

# LABELED SUSTAINABLE BONDS

Quarterly Market Update



WORLD BANK GROUP

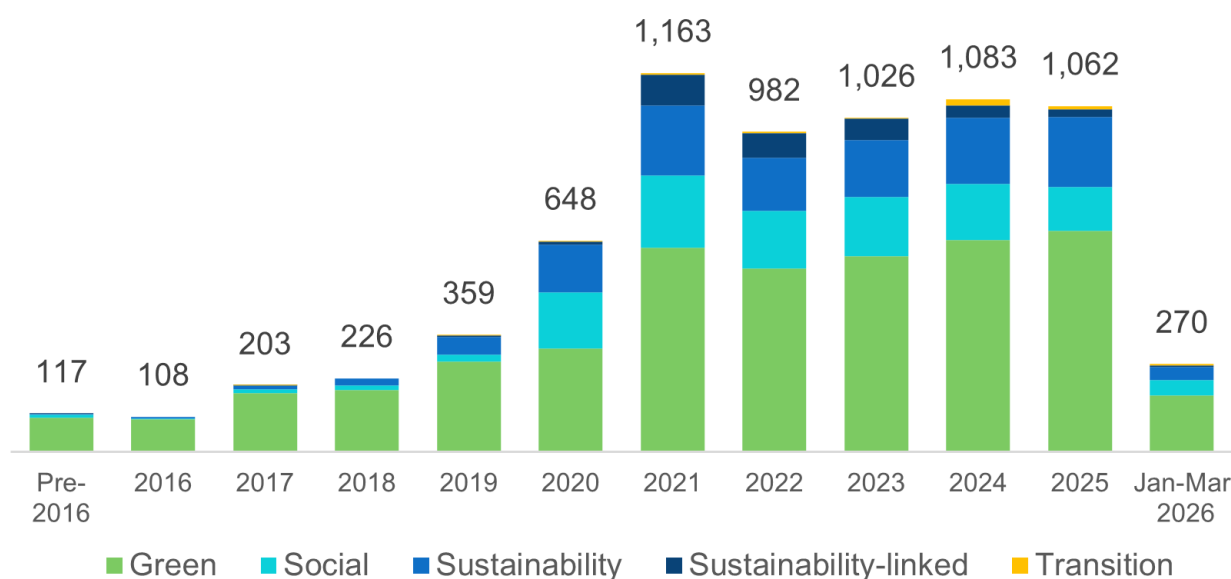
## Q1 | 2026

Welcome to the first quarterly update of 2026 on trends in the labeled sustainable bond market. This newsletter is produced by the World Bank Group Treasury's [Sustainable Finance Advisory Program](#) and focuses on sustainable bond issuances by emerging market public sector entities, alongside key policy and regulatory updates shaping the sustainable finance landscape. The labeled sustainable bond market comprises green, social, sustainability, sustainability-linked and transition bonds along with their subcategories such as blue bonds, gender bonds, and similar instruments.

## Market Overview

The cumulative amount of green, social, sustainability, sustainability-linked, and transition bonds (herein referred to as labeled sustainable bonds) issued in the market reached USD 7.25 trillion as of March 2026. Performance in the first quarter of 2026 was strong, with cumulative issuance in Jan-Mar 2026 reaching USD 270 billion vs USD 209 billion in Q4 2025. Green bond issuances continued to be the preferred instrument, representing 64% of the overall issuances in Q1 2026.

### Global labeled sustainable bond annual issuance, USD bn

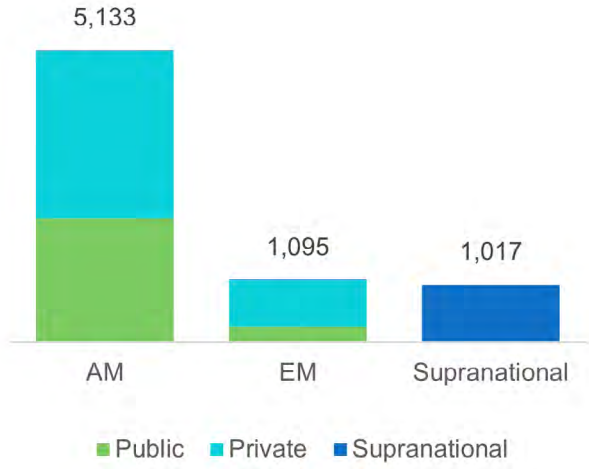
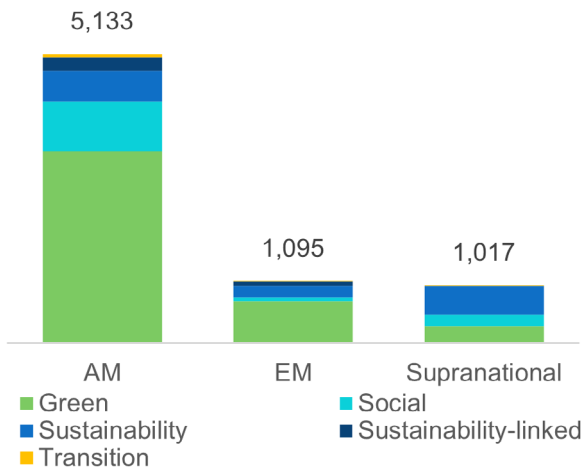


Source: World Bank based on Environmental Finance Data

**EM vs AM trends:** The share of emerging markets (EM) within labeled bonds represented 15% of the total amount issued. Green bond issuances dominate both the emerging market and advanced markets (AM), representing 67% and 69% of overall cumulative issuances, respectively. Public sector, including sovereigns, government agencies, municipalities, local and regional governments' participation in EM labeled bond markets represent 25% of overall issuances, compared to 43% in AM labeled bond market.

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

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

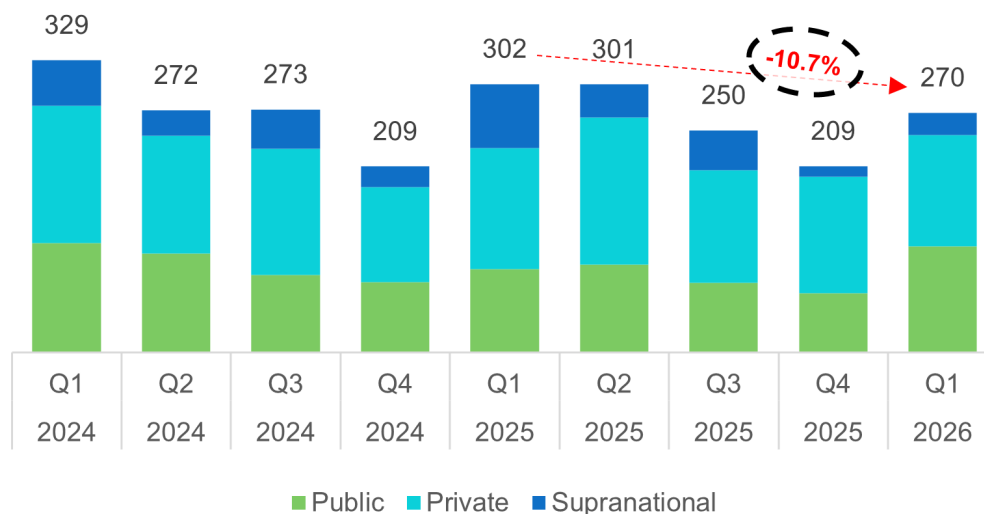


Source: World Bank based on Environmental Finance Data

Source: World Bank based on Environmental Finance Data

**Quarter 1, 2026 performance:** Overall cumulative issuances in the quarter were USD 270 bn, a decrease of 10.7% compared to Q1 2025 but an increase of 28.7% compared to Q4 2025. Issuances for green, social, and transition bonds increased by 3.7%, 2.6%, and 32.9% respectively, relative to Q1 2025. Issuances for sustainability and sustainability-linked bonds almost halved relative to issuances in Q1 2025, decreasing by 47.7% and 43.4% respectively. Issuances in advanced markets (AM) increased by 15.8%, while issuances in emerging markets (EM) decreased by 30.7% relative to Q1 2025.

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

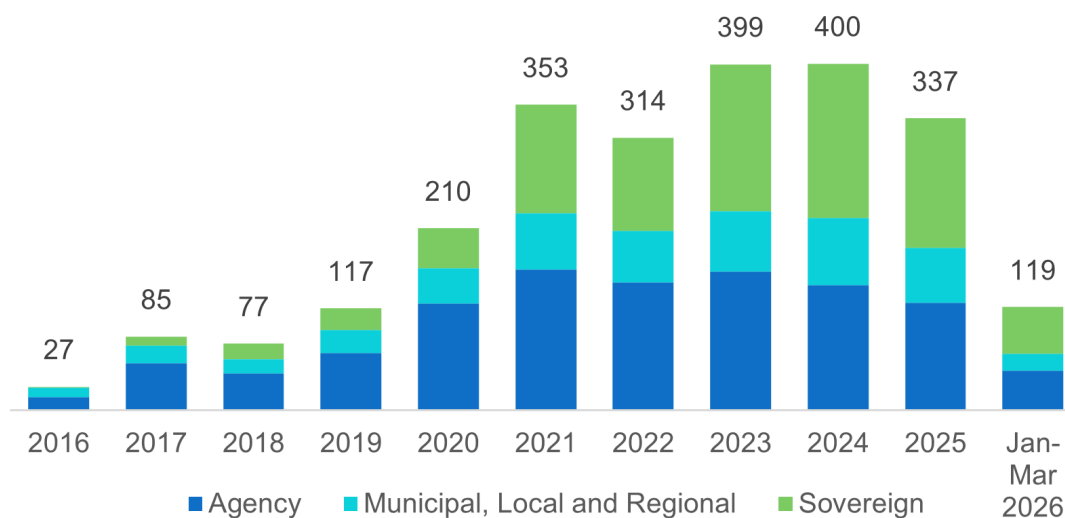


Source: World Bank based on Environmental Finance Data

## Public Sector

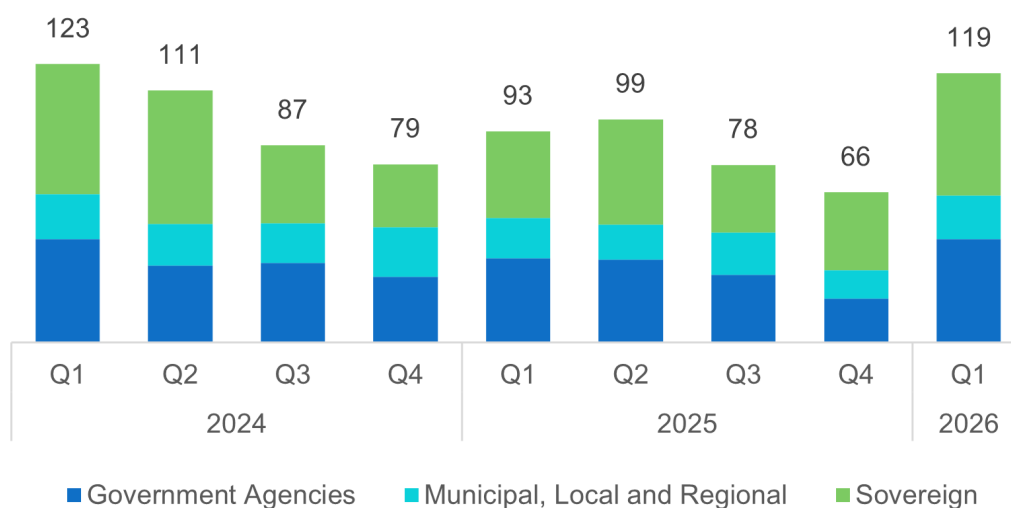
Public sector issuances represent about 34% (USD 2.47 trillion) of the cumulative labeled sustainable bonds issued. Green bonds are the preferred instrument for public sector issuers, comprising 59% of the overall issuances and 60% in Q1 2026. Government agencies represent the biggest segment overall (45% overall, 38% in Q1 2026) among public sector issuers. Sovereign issuances have increasingly come to dominate the market, accounting for 35% of overall issuances and rising to 45% in Q1 2026 — representing close to half of total quarterly volume. Municipal, local, and regional government issuances accounted for the remainder, comprising 20% overall and 16% in Q1 2026. In Q1 2026, the public sector issued USD 119 billion in labeled sustainable bonds, with overall issuances increasing by 27.4% compared to Q1 2025.

### 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

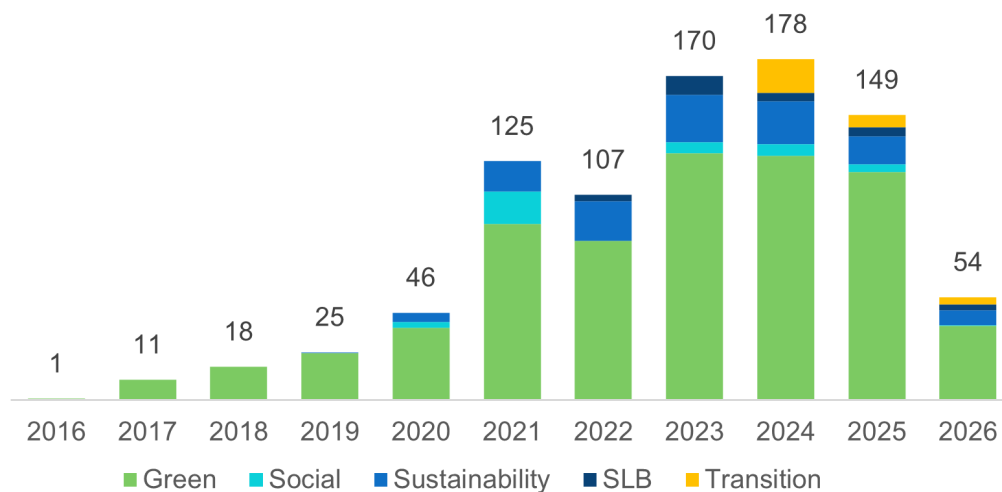


Source: World Bank based on Environmental Finance Data

# Sovereigns

In Q1 2026, 17 sovereigns collectively issued labeled sustainable bond issuances totalling USD 54 billion. Both EM and AM sovereigns contributed to the issuances, with UK, Austria, Germany, and Italy leading among AM sovereigns. Mexico, Chile and Thailand were the top cumulative issuers amongst EM sovereigns in the quarter. The quarter was marked by an absence of debut issuances from sovereigns. Overall, 62 sovereigns have participated in the labeled sustainable bond market, with cumulative issuances reaching USD 883 billion.

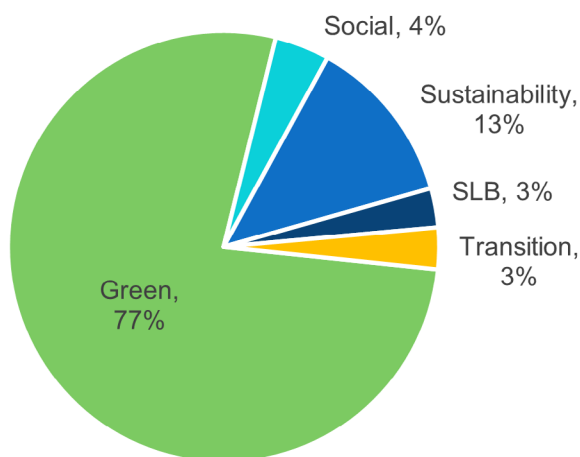
## Sovereign labeled sustainable bond annual issuance, USD bn



Source: World Bank based on Environmental Finance Data

Green bonds remain the preferred instrument for AM sovereign issuers, accounting for USD 38 billion, or 91% of labeled sustainable bond issuances by AM sovereigns in Q1 2026. In contrast, EM sovereign issuers prefer sustainability bonds, which accounted for USD 7.8 billion or 47.6% of the labeled sustainable bond issuances by EM sovereigns in Q1 2026. As we can see above, 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 Q1 2026, with green bond issuances reaching USD 38 billion.

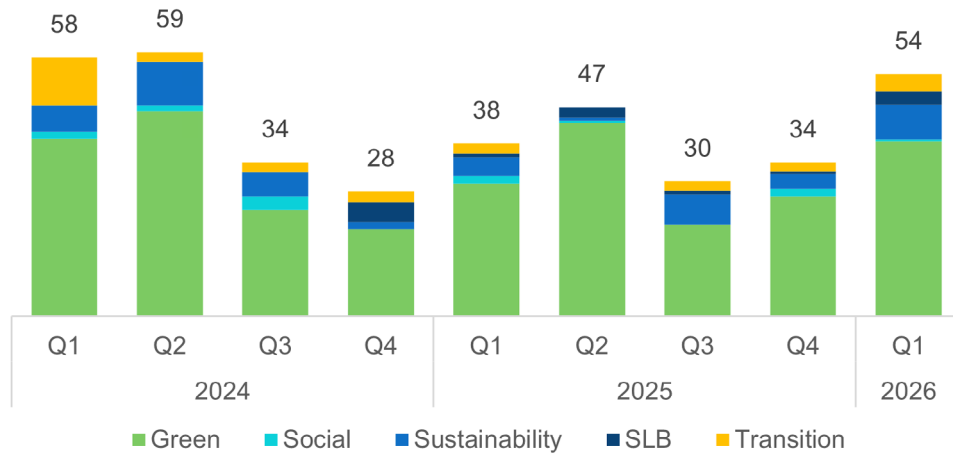
## Cumulative sovereign bond issuance by instrument type, % total amount to date



Source: World Bank based on Environmental Finance Data

Sovereign issuances in Q1 2026 was robust, increasing by 40.3% compared to Q1 2025, and 57.4% with respect to the previous quarter (Q4 2025).

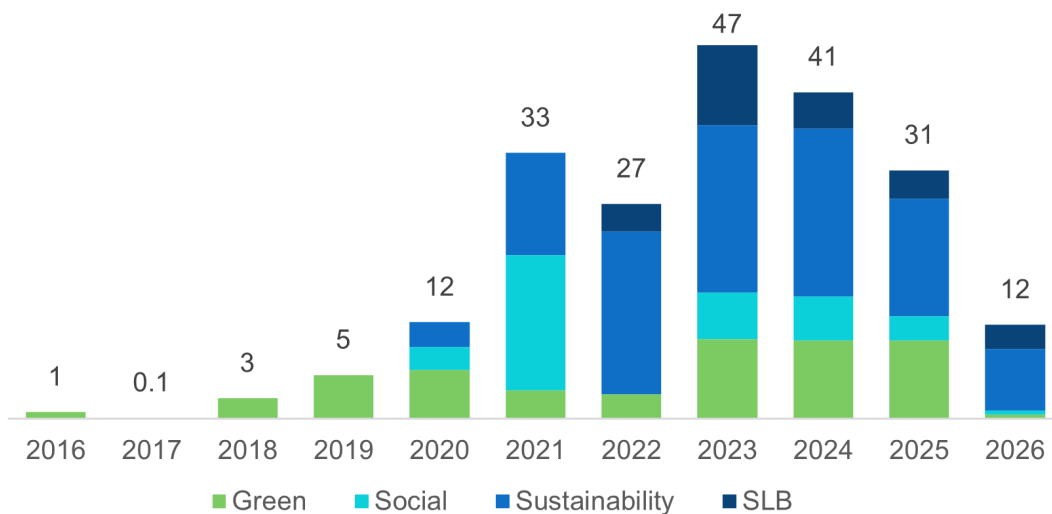
### Quarterly sovereign bond issuance by instrument type, USD bn



Source: World Bank based on Environmental Finance Data

Since 2016, 29 EM sovereigns have issued labeled sustainable bonds for a total of USD 212.7 billion, representing 2.9% of total labeled sustainable bonds ever issued globally.

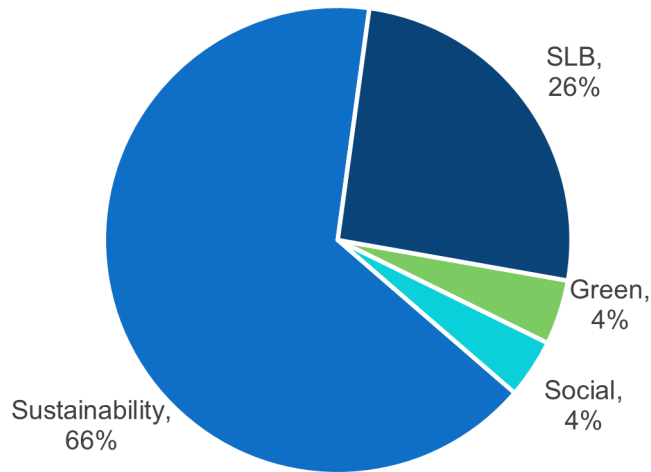
### EM sovereign bond annual issuance by instrument type, USD bn



Source: World Bank based on Environmental Finance Data

Sustainability bonds continued to be preferred by EM sovereign issuers in Q1 2026, representing 65.8% (USD 7.8 billion) of the total EM sovereign issuances. Green bond issuances meanwhile represented only 4.5% of the overall Q1 2025 issuances amongst EM sovereigns.

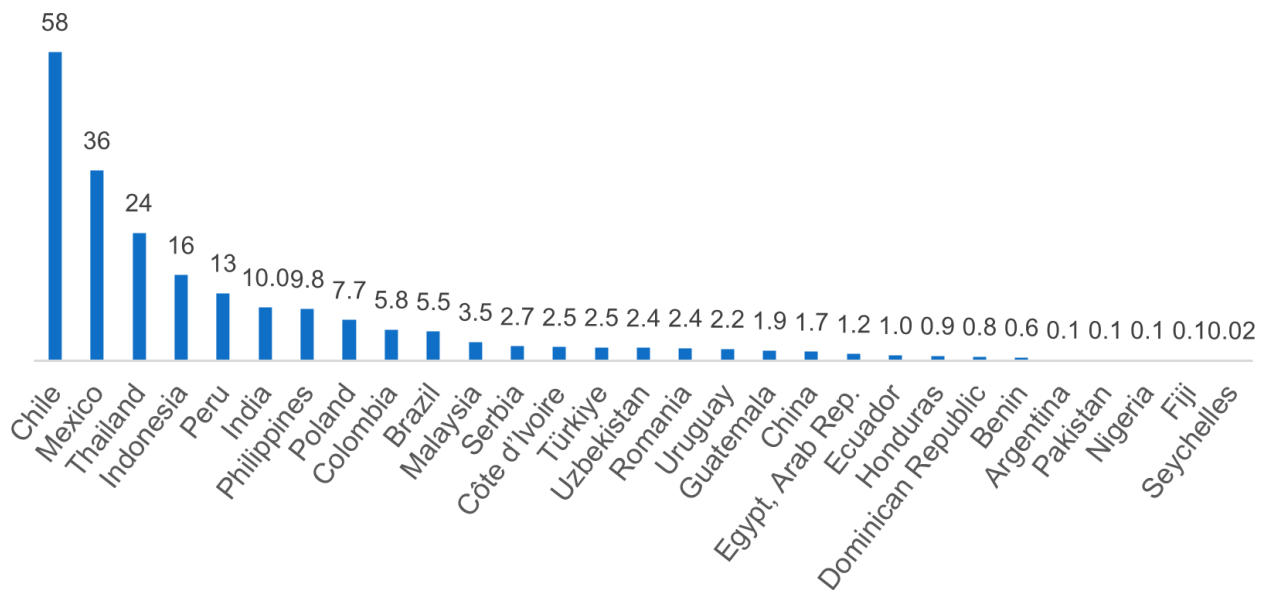
### Q1 2026 EM sovereign issuance by instrument type, %



Source: World Bank based on Environmental Finance Data

Among the EM sovereigns, Chile is the largest issuer, having issued a cumulative total of USD 58 billion in green, social, sustainability and sustainability-linked bond issuances over the years. This is followed by Mexico with USD 36 billion, and Thailand with USD 24 billion, as of March 2026.

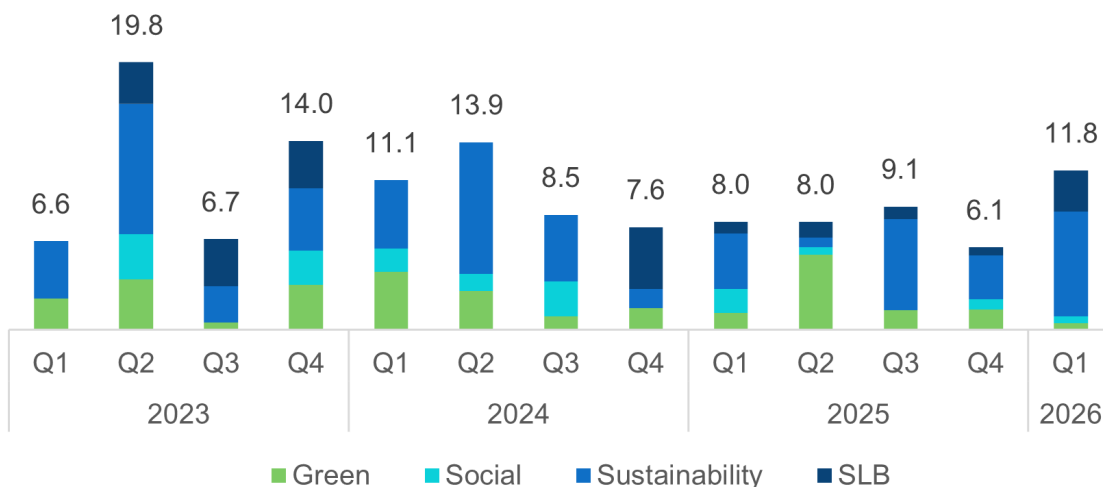
### EM sovereign labeled sustainable bond issuers, USD bn total to date



Source: World Bank based on Environmental Finance Data

EM sovereign issuances were strong in Q1 2026, representing USD 11.8 billion in total issuances, increasing by 93% and 47.1% compared to Q4 2025 and Q1 2025 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

### Jordan takes a step closer to inaugural sovereign green bond

In May 2026, the Hashemite Kingdom of Jordan received an ‘excellent’ rating on their sovereign green bond framework — a significant milestone on the path to its first sovereign green bond issuance. The framework is fully aligned with the ICMA Green Bond Principles and the LMA, LSTA and APLMA Green Loan Principles. The framework has nine green use of proceeds categories: renewable energy, energy efficiency, pollution prevention and control, clean transportation, sustainable water and wastewater management, climate change adaptation, green buildings, environmentally sustainable management of living natural resources and land use, and terrestrial and aquatic biodiversity. Proceeds are expected to be deployed in alignment with Jordan’s national green taxonomy, adopted in January this year, and a pipeline of eligible projects has already been identified. The World Bank Group Treasury’s [Sustainable Finance Advisory Program](#) provided technical assistance in establishing the sovereign green bond program and developing the national green taxonomy.

### World Bank prices 14-year spekboom restoration outcome bond in South Africa

In April 2026, The World Bank (International Bank for Reconstruction and Development, IBRD) issued a USD 120 million Spekboom Restoration Outcome Bond that aims to unlock support for large-scale ecosystem restoration and job creation in South Africa’s Eastern Cape province. Maturing in 2040, the bond is the World Bank’s longest-dated outcome bond. Spekboom, a succulent plant native to South Africa, is prized for its drought resilience and high carbon sequestration. Its restoration improves soil quality, water retention and climate resilience, while fostering microclimate and soil conditions needed to revitalize the biodiverse ecosystem that support other plant and animal species. The outcome bond has been structured to mobilize USD 25 million of private capital to support a 50,000 hectare scale-up of a spekboom project, designed, developed and operated by Imperative, a private-company specializing in ecosystem restoration. The project aims to restore degraded land and create 11,000 local jobs including through small and medium sized enterprises that will deliver spekboom harvesting, planting, monitoring and ongoing land management. Read more [here](#).

## **UK green bond issuance includes nuclear power**

In March 2026, the UK government announced the 11-year GBP 6.25 billion ‘green gilt’ issuance. This is the first new deal issued by the UK since it launched its updated green bond framework in November 2025 which added nuclear energy to the list of eligible projects. The strong orderbook for the GBP 6.25 billion (USD 8.3 billion) third sovereign green bond from the UK “vindicates” its decision to take a global lead in integrating nuclear energy into its program. The transaction was almost 13 times oversubscribed with the orderbook reaching GBP 80.6 billion from 171 investors. The previous record oversubscription was for the second green gilt issued in 2021, which was 12 times oversubscribed. Anthropocene Fixed Income Institute (AFII) research director Jonas David told Environmental Finance the demand for the green gilt certainly “looks strong” even with the inclusion of the still somewhat controversial nuclear energy use of proceeds. The move by the UK follows several sovereigns – including Canada and France – integrating nuclear energy into their sustainable bond frameworks amid among sustainable investors in recent years. Read more [here](#).

## **China targets issuance of sovereign ‘biodiversity bond’**

In February 2025, China announced its intention to issue a debut sovereign ‘biodiversity bond,’ reflecting growing interest in nature-focused financial instruments and ongoing work to develop a domestic taxonomy for this theme. The announcement came as part of the Chinese and UK government commitment to cooperate on “innovative biodiversity financing,” formalized under the first UK-China Finance Working Group agreement in Beijing. The agreement highlighted plans for a Chinese renminbi-denominated sovereign ‘biodiversity bond’ from China, with the issuance expected to be listed in London. The biodiversity bond will be a sub-label under the green bond, in alignment with the ICMA Principles. This follows a RMB 6 billion (USD 863 million) Chinese green bond issued in March 2025, which was similarly dual listed. The sovereign ‘biodiversity bond’ also builds on the People’s Bank of China’s (PBoC) initiative to pilot a biodiversity taxonomy across 20 Chinese provinces. Read more [here](#).

## **Development Bank of Rwanda launches third sustainability-linked bond**

The Development Bank of Rwanda (BRD) raised RWF 23 billion (USD 15.7 million) from its third sustainability-linked bond (SLB), even as issuance volumes for SLBs continue to contract across the broader market. The 10-year SLB has been launched with a 12.7% coupon with an initial size of RWF 23 billion, but with the option to upsize. The deal follows what BRD described as the “strong success” of two previous SLB transactions in 2023 and 2024 which raised a combined RWF 63.5 billion. The SLB is linked to three 2028 targets to increase the proportion of total small- and medium-sized enterprise (SME) lending to women-led businesses to 30% from a 15.4% baseline and increase the number of affordable housing loans extended to 20,000 – up from 544 as of the end of 2022. The BRD is also targeting to have 75% of commercial banks in the country outline “robust” environmental and social management systems by 2028, up from none at present. The “robust” plans will be judged on five criteria, including outlining clear environmental and social requirements, monitoring and reporting as well as grievance mechanisms. If all three targets are achieved, the BRD SLB will be subject to a 20 basis point (bp) reduction to the coupon. A 10bp reduction will be implemented if two targets are achieved, and no coupon adjustment if one or no targets are achieved. Read more [here](#).

## **ISSB set to opt against separate nature standard**

In April 2026, The International Sustainability Standards Board (ISSB) signaled it will not develop a standalone ‘S3’ set of nature-related disclosure standards, instead opting to lean on sector-specific reporting standards. Doing so would respond to demand from investors who had resoundingly said industry-specific standards would be more useful than an overarching, cross-industry framework, according to an ISSB staff paper presented at its latest meeting. Instead, it agreed to introduce: a new mandatory application guidance appendix to IFRS S1 where key definitions and concepts for the topic would be introduced; and have no cross-industry metrics, but a reference to the Sustainability Accounting Standards Board (SASB) metrics. The nature-related disclosures would still be required where the reporting entity determines they are financially material. Read more [here](#).

## Kenya's KMRC launches pioneering KES3bn sustainability bond debut

In April 2026, the Kenya Mortgage Refinance Company (KMRC) has launched a debut sustainability bond worth up to KES3 billion (USD 27 million), believed to be the first to use the label in the East African country. The eight-year bond will be used to refinance eligible green and social housing loans identified under its sustainability framework, published in March. ISS-Corporate provided a second-party opinion (SPO) on the framework. KMRC is set to become the first issuer of sustainability bonds in Kenya. The country has previously seen two issuers come to market with green bonds since property firm Acorn first entered the market with a KES4.2 billion bond in 2019. Read more [here](#).

## Mexico takes a step closer to issuing sovereign sustainability-linked bond

In March 2025, Mexico announced that it has taken a step closer to issuing a sustainability-linked bond (SLB), after it secured a second-party opinion (SPO) for its framework from Moody's Ratings. The sovereign has been a long-standing issuer of use-of-proceeds sustainable bonds, having made its Sustainable Development Goal (SDG) bond debut in 2020. Its inaugural SLB would make it only the fifth sovereign issuer of the instruments, after Chile, Uruguay, Thailand and Slovenia. The announcement follows Mexico publishing its 'Sustainability-Linked Framework Supplement' in February 2026 to complement its updated sustainable finance framework published in January 2026. In the sustainability-linked framework, Mexico identified seven potential key performance indicators (KPIs) and sustainability performance targets (SPTs) that could be used in an SLB transaction. These include targets related to reducing net greenhouse gas (GHG) emissions, expanding terrestrial and marine protected areas, reducing the labor force participation gender gap, and reducing the proportion of indigenous population living in poverty. Read more [here](#).

## Norway joins Brazil as co-lead of TFFF

The USD 125 billion Tropical Forest Forever Facility (TFFF) has taken a step closer to becoming operational after it set up two key decision-making bodies and Norway stepped up to join Brazil to lead the initiative, as announced in April 2026. The blended finance fund was officially launched at COP30 in Brazil in November, with ambitions to raise USD 25 billion of junior capital from governments and issue USD 100 billion of bonds to institutional investors. Some of the returns will pay to preserve tropical forests. The announcement was made at a special event at the IMF and World Bank Spring Meetings in Washington, DC. No new funding was announced, but the meeting established that Norway would join Brazil in taking a co-leadership role. Two new bodies will be set up: The TFFF Interim Board and a 'transition committee' to run the Tropical Forest Investment Facility (TFIF) which will invest the money raised by the fund to pay a return to investors. Read more [here](#).

## 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, municipalities (United States only), and sovereigns.

# 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:

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*This newsletter is published by the World Bank Group Treasury's Financial Products team.  
The source of data used for the report is Environmental Finance Data with data up to May 2026 unless otherwise indicated.*

*For more information, visit our webpage: <http://www.worldbank.org/sustainablefinanceadvisory>*

