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ALERT  
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## How to Address the COVID-19 Crisis with Bonds

***Bonds can be the solution to fund the response to the COVID-19 crisis.***

With the global spread of the coronavirus (COVID-19) pandemic and the lockdown measures imposed by governments across the world, international capital markets participants are looking for financings to address the social and economic fallout. The market has remained open, and bonds, since the beginning of the crisis, have been the debt instruments of choice to enable capital raisings for projects with environmental benefits or positive social outcomes. These issuances can be seen as part of the larger move to sustainable finance in the context of the global environmental, social, and governance, or ESG, trend.

In Europe, issuers both in the public and private sectors have already taken action to issue COVID-19 response bonds. COVID-19 response bonds often take the form of social bonds, as they rely on the four key components of the Social Bond Principles ("SBP") of the International Capital Market Association: (i) the utilization of bond proceeds for projects with social benefits; (ii) the process for project evaluation and selection; (iii) the management and tracking of the use of proceeds; and (iv) the reporting on the use of proceeds.

When taking the form of social bonds, the use of proceeds of COVID-19 response bonds will clearly identify the COVID-19-related consequences that are addressed. Examples of COVID-19-related use of proceeds may include the acquisition of medical equipment, the alleviation of unemployment generated by the crisis, the granting of social loans for specific target populations, or the revival of the tourism sector.

In practical terms, COVID-19 response bond issuers may use an existing, amended, or new social bond framework to be implemented before the issuance. Such framework sets out how the issuer identifies and selects eligible projects and how it proposes to use and monitor the proceeds. If the bonds to be issued will take the form of social bonds, such framework will have to comply with the SBP. Due to time constraints, certain issuers have also put into place specific response bond frameworks without benefiting from the social bond label, which must be clearly stated in the framework.

The focus in the COVID-19-related bond issuance documentation remains transparency: a disclosure of the use of proceeds, adjustment of the risk factors to the specific use of proceeds, and compliance with reporting commitments.



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