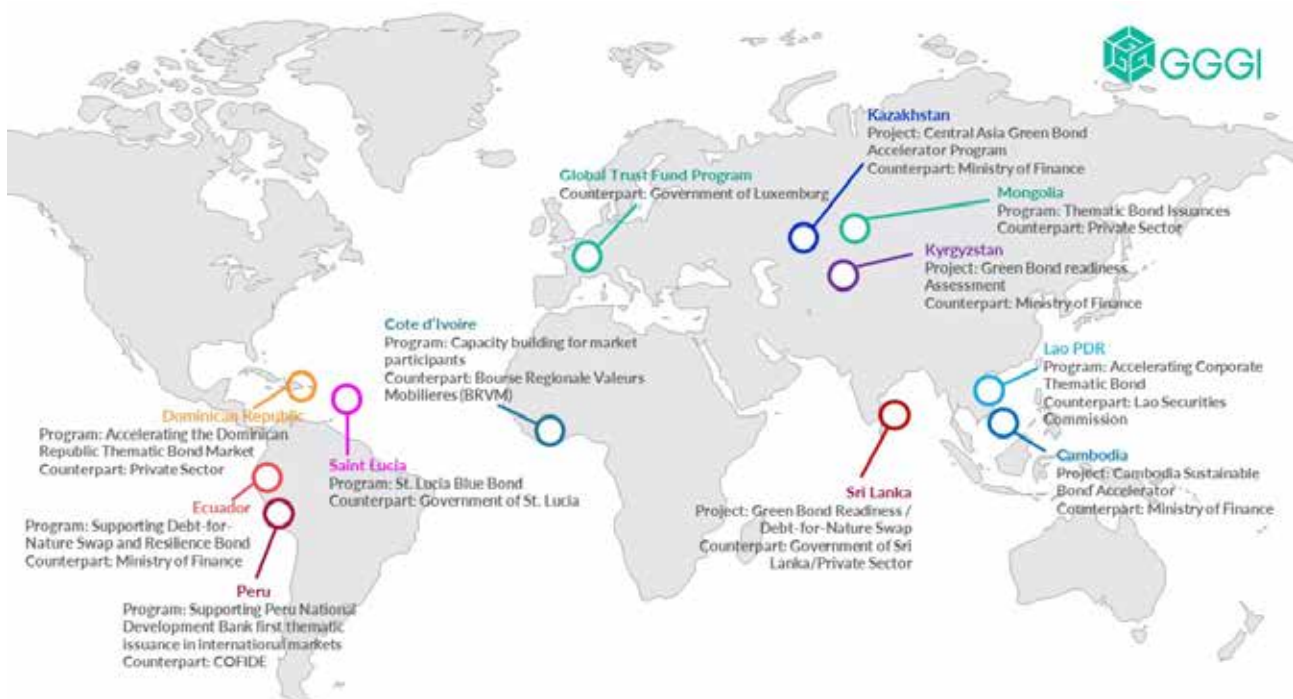
- *Green, social, and sustainability bonds:* A type of fixed-income instrument whose proceeds are earmarked to finance projects in climate change, health, nutrition, education, access to financial services, and other NDC goals.
- *Sustainability-linked bonds:* A bond instrument whose financial and/or structural characteristics may vary depending on whether the issuer meets predefined sustainability targets. Notably, the proceeds of SLBs are intended to be used for general purposes, so the use of the proceeds is not a determining factor.

Why issue thematic bonds?

The issuance of thematic bonds may bring various financial and non-financial benefits, such as lower interest rates, a diversified investor base, better coordination between finance and sustainability teams, increased visibility, and an increased flow of private sector finance into mitigation and adaptation projects.







Global Trust Fund's Portfolio 2024

Global Trust Fund has supported the issuance of bonds in the following countries.



GGGI Competitive Advantage

GGGI's Unique Position as Technical Assistance Provider in Sustainable Finance

 <p>Dedicated Team 6 thematic bond experts 32 investment officers</p>	 <p>Embedded Model 35 countries presence embedded in ministries and stock exchanges</p>	 <p>Value Chain Approach Technical assistance from policy development to investment mobilization and reporting</p>
 <p>EU Experience pillar assessed EU €12M+ under management</p>	 <p>Impact Report Second party opinion Third-party certification EU Green Bond Standard</p>	 <p>Track record USD 5bn + GSS bond issuances 22+ issuers pipeline</p>



Partners



About GGGI

The Global Green Growth Institute (GGGI) is an international organization dedicated to supporting and promoting strong, inclusive, and sustainable economic growth in developing countries and emerging economies.

GGGI's mission is to support the transition of its Member and Partner countries toward a model of green growth by developing and implementing strategies that simultaneously achieve poverty reduction,

social inclusion, environmental sustainability, and economic growth. GGGI aims to achieve its vision of a resilient world of strong, inclusive, and sustainable green growth by pursuing this mission.

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