

LABELED SUSTAINABLE BONDS

Quarterly Market Update



WORLD BANK GROUP

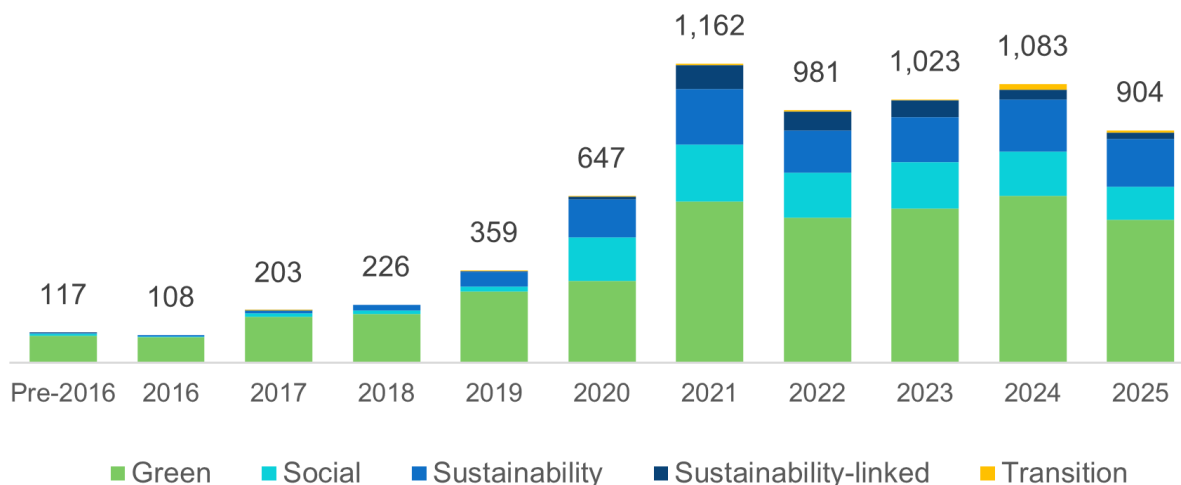
Q4 | 2025

A warm welcome to the fourth quarter update on the trends in the labeled sustainable bond market prepared by the World Bank Group Treasury's [Sustainable Finance Advisory Program](#). In this quarterly edition of our newsletter, we provide a special focus on emerging market public sector issuances and updates to policies and regulations in the sustainable finance market space. We will also look back on the key highlights of 2025. The labeled sustainable bond market comprises green, social, sustainability, sustainability-linked and transition bonds.

Market Overview

Annual issuances declined in 2025 after a steady stream of issuances for the past four years, with all categories of labeled issuances recording declines. Annual issuances for 2025 reached USD 904 billion, a 17% decline compared to 2024 levels. The cumulative amount of green, social, sustainability, sustainability-linked, and transition bonds issued in the market reached USD 6.81 trillion as of December 2025. Overall volumes of labeled sustainable bonds in fourth quarter of 2025 declined, the lowest Q4 issuance since 2019. Green bond issuances continued to be the preferred instrument, representing 62% of the overall issuances in 2025. While the operating environment for issuances may remain challenging, market analysts continue to signal resilience in the labeled sustainable bond market, with expected volumes in 2026 to remain constant to 2025 levels.

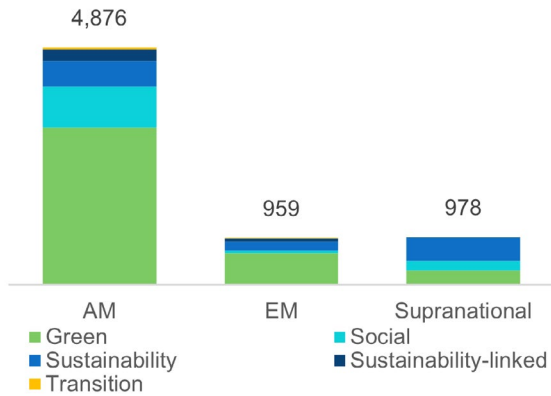
Global labeled sustainable bond annual issuance, USD bn



Source: World Bank based on Environmental Finance Data

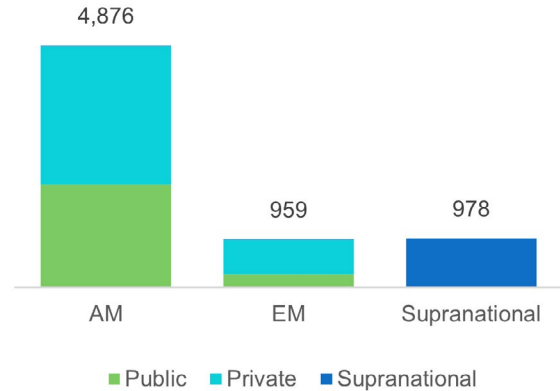
EM vs AM trends: The share of emerging markets (EM) within labeled bonds represented 14% of the total amount issued. Green bond issuances dominate both the emerging market and advanced markets (AM), representing 67% and 66% of overall cumulative issuances, respectively. Public sectors, including sovereigns, government agencies, municipalities, local and regional governments' participation in EM labeled bond markets represent 26% of overall issuances, compared to 42% in AM labeled bond market.

Cumulative labeled sustainable bond issuance by market and by bond type, USD bn



Source: World Bank based on Environmental Finance Data

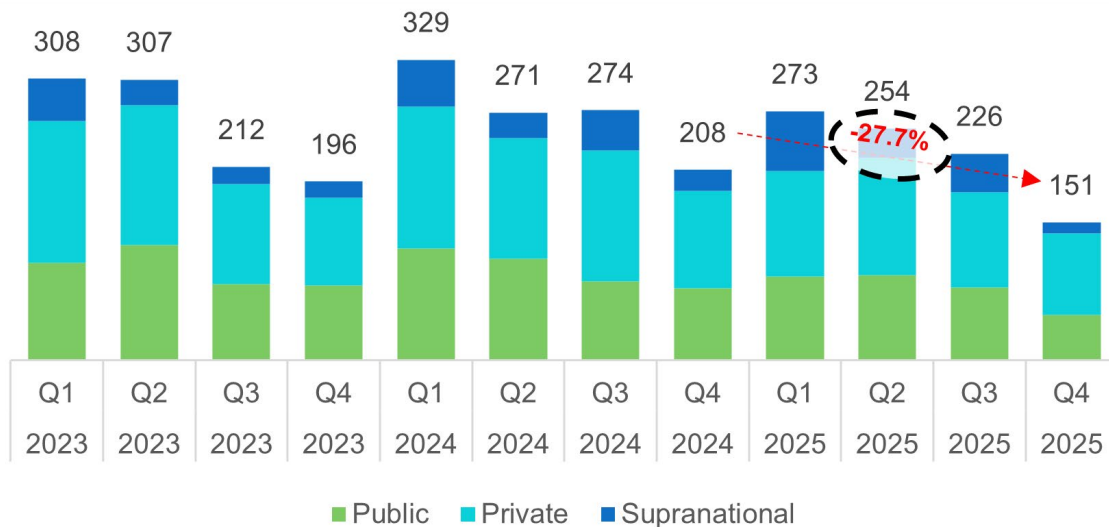
Cumulative labeled sustainable bond issuance by market and by issuer type, USD bn



Source: World Bank based on Environmental Finance Data

Quarter 4, 2025 performance: Overall cumulative issuances in the quarter were USD 150.8 bn, a decrease of 27.7% and 33.4% compared to Q4 2024 and Q3 2025, respectively. Year on year performance for Q4 across the bond types underperformed, with issuances of green, social, sustainability, sustainability-linked and transition bonds decreasing by 23.4%, 39.0%, 24.5%, 60.9% and 26.2% respectively compared to Q4 2024. Issuances in both advanced markets (AM) and emerging markets (EM) decreased by 20.9% and 41.0% respectively compared to Q4 2024.

Quarterly labeled sustainable bond issuance by type of issuer, USD bn

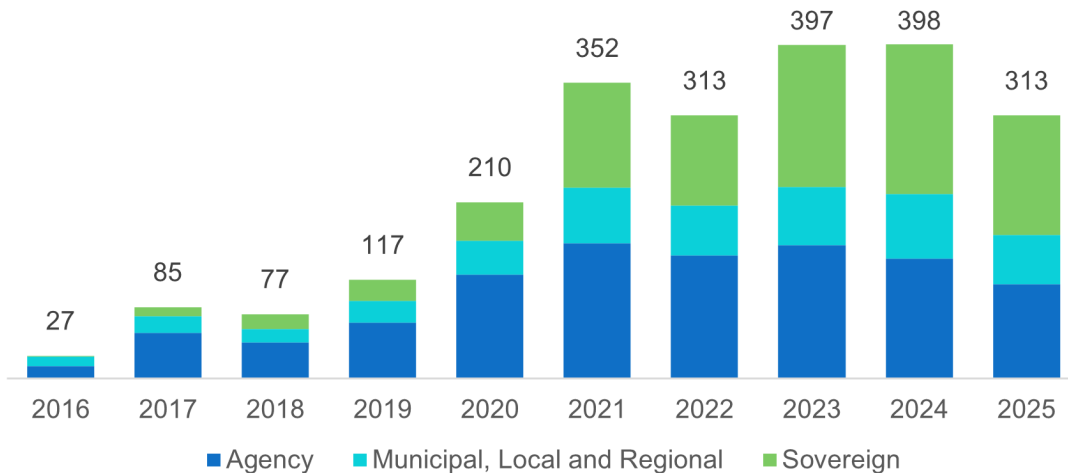


Source: World Bank based on Environmental Finance Data

Public Sector

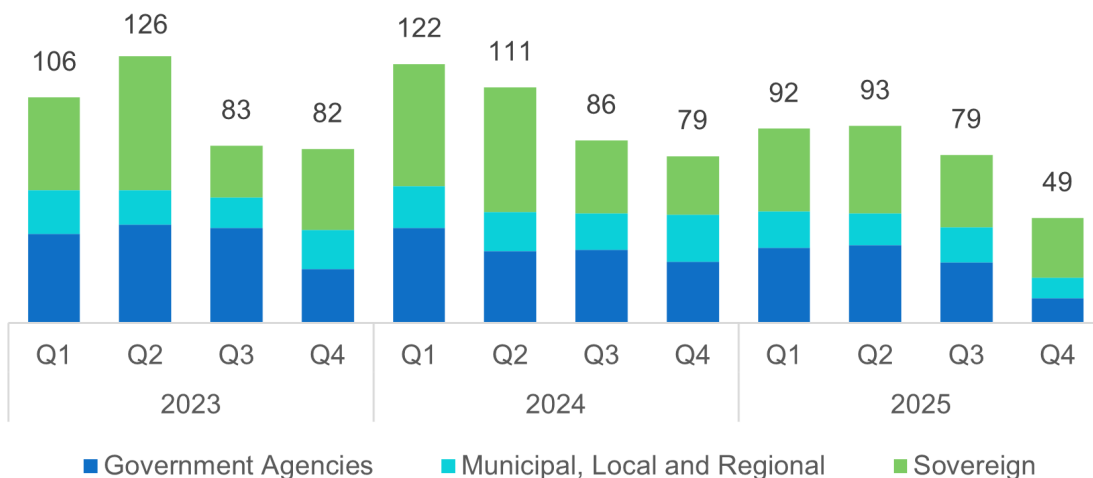
Public sector issuances represent about 34% (USD 2.32 trillion) of the cumulative labeled sustainable bonds issued. Green bonds are the preferred instrument for public sector issuers, comprising 59% of the overall issuances. Government agencies represent the biggest segment overall (45% overall, 24% in Q4 2025) among public sector issuers. However, sovereign issuances have begun to dominate quarterly issuances (35% overall, 57% in Q4 2025) representing over half of the total issuances in the quarter, with municipals, local and regional governments covering the rest (19% overall, 20% in Q4 2025). In Q4 2025, the public sector issued USD 49.4 billion in labeled sustainable bonds, with overall issuances declining by 37% compared to Q4 2024.

Public sector labeled sustainable bond annual issuance, USD bn



Source: World Bank based on Environmental Finance Data

Quarterly labeled sustainable bond issuance in public sector by type of issuer, USD bn

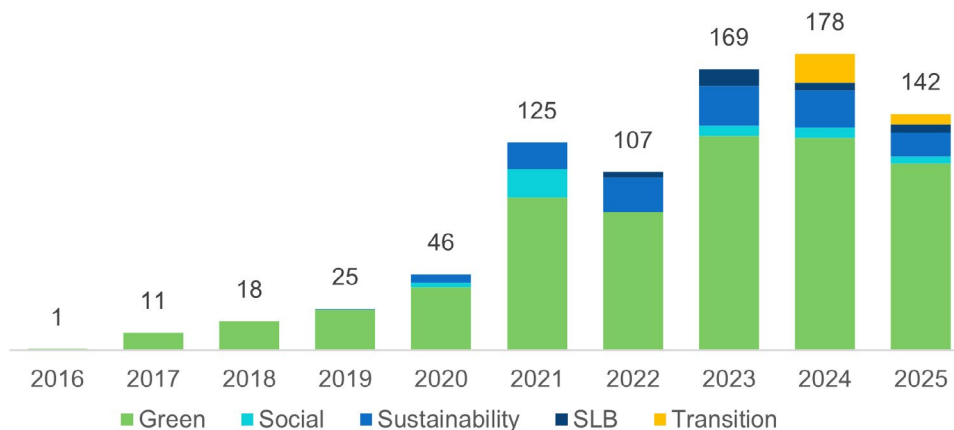


Source: World Bank based on Environmental Finance Data

Sovereigns

2025 saw inaugural sovereign issuances from four countries: [China](#), [Czech Republic](#), [Pakistan](#), and [Slovenia](#) (with its inaugural SLB issuance). In Q4 2025, 23 sovereigns collectively issued labeled sustainable bond issuances totalling USD 28 billion. Both EM and AM sovereigns contributed to the issuances, with France, Austria, UK, and Japan leading among AM sovereigns. Brazil, India, and Indonesia were the top cumulative issuers amongst EM sovereigns in the quarter. Czech Republic issued its inaugural social bond on October 2025, raising CZK 13.925 billion across 5-year and 10-year maturities. Overall, 62 sovereigns have participated in the labeled sustainable bond market, with cumulative issuances reaching USD 822 billion.

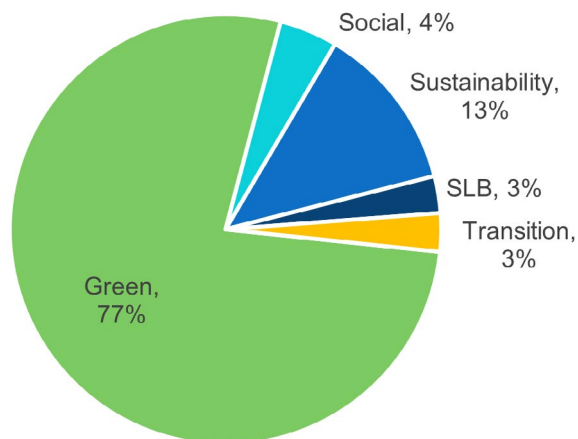
Sovereign labeled sustainable bond annual issuance, USD bn



Source: World Bank based on Environmental Finance Data

Green bonds remain the preferred instrument for AM sovereign issuers, accounting for USD 585 billion, or 94.2% of cumulative sovereign labeled sustainable bonds issuances. In contrast, EM sovereign issuers prefer sustainability bonds, which total USD 93 billion and represent 46.3% of the overall cumulative labeled sustainable bond issuances. The dominance of green bonds in cumulative sovereign issuances is driven by the substantial volumes issued by AM sovereigns, a trend that has continued into 2025, with USD 20.4 billion issued in Q4 2025 alone.

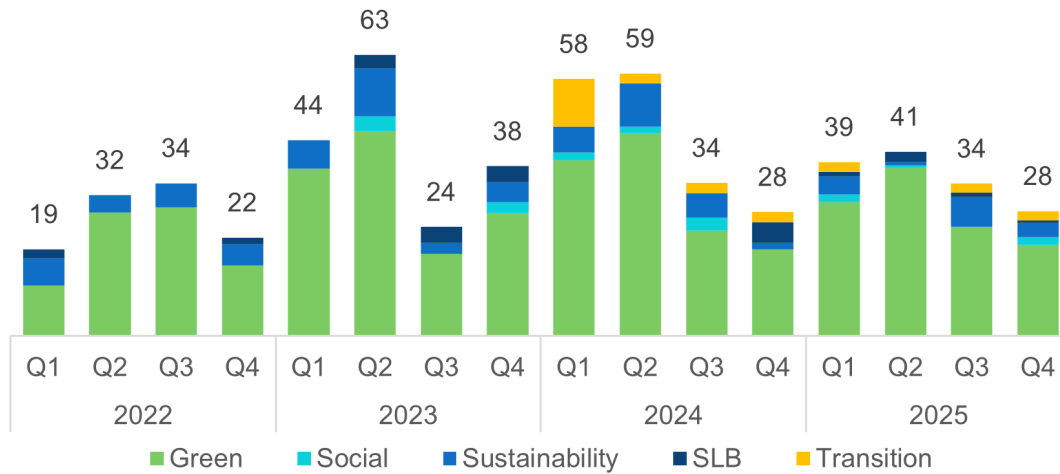
Cumulative sovereign bond issuance by instrument type, % total amount to date



Source: World Bank based on Environmental Finance Data

Sovereign issuances in Q4 2025 showed a slight increase of 0.7% when compared to Q4 2024 issuances, but decreased by 18.0% with respect to the previous quarter (Q3 2025).

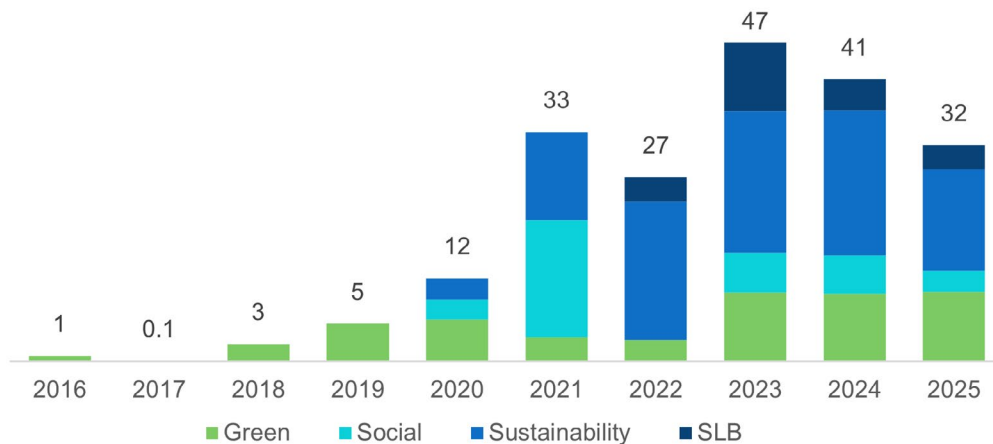
Quarterly sovereign bond issuance by instrument type, USD bn



Source: World Bank based on Environmental Finance Data

Since 2016, 29 emerging market (EM) sovereigns have issued labeled sustainable bonds for a total of USD 200.5 billion, representing 2.9% of total labeled sustainable bonds ever issued globally. Despite having strong performances in 2023 and 2024, issuances were muted in 2025, with cumulative volumes of only USD 31.6 billion.

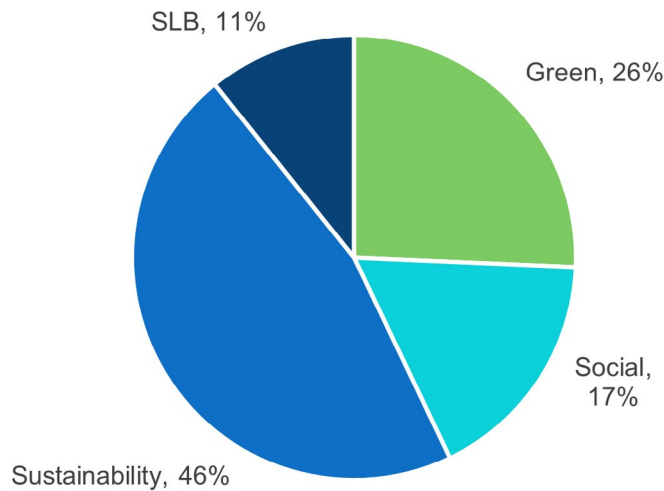
EM sovereign bond annual issuance by instrument type, USD bn



Source: World Bank based on Environmental Finance Data

Sustainability bonds continued to be preferred by EM sovereign issuers in 2025, representing 47% (USD 14.8 billion) of the total EM sovereign issuances. This was reflected in Q4 2025 issuances as well, where sustainability bond issuances represented 53%, while green bond issuances represented only 24.6% of the overall Q4 2025 issuances amongst EM sovereigns.

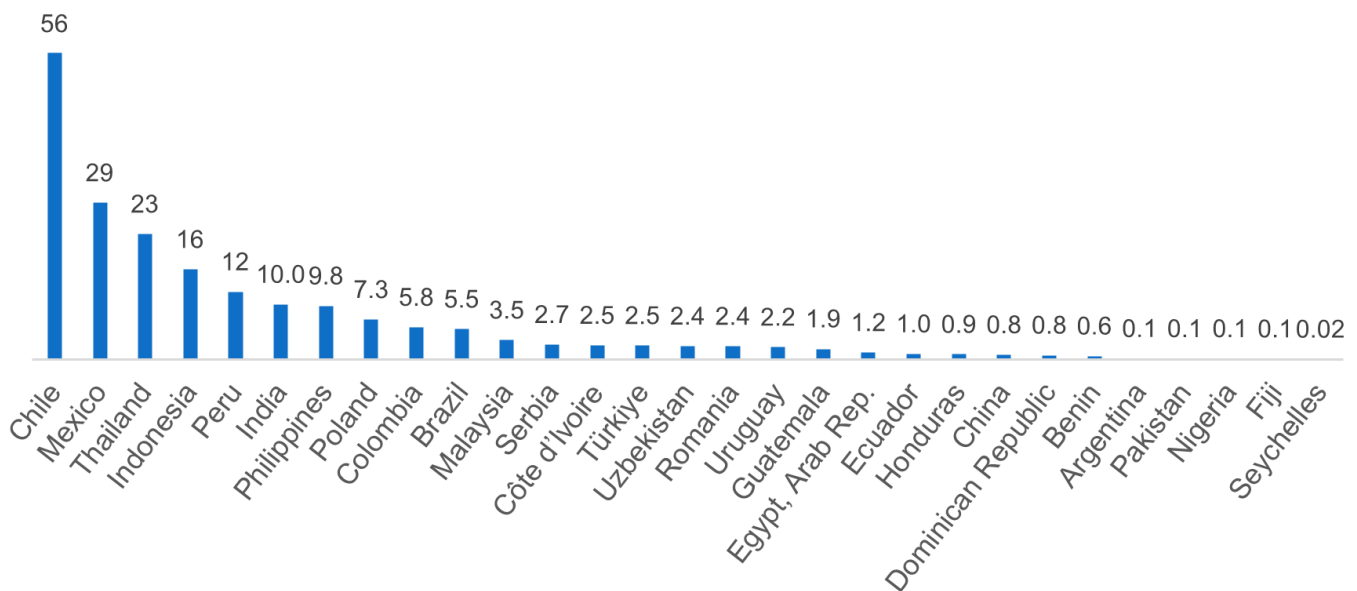
Cumulative EM sovereign issuance by instrument type, % total amount to date



Source: World Bank based on Environmental Finance Data

Among the EM sovereigns, Chile is the largest issuer, with a total of USD 56 billion in green, social, sustainability and sustainability-linked bond issuances. This is followed by Mexico with USD 29 billion, and Thailand with USD 23 billion, as of December 2025.

EM sovereign labeled sustainable bond issuers, USD bn total to date



Source: World Bank based on Environmental Finance Data

EM sovereign issuances remained muted in Q4 2025, representing USD 6.1 billion in total issuances, decreasing by 47.8% and 19.8% compared to Q3 2025 and Q4 2024 levels, respectively.

QoQ EM sovereign labeled sustainable bond issuance, USD bn



Source: World Bank based on Environmental Finance Data

Featured Public Sector Issuances and Sustainable Finance News

World Bank issues first ‘outcome bond’ linked to Article 6

In December 2025, The World Bank issued its first ‘outcome bond’ linked to carbon credits issued under Article 6 of the Paris Agreement. The USD 200 million Clean Cooking Outcome Bond will see part of its coupon linked to the sales of carbon credits from cleaner cookstove projects in Ghana and sold to Switzerland as Internationally Transferred Mitigation Outcomes (ITMOs). It attracted 11 investors, including BlueBay, Nuveen, Rathbones, Velliv Pension, Skandia, Mackenzie Investments, and new buyers Legal & General. The AAA-rated World Bank (IBRD) guarantees the repayment of the principal and offers a coupon of roughly 1.1%. Some of the coupon that investors would normally expect to receive from a World Bank sustainable bond will be frontloaded and instead be paid \$30.5 million to support East Africa-based company UpEnergy projects, distributing over 400,000 cleaner cookstoves in Ghana, offering a variety of health and environmental benefits. Read more [here](#).

IDB raises AUD1bn from first benchmark-sized ‘Amazonia Bond’

In January 2026, The Inter-American Development Bank (IDB) issued its second ‘Amazonia Bond’ with the AUD1 billion (USD 671 million) deal becoming the first benchmark-sized transaction using the Amazon-focused sustainable bond label. The five-and-a-half-year bond with a 4.6% coupon attracted an orderbook in excess of AUD3.5 billion. The deal follows IDB raising USD100 million from its debut ‘Amazonia Bond’ in November and forms part of its plan to raise USD1 billion from the sustainable bond sub-label. The World Bank and IDB jointly developed the [Amazonia Bond Issuance Guidelines](#) in June 2025. IDB president Ilan Goldfajn said the proceeds will be used to support projects in the Amazon rainforest which “protect the forest, strengthen local economies, and deliver measurable results”. Nine South American countries encompass the Amazon region – including Brazil, Peru, Bolivia, Colombia, Venezuela, and Ecuador. Read more [here](#).

Nigerian state Lagos makes green bond debut

In November 2025, Lagos State raised NGN14.8 billion (\$10 million) from its debut green bond, becoming the first sub-national government in Nigeria to enter the sustainable bond market. The five-year green bond – with a 16% coupon – was twice oversubscribed by investors, with orderbooks reaching NGN29.3 billion. Lagos State governor Babajide Sanwo-Olu said that the proceeds will be used to support its 'THEMES Agenda' strategic development plan, environmental protection, and climate resilience projects in particular. Read more [here](#).

Sri Lanka to extend green taxonomy to social in 2026

At a public event outlining its policy agenda for 2026, the central bank of Sri Lanka has confirmed plans to extend its green taxonomy to include social categories during 2026. This follows the Sri Lankan central bank publishing its '[Green Finance Taxonomy](#)' in May 2022. The taxonomy covered climate change mitigation and adaptation activities as well as pollution prevention and control, ecological conservation, and resource efficiency projects across sectors including forestry, agriculture, energy, transport, and tourism. Sri Lankan central bank governor Nandalal Weerasinghe said this was in line with its '[Sustainable Finance Roadmap 2.0](#)' published in May which outlined the action plan the central bank was intending to implement over the next five years. The Sri Lankan government has also announced its plans for a debut green or blue bond, according to reports from Environmental Finance.

Hong Kong SAR issues 3rd groundbreaking multi-currency digital green bond

In November 2025, The Government of the Hong Kong Special Administrative Region of the People's Republic of China (the HKSAR Government) successfully issued around HK\$10 billion worth of digital green bonds (Digital Green Bonds) denominated in HK dollars (HKD), Renminbi (RMB), US dollars (USD), and euro (EUR) under the Government Sustainable Bond Program. The issuance marked the second time ICMA's Bond Data Taxonomy (BDT) was embedded by a government issuer for a digital green bond, with the aim to facilitating the consistent exchange of issuance information between different transaction parties and systems in traditional capital markets and the digital industry, thereby improving interoperability, and fostering end-to-end automation. The issuance achieved breakthroughs The total subscription amount across four currency tranches reaching over HK\$130 billion, marking the largest digital bond issuance in the world to date. Read more [here](#).

Czech Republic debuts social bond in domestic market

In October 2025, the Czech Republic raised CZK 14 billion (USD 677 million equivalent) from a sovereign social bond in a debut labeled sustainable bond deal. The Finance Ministry reported that it raised CZK7 billion through a five-year social bond with a 3.95% coupon, and CZK 6.925 billion from a 10-year social deal with a 4.55% coupon. In total, investor demand reached more than CZK19 billion for the bonds. The ministry said that the average yield to maturity of the five-year bond was 15 basis points (bps) lower than its conventional Czech government bond equivalent, whilst the 10-year bond was 10bps lower. In total, the government estimates that social bond issuance will generate savings of around CZK 122 million over the life of the bonds. The sovereign described the issuance as an "important step" for the development of its sustainable finance plans. Read more [here](#).

World Bank Group Treasury's Sustainable Finance Advisory Program

The World Bank Group Treasury's Sustainable Finance Advisory Program facilitates the development of sustainable bond markets, provides technical assistance to financial regulators and public sector issuers in emerging markets. With technical assistance from the World Bank:

- Romania issued its [first sovereign green bond](#)
- Brazil issued its [first sovereign sustainable bond](#)
- Colombia issued the [first sovereign green bond in local currency in Latin America](#)
- Egypt issued the [first sovereign green bond in the Middle East and North Africa](#)
- An Indonesian [non-bank financial institution issued its first sustainability bond](#)
- A Malaysian issuer issued [the world's first green sukuk/Islamic bond](#)
- Viet Nam's oldest bank issued the [first green bond in domestic market](#)

Visit our webpage: [Sustainable Finance Advisory Program](#)

Watch a short video providing an overview of the [Sustainable Finance Advisory Program](#)

Take an e-Learning course: [Green, Social and Sustainability Bonds: Sustainable finance solutions for emerging markets](#)

For questions on how to develop a sustainable finance strategy, policies, regulations, or mobilize private capital for sustainable finance, contact:

- Miguel Navarro-Martin (mnavarromartin@worldbank.org)
- Farah Imrana Hussain (fhussain@worldbank.org)
- Abhishek Joseph (ajoseph@worldbank.org)

Glossary

Green bonds: Bonds with proceeds earmarked for projects aimed at generating positive environmental impact.

Social bonds: Bonds with proceeds earmarked for projects aimed at generating positive social impact.

Sustainability bonds: Bonds with proceeds earmarked for projects aimed at generating positive environmental and social impact.

Sustainability-linked bonds: Issuer makes a commitment to achieve pre-defined key sustainable performance targets, and the financial characteristics of the bond depend on the achievement of key performance indicators (KPIs). Proceeds go towards general purposes.

Transition bonds: Subset of green bonds, these are bonds with proceeds earmarked for projects aimed at transitioning the entity to its climate targets.

Emerging markets: World Bank Group client countries (IDA + IBRD).

Public sector: Issuances of government agencies, development banks, local and regional governments, municipals (United States only), and sovereigns.

This Newsletter is published by the World Bank Group Treasury's Financial Products team. The sources of data for the report are Environmental Finance Data with data up to December 2025 unless otherwise indicated.