Q&A for Social and Sustainability Bonds used to raise capital for social projects to support fragile and conflict states.

What types of organisations can issue Social or Sustainability Bonds to raise capital for social projects to support fragile and conflict states?
Governments, supranationals and official agencies may especially consider the issuance of a Social or Sustainability Bond to raise capital for social projects to support fragile and conflict states. Such bonds should be aligned with all the four core components of the Social Bond Principles, as well as the guidance of the Sustainability Bond Guidelines as appropriate. They are neither grants nor concessional finance and are to be repaid by the borrower. There is no requirement to have previously issued a Social Bond or Sustainability Bond.

What types of proceeds are eligible in such cases?
Social Bonds finance projects that directly aim to address or mitigate a specific social issue and/or seek to achieve positive social outcomes. Illustrative examples for eligible social projects to support fragile and conflict states can include direct emergency relief such as food, shelter and healthcare and specific projects designed to alleviate unemployment of affected populations. These can especially target refugees and displaced persons fleeing a conflict or crisis, although they may also seek to support a wider affected population. Borrowers also need to have processes to identify mitigants to known material risks of negative social and/or environmental impacts from their projects.

Would an existing Social or Sustainability Bond issuer require a change to its framework?
An existing Social or Sustainability Bond issuer with an established framework which includes project categories relevant to the situation such as affordable basic infrastructure, access to essential services, food security and employment generation would not need to amend its framework or use of proceeds language. The issuer should make transparent the expected impact of their proposed projects. In the absence of a broader social bond framework, issuers may also opt to specify how they will comply with the four core components of the SBP in the offering document.

Can an issuer issue a Social Bond to raise capital for social projects to support fragile and conflict states with some proceeds earmarked for social projects for other purposes?
As with all GSS bonds, issuers should make known what the intended use of proceeds are for their Social Bonds. Where applicable, issuers should indicate whether a percentage of proceeds is earmarked for social projects to support fragile and conflict states while the remaining proceeds could finance other eligible social projects.

Is additional reporting required?
Issuers should include where applicable recommended indicators for the project categories being targeted by their bond(s) in their annual Social or Sustainability impact report. See Working Towards a Harmonized Framework for Impact Reporting for Social Bonds for guidance for reporting on Social Bonds.