

# Financing Road Safety

## Catalyzing the Sustainable Finance Market to Bridge the Gap

A Guide to Identify and Finance Eligible Road Safety Projects with Sustainable Finance Instruments



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# The Road Safety Crisis and Rationale for Mobilizing Financing from the Sustainable Finance Market

The Global Status Report on Road Safety 2023 (World Health Organization) shows that the number of annual road traffic fatalities was 1.19 million in 2021. This public health challenge disproportionately affects low- and middle-income countries (LMICs), which account for more than 90% of global fatalities, despite having only 60% of the world's vehicles. The situation is expected to worsen with increased motorization and highway infrastructure development. In LMICs, road traffic crashes incur an annual economic cost of \$1.7 trillion, equating to 2%–6% of their national GDP (Global Road Safety Facility).

These crashes exacerbate economic disparities and social inequalities, particularly affecting vulnerable populations like women, children, and non-motorized road users. The burden extends beyond immediate victims, impacting families, communities, and economies. Each fatality or injury represents a societal loss in productivity, healthcare costs, disability, and emotional suffering. In regions where healthcare and social safety net systems are often strained, the impact is severe.

Reducing road traffic injuries is a development priority, as these are the leading cause of fatalities for children and young people aged 5-29 years. More than half of fatalities involve pedestrians, cyclists, and motorcyclists, especially those in LMICs and lower-income households. Improving road safety can have a cascading positive effect on other development goals. For example, safer roads can enhance access to education, as children, especially girls, are more likely to attend school if they can travel safely. Similarly, improved road safety can facilitate access to markets and economic opportunities, fostering growth and reducing poverty.

Road safety is included in the Sustainable Development Goals (SDGs) through Target 3.6, which aims to halve global deaths and injuries from road traffic accidents by 2030, and Target 11.2, which seeks to provide access to safe, affordable, and sustainable transport systems, with a focus on vulnerable road user groups. These targets emphasize the critical role of road safety in achieving broader health, equity, and urban development objectives. Achieving these targets requires strong institutional management and capacity, as well as robust legal and regulatory frameworks enforced through measures like mandatory helmet and seatbelt use, safe speed limits, and drink-driving laws.

Improving road safety in LMICs requires addressing systemic institutional and management weaknesses. The “Safe System” approach to road safety acknowledges human error and aims to prevent fatalities and serious injuries. This approach has been widely endorsed by the global road safety community.

The principles of the Safe System approach are:

- **People make mistakes:** The system recognizes that road users will make errors, and these errors should not lead to death or serious injury.
- **People are vulnerable:** There is a limit to the impact that the human body can tolerate. The system aims to manage interactions between road users, travel speeds, and roads to ensure that crashes do not result in death or serious injury.
- **Shared responsibility:** Both those who design and those who use the roads share the responsibility for preventing road crash deaths or injuries.
- **Strengthening all parts of the system:** Even if one part fails, the road user must still be protected. This involves safe roads, safe speeds, safe vehicles, and safe road users.

By addressing eligible activities under these principles, governments and stakeholders can systematically reduce road traffic deaths and injuries. Investments are needed to design and maintain safe road infrastructure—especially for pedestrians and cyclists—and to enforce appropriate speed limits. Vehicle safety regulations mandating features like airbags and electronic stability control reduce the likelihood and severity of crashes. Enforcement coupled with awareness campaigns can promote safe road user behavior, like wearing helmets. Strengthening emergency response systems and healthcare facilities is essential for timely and effective post-crash care.

The Global Road Safety Facility (GRSF) estimated that \$400-800 billion of additional road safety investments are required in LMICs to meet the SDG 3.6 target. Road safety projects are mainly funded by government budgets, including revenue from transport and fuel taxes and enforcement penalties. Estimating how much governments are spending on road safety activities has not been an easy task given that road safety is often embedded in other sectors. For example, New Zealand's government expenditures on road engineering, traffic management, and enforcement amounted to \$1.1 billion in 1995, with about half of these expenditures providing a road safety benefit. India allocated an estimated annual budget of \$480 million in 2025 from central and state resources, needing additional annual funding of \$850 million to meet UN targets by 2030.

Multilateral development banks (MDBs) play a crucial role in strengthening road safety management capacity and developing policies and regulations that promote road safety. MDBs committed \$6 billion for road safety financing between 2018-2024. A Road Safety Working Group among the MDBs coordinates efforts across multilateral banks. The World Bank's financing has been informed by funding provided by GRSF, which plays the Secretariat role of the MDBs' Road Safety Working Group.

Investing in road safety makes economic sense. However, funding these initiatives through market instruments is less viable. While the public sector will continue to drive investments and project implementations, the private sector can offset government funding shortfalls. Concessional resources bridge the gap between the immediate costs and long-term benefits of improved road safety.

High-income countries have successfully integrated safety investments into their road, traffic management, and enforcement funding mechanisms, as seen in New Zealand. LMICs should explore integrating more safety into their road and enforcement budgets which requires strong road safety

management capacity in all institutions and a lead entity to manage the country's road safety performance. Financing both standalone, results, and policy-based road safety programs can leverage partnerships with MDBs to bolster substantial investments, scale effective solutions, and build capacity.

There is a critical need for enhanced and efficient funding mechanisms for road safety in LMICs. Accessing private financing can expand the funding availability and ensure that road safety projects are prioritized. As commercial and investment banks and institutional investors incorporate sustainable development goals and climate objectives into their strategies, they focus more on financial instruments that offer investment returns while promoting sustainability. Labeled finance instruments—such as green, social, sustainability, and sustainability-linked bonds and loans—can mobilize private finance and attract new participants including pension funds and institutional investors.

Labeled finance instruments offer investors and financial institutions the opportunity to align their portfolios with their sustainability objectives. They also act as a funding mechanism for national and subnational governments and state-owned enterprises investing in road safety projects, ensuring alignment with broader sustainable development goals and climate objectives. The usage of labeled sustainable finance instruments for mobilizing and scaling private finance for road safety is essential, given their demonstrated large-scale impact and cost-effectiveness in other sectors.

Investments benefiting from labeled finance instruments should meet the Safe System principles, target high-risk corridors and areas, and be coupled with strengthening institutional frameworks, all of which are crucial for achieving road safety improvements and meeting the SDGs targets.

Mobilizing additional resources from both public and private sources is crucial for meeting global safety standards and achieving the SDG goals. This requires a concerted effort from all global stakeholders. The next chapter will introduce various labeled sustainable finance instruments, their requirements, and the value proposition for sovereigns, sub-sovereigns, and state-owned enterprises in mobilizing them.

# Labeled Sustainable Finance Instruments and their Value Proposition

For the purposes of this report, labeled sustainable finance instruments include green, social and sustainability bonds and loans. These are financial products where the use of proceeds is clearly earmarked towards projects with environmental and/or social outcomes. They are collectively referred to as thematic bonds (or loans) and differ from general purpose instruments where the entity issuing or borrowing does not have to use the proceeds for any specific purpose.

Sustainability-linked bonds (or loans) on the other hand, are general-purpose instruments, where the proceeds are not earmarked for specific projects, but support the general-purpose financing needs of issuers (or borrowers). These financial instruments are expected to meet explicit sustainability targets which in turn influence the financing conditions.

All the above bond instruments are collectively expected to adhere to the voluntary [principles and guidance](#) published by the International Capital Market Association (ICMA). The loan instruments are required to adhere to the voluntary [principles and guidance](#) published jointly by the Loan Market Association (LMA) and the Loan Syndications and Tradition Association (LSTA). Issuers and borrowers are expected to demonstrate adherence to the principles through a sustainable finance framework. Post issuance, issuers and borrowers should report on the allocation and impact of the proceeds. Failure to adhere to the key principles may lead to the reclassification of the instrument as a conventional loan or bond. The box below provides further details on the various labeled sustainable bonds (and loans), highlighting their respective similarities and differences.

## Labeled Sustainable Finance: Definition

**Green bond (or loan)** proceeds finance projects and activities with positive environmental impacts. Eligible Green project categories include but are not limited to renewable energy, energy efficiency, pollution prevention and control, terrestrial and aquatic biodiversity, clean transportation, sustainable water and wastewater management, climate change adaptation, green technologies and green buildings.

**Social bond (or loan)** proceeds finance projects with expected positive social outcomes, helping issuers address societal inequalities. Social project categories include but are not limited to affordable basic infrastructure (clean drinking water, energy, sanitation); access to health, education, and financial services; affordable housing; employment generation; and food security.

**Sustainability bond (or loan)** proceeds finance projects or activities with both environmental and social benefits, combining features of green and social bonds.

**Sustainability-linked bonds (or loans)** do not earmark proceeds for specific projects or expenditures. Instead, the issuer (or borrower) commits to meeting predefined key performance indicators (KPIs) within a timeline for defined policies and actions. Such indicators can be related to environmental, social and (or) governance related objectives and must be verifiable, additional and ambitious. The KPIs are also linked to financing conditions. For example, if the KPIs are not met, the borrower (or issuer) must increase (step up) the coupon/interest payment to investors (or lenders).

Labeled sustainable finance instruments can play a vital role in ensuring road safety projects are adequately funded and strategically aligned with broader sustainable development goals. To raise financing through a labeled sustainable finance instrument, a prospective issuer or borrower establishes a governance framework (also called a sustainable finance framework) in line with market expectations.

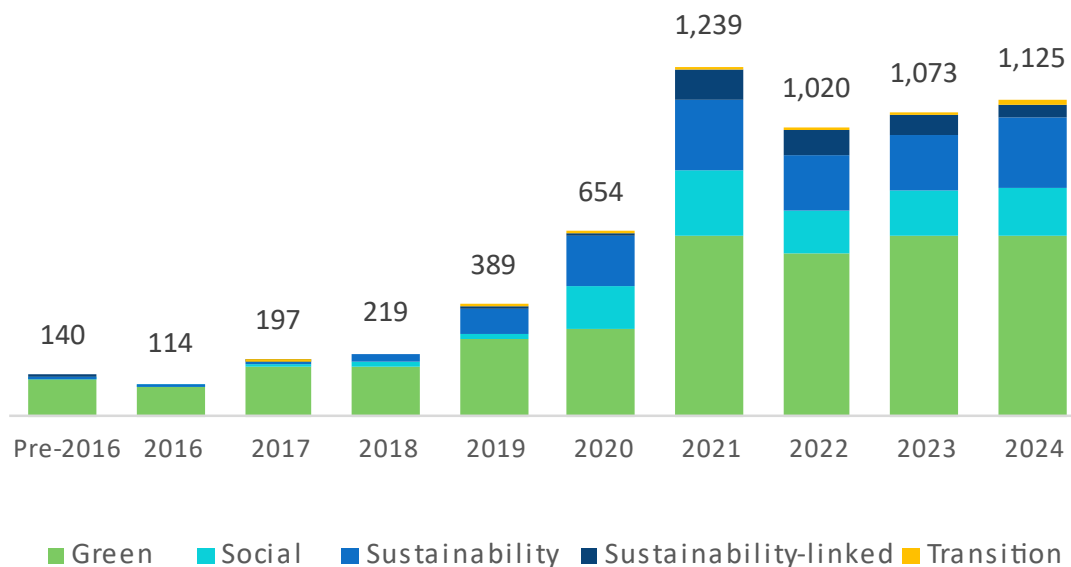
In the case of a thematic issuance, the framework developed identifies the type of project that will be prioritized, the processes established to identify eligible assets and expenditures, and processes for tracking of the allocation of bond proceeds. Issuers (or borrowers) are expected to report the allocation of bond proceeds to eligible projects and the environmental impact of the projects supported at least on an annual basis until the complete allocation or disbursement of the instrument. In the case of a sustainability-linked issuance, the framework establishes the sustainability objectives and the key performance indicators that issuers commit to achieve to live up to their sustainability commitments. It also establishes measuring and monitoring mechanisms for indicators. Issuers or borrowers are expected to annually report on whether they are achieving the key performance indicators.

As with any other financing instrument, the transaction should be aligned with the borrower's overall funding and debt management strategy. The prevailing stage of market development and market appetite for these types of bonds (or loans) are also relevant factors to evaluate when considering such issuances.

The potential of labeled sustainable instruments has been increasingly recognized and is continuously evolving through the development of new products, recognition of new project categories, and the development of associated guidelines emerging from market associations (e.g., the guidance published by ICMA on [blue-themed bonds](#) and the [Climate Transition Finance Handbook](#)). Within the labeled sustainable bond space, issuances have grown, with annual issuances exceeding 1 trillion for four consecutive years and total cumulative issuance surpassing \$6.4 trillion as of December 2024 (see chart below). This trend signifies a growing market readiness to support impactful projects through sustainable finance mechanisms.



## Global Annual Labeled Bond Issuance, USD billion



Source: World Bank based on data from Bloomberg Terminal. Data as of December 2024

Labeled sustainable finance instruments offer several benefits:

- Mitigating risks and seizing opportunities:** The challenge of decarbonizing the economy in a socially equitable way presents risks and opportunities for investors. Environmental, social, and governance (ESG) factors are essential in evaluating global economies, markets, industries, and business models, as well as in assessing long-term investment opportunities and risks across asset classes.
- Meeting investor demand:** Sustainable bond (and loan) issuance is rising, regulations are setting global standards, client interest in ESG practices is increasing, and responsible investing is becoming mainstream. The COVID-19 crisis, the prioritization of environmental and social concerns, and the climate financing needs has driven more investors to seek sustainable investment choices, with growing issuance in social, SDG, and pandemic-related bonds complementing the green bond (and loan) market.
- Aligning with sustainability goals:** Labeled sustainable finance instruments enable investors to align their asset allocations with sustainability objectives, such as the SDGs. Fixed income is a key asset class for driving material ESG change. The global bond market's size and maturity structure allows investors to push for sustainability commitments during refinancing, accelerating positive social and environmental change.

Labeled sustainable finance instruments are presently used by sovereign issuers, private issuers, and international financial institutions, including the World Bank to advance many environmental and social objectives. However, they have not yet been used to promote the objective of improving road safety at scale. Sustainable finance instruments in support of road safety objectives could comprise loans or bonds where the use of proceeds from the financing are used to fund road safety projects (use of proceed instruments), or sustainability-linked loans/bonds financing borrowers that make a credible commitment

towards road safety objectives under a sustainability framework and that commit to achieving robust road safety KPIs that go beyond business as usual.

Improving road safety is an objective that cuts across health and social service sectors, and that has a direct impact on the economic and social well-being of communities. Road safety is recognized as a valid objective for labeled sustainable finance instruments due to its contribution to the SDGs. Road safety projects are also essential to achieving the active mobility and public transport mode shares required to meet transport sector climate goals. We also identify road safety projects that not only addresses safety considerations, but also climate adaptation and disaster resilience. Raising finance for road safety investments through labeled sustainable financing instruments can help borrowers diversify funding sources and allow sustainability-minded investors contribute to a critical SDG. By enabling the clear identification of road safety projects which will be eligible under the market principles and guidelines developed by ICMA, LSTA and LMA, labeled sustainable finance instruments can play a vital role in ensuring road safety projects are adequately funded and strategically aligned with broader sustainable development goals, allowing issuers and borrowers to prioritize projects that deliver measurable safety outcomes alongside long-term public health and development benefits.

The next chapter helps eligible issuers and/or borrowers identify eligible road safety projects under the relevant labeled sustainable finance instrument and the requirements that need to fulfill to meet the principles developed by ICMA, LSTA and LMA.

# Deploying Labeled Sustainable Finance Instruments Towards Road Safety Projects and Activities

There are various drivers of road safety that relate to private sector activities (i.e., vehicle manufacturing, operation and maintenance of vehicle fleets, insurance, medical services, etc.). However, road infrastructure development and traffic enforcement are primarily undertaken by the public sector, and therefore projects and activities aimed at improving public roads and ensuring road safety are predominantly under the purview of public entities, such as national government (sovereign), state owned enterprises, a national accredited agency (where a national or regional government is the majority stakeholder), and a regional or a local government.

Since public entities are responsible for the majority of road infrastructure development and maintenance activities, as well as traffic regulation and enforcement activities, they face the challenge of raising adequate funding and finance for these investments. This paper identifies projects and activities that would typically be included within the budget of a public entity and recorded in its balance sheet. The project categories identified are applicable to almost all type of public entities, included but not limited to a national government.

Prior to issuing or borrowing through a labeled sustainable financing instrument, public entities need to meet certain prerequisites. First, they need to have the mandate and ability to access the capital market in accordance with their national rules and regulations, particularly in the case of a non-sovereign entity. Second, they need to develop the capacity and identify the resources required to meet the requirements and best practices of issuing or borrowing a labeled sustainable finance instrument. The World Bank's Sustainable Finance and ESG Advisory Program has [developed guidelines](#) and identified best practices for entities in LMICs to follow prior to accessing a labeled sustainable bond issuance. Lastly, public entities need to ensure that accessing capital from the market or undertaking additional lending is within the debt management strategy of the institution and ensure the sustainability of the entity's debt while minimizing financing costs and risks. By including considerations of issuing or borrowing through a labeled sustainable financing instrument, public entities expand their options of accessing financing both from the public sector and private sector.

Road safety is not specifically identified as a project category within the ICMA or the LMA/LSTA Principles and Guidelines. However, improving road safety brings a direct social benefit, on the other hands it brings climate Co-Benefits. The project categories identified by the ICMA and LMA/LSTA principles and guidance are broad, providing issuers and borrowers with flexibility to develop, identify and allocate projects which enhance road safety while also meeting the sustainable develop goals.

A list of Safe System projects and activities which improve road safety have been identified and aligned with existing green and social project categories within the ICMA and LMA/LSTA Principles (Table 1). The appropriate metrics to report on the outcome of the projects are also identified, in alignment with the best practices highlighted in ICMA's Harmonized Framework for Impact Reporting for [green](#) and [social](#) projects.

**Table 1: Eligible Use of Proceeds (UoP) for Green/Social/Sustainability Bonds and Loans within Road Safety Improvement Activities**

Use of Proceeds	Green UoP	Social UoP	Alignment with ICMA/LMA Principles	Reporting Metrics (ICMA Aligned)	Additional Comments
Install or upgrade infrastructure/equipment for vehicle inspection systems that addresses both safety inspection and tailpipe emissions.	Yes	Yes	Affordable basic infrastructure (Social) Clean Transportation (Green)	<ul style="list-style-type: none"> <li>Estimated number / proportion of vehicles by type (commercial/heavy duty/ two wheelers) to be certified and inspected</li> <li>Estimated annual reduction in GHG emissions and pollution (NOx, Sox etc.) through vehicles inspected</li> </ul>	Ensuring that the associated legislation which support the implementation of the safety requirements and reporting on the impacts will be a prior condition before UoP could be allocated
Road infrastructure projects involving, but not limited to, the design and construction of 1) roadside crash barriers, 2) median separation treatments as applicable, 3) segregated facilities for vulnerable road users as applicable, and 4) junction improvements. This may apply to for construction of new roads, rehabilitation or maintenance of existing roads.	No	Yes	Affordable basic infrastructure (Social)	<ul style="list-style-type: none"> <li>Estimated reduction in road safety fatalities and serious injuries on an annual basis</li> <li>Measurable improvement of proactive (in-built) safety through a recognized intermediate indicator (such as <a href="#">iRAP Star Rating</a>, or <a href="#">EU Infrastructure KPI</a>)</li> <li>Share (number) of target population estimated to utilize infrastructure on an annual basis</li> </ul>	<ul style="list-style-type: none"> <li>Planning of projects under this category should always be guided by a road safety impact assessment and a road safety inspection or network assessment (including <a href="#">iRAP</a>)</li> <li>The technical designs of the projects should always undergo an independent road safety audit at different stages of the project lifecycle.</li> </ul>
Road safety measures in urban areas - implementing infrastructure changes to increase safety for all users such as upgrading road infrastructure with	No	Yes	Affordable basic infrastructure (Social)	<ul style="list-style-type: none"> <li>Estimated reduction in road crash fatalities and serious injuries on an annual basis</li> </ul>	Same as above

Use of Proceeds	Green UoP	Social UoP	Alignment with ICMA/LMA Principles	Reporting Metrics (ICMA Aligned)	Additional Comments
provision of vulnerable road Users facilities, traffic calming measures, traffic signaling, channeling, delineation and signage.				<ul style="list-style-type: none"> <li>• Share (number) of target population estimated to utilize infrastructure annually</li> <li>• Length or number of facilities for vulnerable road installed</li> </ul>	
Implementation of digital technology interventions to improve traffic management and speed control.	No	Yes	Affordable basic infrastructure	<ul style="list-style-type: none"> <li>• Estimated reduction in road crash fatalities and serious injuries on an annual basis</li> <li>• Share of target population estimated to utilize infrastructure annually</li> </ul>	N/A
Implementation of public transport systems, including bus, mass transit such as BRT, light and heavy rail systems and related road infrastructure projects involving design and construction of safe access to public transport stops and stations including 1) extending protected space for queuing, 2) safe road crossing spaces, 3) speed and traffic control measures, 4) segregated facilities. This may concern construction of new facilities and rehabilitation and maintenance of existing road infrastructure.	Yes	Yes	Affordable basic infrastructure (Social) Clean Transportation (Green)	<ul style="list-style-type: none"> <li>• Estimated reduction in road crash fatalities and serious injuries p.a</li> <li>• Passenger-kilometers and/or passengers; or tonne-kilometers and/or tonnes</li> <li>• Annual GHG emissions reduced/avoided in tCO<sub>2</sub>-e p.a.</li> <li>• Reduction of air pollutants: particulate matter (PM), sulphur oxides (SO<sub>x</sub>), nitrogen oxides (NO<sub>x</sub>), carbon monoxide (CO), and non-methane volatile organic compounds (NMVOCs)</li> <li>• Share of target population estimated to utilize infrastructure and services annually</li> </ul>	The reporting metric should focus on mode shift from existing personal vehicles to the public transport, otherwise there would not be a lot of safety and green benefit.

Use of Proceeds	Green UoP	Social UoP	Alignment with ICMA/LMA Principles	Reporting Metrics (ICMA Aligned)	Additional Comments
Installation of automated speed enforcement devices on high-speed roads	Yes	Yes	Affordable basic infrastructure (Social) Clean Transportation (Green)	<ul style="list-style-type: none"> <li>Estimated reduction in road crash fatalities and serious injuries p.a.</li> <li>Estimated reduction in travel speed</li> <li>Annual GHG emissions reduced/avoided in tCO<sub>2</sub>-e p.a.</li> <li>Share of target population impacted by improved infrastructure</li> </ul>	A prerequisite for this is country capacity and readiness to implement automated speed enforcement- GRSF has a corresponding <a href="#">readiness checklist</a> that can be applied as pre-requisite
Upgrading roads to make them climate resilient (e.g. constructing slope stabilization structures, improving drainage systems to avoid erosion of road materials, using durable materials for the paving of roads)	Yes	Yes	Affordable basic infrastructure (Social) Clean Transportation (Green)	<ul style="list-style-type: none"> <li>Share of target population estimated to utilize infrastructure</li> <li>% of road potentially deemed available during climate incidences [potential metric to be identified based on incidence type]</li> </ul>	A road safety audit of designs should confirm that the measures are both resilient and safe
Implementing or upgrading Emergency Medical Services (EMS) across highways (pre-hospital care)	No	Yes	Access to essential health services	<ul style="list-style-type: none"> <li>No. of Emergency vehicles procured</li> <li>Estimated target population to be covered by EMS</li> </ul>	N/A
Build and equip a network of trauma centers for post-crash care with appropriate resources	No	Yes	Access to essential health services	<ul style="list-style-type: none"> <li>Estimated patients to be treated annually</li> <li>No. of treatment and trauma centers created / installed</li> <li>Availability of facility per square km [suggested metric - ideal metric to be identified]</li> </ul>	N/A

# Other Innovative Financial Instruments towards Road Safety

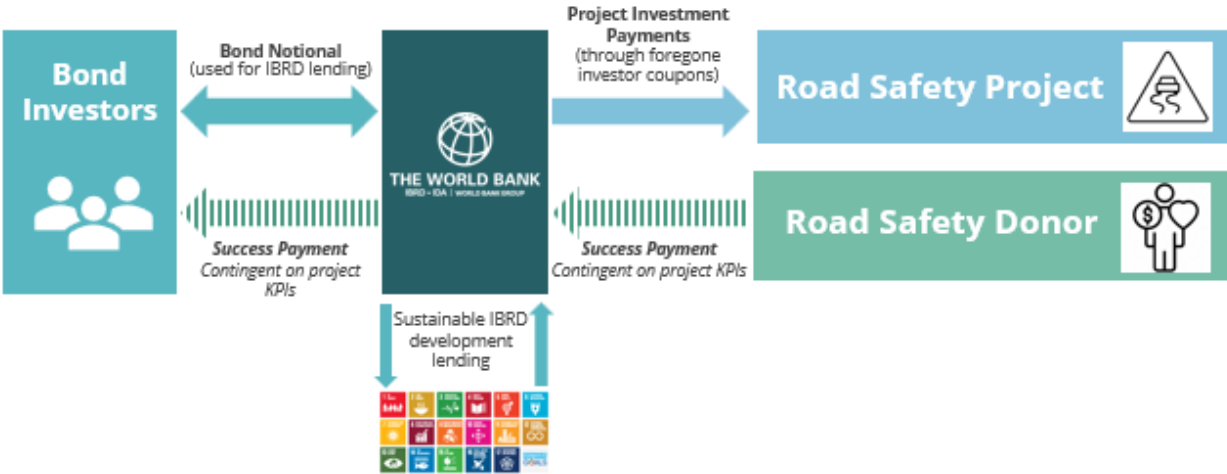
## World Bank Outcome Bonds

Since 2021, The World Bank has been issuing a new type of bond that mobilizes additional private capital to support individual development projects and fund specific project outcomes. These outcome bonds have a unique feature that directs up-front finance (through foregone investor coupons) to a specific project or activity and in return investors earn a return linked to the success of that underlying project or activity. The contingent investor return is funded either from project revenue or by a donor (e.g. through pay for success grants).

To date the World Bank has issued five outcome bonds, providing funding for a reforestation project in Brazil (Amazon Reforestation-Linked bond), for plastic waste reduction and recycling projects in Ghana and Indonesia, (Plastic Waste Reduction-Linked bond), for a water purifier project in Vietnam (Emission Reduction-Linked bond), for a wildlife conservation project in South Africa (Wildlife Conservation Bond), and for UNICEF to support its response to COVID-19 (UNICEF Bond). These bonds harness private capital and transfer project performance risk to investors, who are rewarded if the underlying activities are successful. While they make use of the World Bank’s existing bond issuance infrastructure, they allow the World Bank and its bond investors to support development projects in entirely new ways.

A World Bank outcome bond could potentially be used to mobilize up-front financing for a selected road safety project that aims to save lives and promote economic development. The principal-protected bond would pay investors a success payment at maturity based on the project’s ability to meet a key performance indicator (KPI). Without project revenue, the success payment would need to be sourced from one or more donors. An indicative transaction structure is included below.

**Indicative Outcome Bond Structure for a Road Safety Project**



Source: World Bank

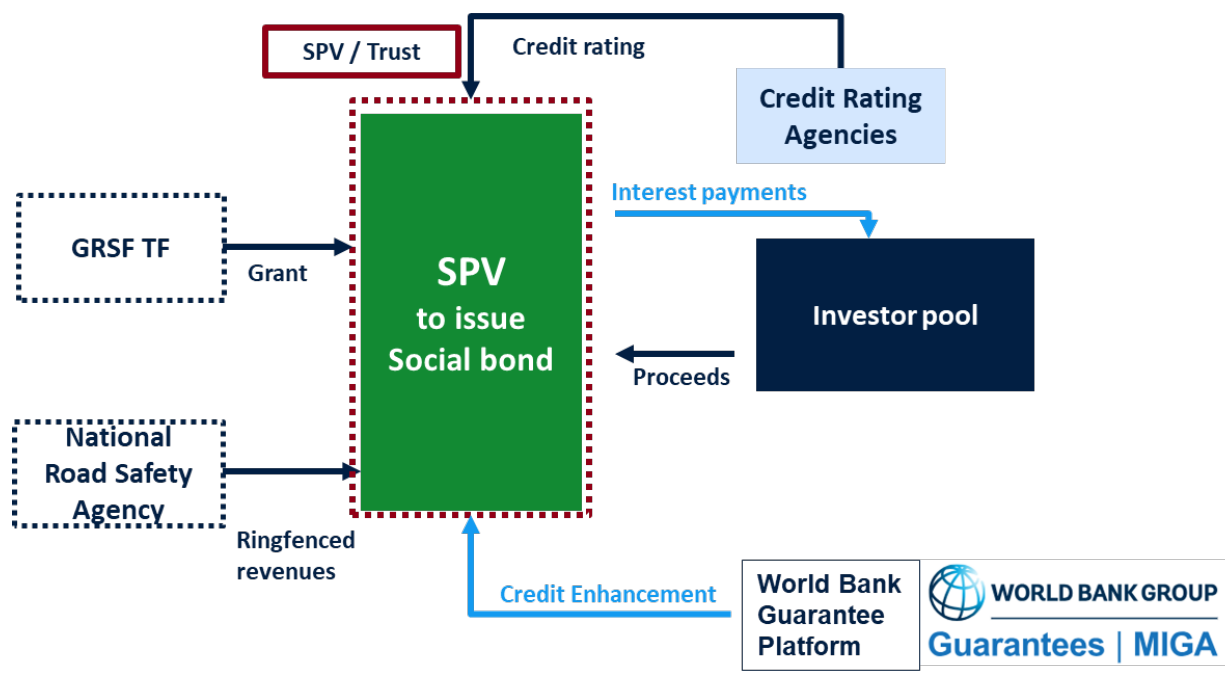
## Revenue Bond

Several road safety agencies play the role of traffic regulator and as such have a sustainable stream of revenue from vehicle registration, inspection or driver's licensing. Similarly, road funds have a stream of annual revenue. One model for these road safety agencies (or road funds) to access the sustainable finance market is to raise a securitized social bond (or loan) by ringfencing an amount of their annual revenues to service the debt. These agencies should have a mandate to implement eligible road safety projects from Table 1.

The purpose of this example is to give an indicative high-level structure and an illustrative estimate of the structure's debt capacity. This structure is subject to change following its application in an actual case. This contemplated structure can benefit from the recently revamped World Bank [Guarantee Platform](#).

### *Proposed indicative structure*

The indicative structure below would be adapted to issuing a social bond through future revenue securitization:



Under the contemplated structure, the National Road Safety Agency establishes a Special Purpose Vehicle (SPV) to which the agency transfers the revenue rights to be ringfenced. The SPV issues a rated social bond whose size will be calibrated based on the ringfenced revenues that will be utilized to repay the coupons to the investors. The sizing is based on the ringfenced revenues only as no additional stream of revenues is expected from the projects benefiting from the use of the bond proceeds. The bond will benefit from credit enhancement through an IBRD guarantee. The guarantee will enhance the securitized debt instrument credit rating and mitigate risks to investors.



The SPV may also benefit from a Global Road Safety Facility (GRSF) grant. Total proceeds will be utilized to finance selected eligible projects under the investment program managed by the National Road Safety Agency during 2025-2028. Such investment program will be developed with technical assistance provided by the GRSF.

### ***Benefit from World Bank support***

The proposed World Bank guarantee supports the National Road Safety Agency in mobilizing long-term and low-cost financing through:

- Enhancing the credit rating of the bond issuance using WB’s ‘AAA’ rating
- Increasing the volume and tenure of the bond
- Attracting competitive financing terms through international placement
- Helping access institutional investors and capital markets through WB relationship

The world bank credit guarantee will be structured to provide the optimal level of credit enhancement necessary to ensure Road Safety Agency received attractive terms. The level of guarantee contemplated for the debt sizing is subject to further analysis during the financial due diligence phase. Project preparation, due diligence (E&S, Fiduciary, etc.) and appraisal follow the same process as for World Bank loan and help reduce risk perception of lenders.

### ***Indicative debt size for illustration purposes only***

Assuming a sovereign yield bond for a 10Y maturity would be at [6.2] percent and the cost of funding for the sub-sovereign (or the SPV) would be around [100] bps higher, subject to further analysis and market sounding. Based on the implementation of a [40] percent IBRD guarantee, it is estimated that the cost of funds would be at [6.3] percent inclusive of the guarantee fees. This rate is closer to what the sovereign rate is but avoids getting the government issuing the bond directly. It also introduces long-term financing using transport sector revenues, thus promoting commercializing of road sector investment, including supporting road safety interventions through long-term borrowing.

Considering that \$10 million can be ringfenced per year, a Debt Service Cover Ratio (DSCR) of 1.15x, and the cost of funding estimated above, the SPV debt capacity is estimated **[\$138] million** for a 10Y social bond.

<b>in million (\$USD)</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>10</b>
Revenues ringfenced and available for repayments	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Cashflows available considered for debt sizing (1.15x DSCR)	8.7	8.7	8.7	8.7	8.7	8.7	8.7	8.7	8.7	8.7
Debt size @cost of fund of [6.3] %	138.0									
Principal to be refinanced										138.0

Source: World Bank

# Way Forward

The success of labeled sustainable bonds and loans in addressing road safety challenges relies on collaborative efforts among various stakeholders:

- **Governments:** Governments are pivotal in crafting and enforcing policies that support sustainable bonds and loans financing for road safety initiatives. They play a critical role in identifying the local and national challenges which impede road safety and develop guidelines to projects and activities which would mitigate the challenges.
- **Multilateral development banks (MDBs):** MDBs are essential in providing the financial foundations and risk assurances needed to attract investments through labeled sustainable finance instruments, their own financial products and guarantees. For example, the [World Bank Guarantee Platform](#) provides financial solutions and guarantee products to help mobilize private capital for development programs with focus on climate, green and social objectives.
- **Private sector:** The private sector introduces innovative technologies and practices for road safety, ensuring investments are made transparently and accountably. Private financial institutions and investments can enable in bridging the gap to finance the road safety projects and provide tailored financial solutions.
- **Civil society:** Civil society ensures that road safety projects funded through sustainable bonds and loans are implemented transparently and inclusively, advocating for accountability and community participation.

By leveraging the strengths of governments, MDBs, the private sector, and civil society, progress toward SDG Targets 3.6 and 11.2 can be accelerated. These partnerships aim to create safer, more equitable, and sustainable communities worldwide, ensuring that road safety improvements drive broader social and economic benefits.

The World Bank, through IBRD's Sustainable Development Bond program, has led the way by engaging with investors to highlight road safety as a key development objective through its issuance. Road safety projects are part of the project portfolio that benefit from World Bank's bond proceeds. By incorporating it within the use of proceeds, the transactions have helped raise awareness with investors for road safety as a SDG priority. The World Bank has executed three debt issuances under the IBRD Sustainable Development Bond program:

- **June 2023:** Sweden's Folksam group, which includes municipal pension fund KPA Pension, invested SEK1bn (€85m) in an IBRD Sustainable Development Bond highlighting road safety [link](#).
- **July 2022:** AU\$50 million issued to Sompo Japan Insurance Inc. This was the first Sustainable Development Bond sold to a Japanese investor while raising awareness for road safety [link](#).
- **December 2021:** Emerging Market Sustainable Finance Fund invested 31 million Georgian Lari in a sustainable development bond raising awareness on road safety [link](#).

The [Global Road Safety Facility \(GRSF\)](#) is a multi-donor trust fund managed by the World Bank that supports efforts in low and middle-income countries (LMICs) to halve their road traffic fatalities and serious injuries. GRSF was established by the World Bank in 2006.

To achieve its objectives, GRSF:

- Provides grant funding, knowledge, and technical assistance to scale-up road safety efforts in LMICs.
- Catalyzes and informs multisectoral road safety investments financed by the World Bank and other multilateral development banks.
- Delivers global road safety knowledge products and capacity enhancement initiatives.

GRSF funded work has informed more than \$4 billion of world bank financed road safety investments since 2006 and enabled 65 million people with access to safer roads between 2018 and 2023.

The [Global Plan for the UN Decade of Action for Road Safety \(2021-2030\)](#) underscores the critical need to boost road safety investment to halve road traffic fatalities and serious injuries by 2030.

In support of the Global Plan, the [GRSF Business Plan FY2024-2027](#) has two primary goals:

- Catalyze road safety investments by the World Bank and other multilateral development banks in low and middle-income countries (LMICs).
- Ensure the high quality of these investments through the creation and transfer of road safety knowledge, expertise, and innovation.

There is growing potential for the development of financing instruments and viable business models that mobilize private sector road safety investment in LMICs. This report explored the use of sustainable finance market instruments.

Under the new GRSF Business Plan, a Private Capital Mobilization funding window has been created which can be used to fund the following activities in support of leveraging the sustainable finance market and its various instruments and eligible projects as described in this report:

- Fund technical assistance to conceptualize, design and appraise the eligible projects.
- Fund the monitoring and evaluation needed to verify the use of proceeds and report on metrics.
- Co-finance the eligible projects by blending grants with the proceeds of the bonds/loans.

All these activities will improve the quality of the projects, give assurance to the investors and reduce the financing cost for the public borrowers.

In addition to the above, the World Bank Treasury's [Sustainable Finance and ESG Advisory Program](#) provides technical assistance to public sector borrowers (sovereigns, sub-sovereigns and state-owned enterprises) to help them mobilize private capital through green, social, sustainability and blue bonds or loans. The program works with policy makers, ministries of finance, regulators, central banks, supervisors, and World Bank project teams to develop sustainable financial systems. Since its inception in 2017, the World Bank Treasury's program has helped emerging market public sector borrowers mobilize more than USD 23 billion from the private sector to fund sustainable development (as of December 2024), including the sovereign green bonds issued by the Government of Romania ([link](#)). The program can play an important role in helping LMICs issuers identify eligible road safety projects and activities based on national priorities.

Other MDBs also provide technical assistance to help sovereign issuers access the labeled sustainable finance market and mobilize finance for green and social projects. Below are some examples of bonds that received support from MDBs.

- Green Bond in Chile supported by IADB ([link](#))
- Social Bond in Ecuador supported by IADB technical assistance and guarantee ([link](#))
- Social Bond in Thailand supported by ADB ([link](#))
- Social Bond and Sukuk Issuance in Indonesia supported by ADB ([link](#))
- Sustainable Bond in Brazil supported by World Bank and IADB ([link](#))

Subsequent issuances can help raise financing for eligible road safety activities based on the eligible projects identified in this report.

Prior to issuance of a labeled sustainable bond or loan, issuers need to ensure that they clearly identify eligible road safety projects and activities that meet national priorities, comply with ICMA and LSTA/LMA guidance, and are integrated under project categories identified in the issuer's sustainable financing framework. Governments also need to highlight supporting policies and regulations to help investors better understand the context in which the projects and activities are being implemented. They need to ensure adequate preparation and internal capacity development is undertaken to ensure that projects are implemented on time, and the associated impact reporting on the projects adheres to international standards for disclosure and transparency, providing the granularity required by the market.

The loan and bond market associations can accelerate the uptake of road safety projects being allocated towards labeled sustainable finance instruments by explicitly including road safety as an eligible project category in their guidelines.

The burden of road traffic injuries is a significant global challenge requiring urgent attention and investment. By integrating road safety investments with broader development goals and leveraging innovative financing solutions such as labeled sustainable bonds and loans, this crisis can be addressed effectively. The societal, economic, and human benefits of improving road safety are extensive, making it a critical priority for national agendas. Through strategic investments in road safety, economic burdens can be mitigated, long-term growth promoted, and a safer, more equitable world created for all. The MDBs together with the Global Road Safety Facility and with strong donor support can help countries catalyze the sustainable finance market to fund high-impact and results-oriented road safety projects.

**GRSF**  
Global Road Safety Facility



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