LABELED **SUSTAINABLE** BONDS

Quarterly Market Update

THE WORLD BANK
Treasury | IBRD • IDA

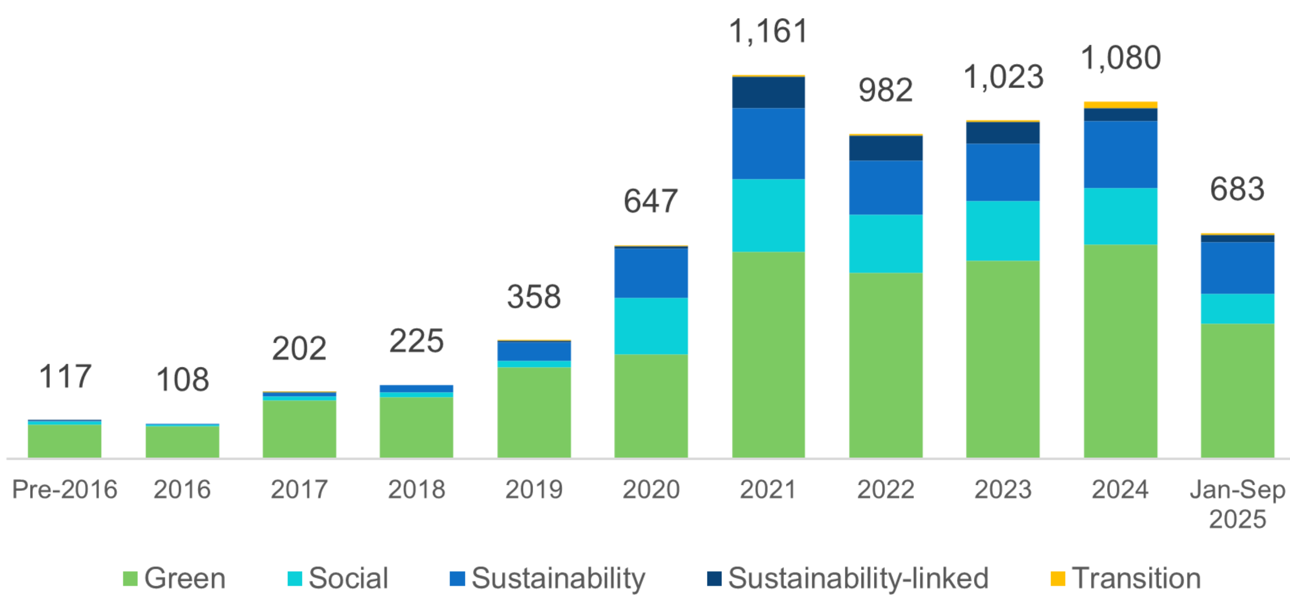
Q3 | October 2025

A warm welcome to the update on the trends in the labeled sustainable bond market for the third quarter of the year 2025, prepared by the World Bank Treasury's Sustainable Finance Advisory Program. In this quarterly edition of our newsletter, we provide a special focus on emerging market sovereign issuances, which showed remarkable resilience in issuances despite a suppressed market, and provide updates to policies and regulations in the sustainable finance market space. The labeled sustainable bond market comprises green, social, sustainability, sustainability-linked and transition bonds.

Market Overview

The cumulative amount of green, social, sustainability, sustainability-linked, and transition bonds issued in the market reached USD 6.59 trillion as of September 2025. Overall volumes of labeled sustainable bonds in third quarter of 2025 declined, the lowest Q3 issuance since 2020. Cumulative issuance in Jan-September 2025 reached USD 683.4 billion, with green bond issuances representing 60.7% of the overall issuances in Q3 2025.

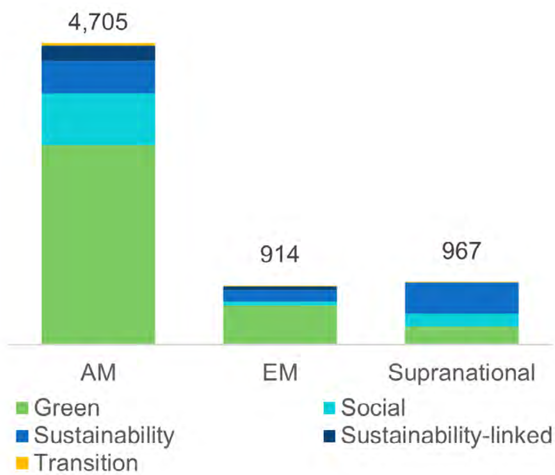
Global labeled sustainable bond annual issuance, USD bn



Source: World Bank based on Environmental Finance Data

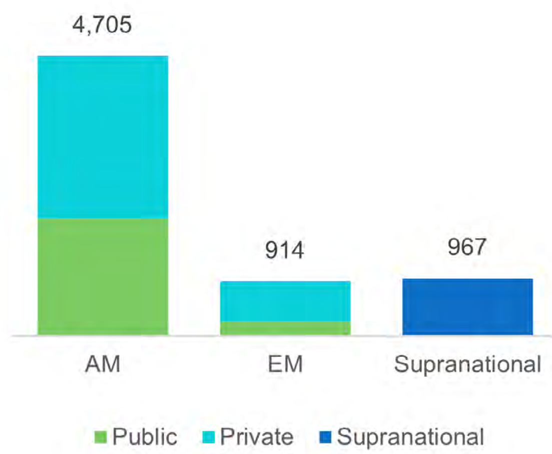
EM vs AM trends: Share of emerging markets (EM) within labeled bonds represented 14% of the total amount issued. Green bond issuances dominate both the emerging market and advanced markets (AM), representing 67% and 66% of overall cumulative issuances, respectively. Public sector, including sovereigns, government agencies, municipalities, local and regional governments' participation in EM labeled bond markets represents 27% 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

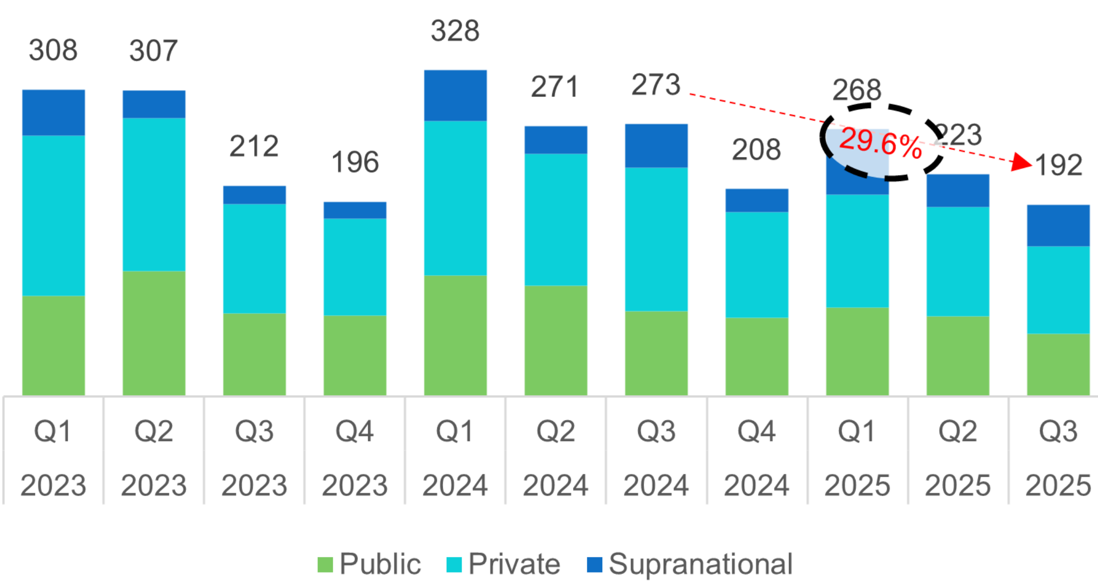
Cumulative labeled sustainable bond issuance by market and by issuer type, USD bn



Source: World Bank based on Environmental Finance Data

Quarter 3, 2025 performance: Overall cumulative issuances in the quarter were USD 192.5 bn, a decrease of 29.6% and 13.6% compared to Q3 2024 and Q2 2025, respectively. Year on year quarter performance across the bond types underperformed, with issuances of green, social, sustainability, sustainability-linked and transition bonds decreasing by 24.5%, 68.2%, 6.1%, 72.1% and 10.6% respectively compared to Q3 2024. Issuances in both advanced markets (AM) and emerging markets (EM) decreased by 31.9% and 44.7% respectively compared to Q3 2024.

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

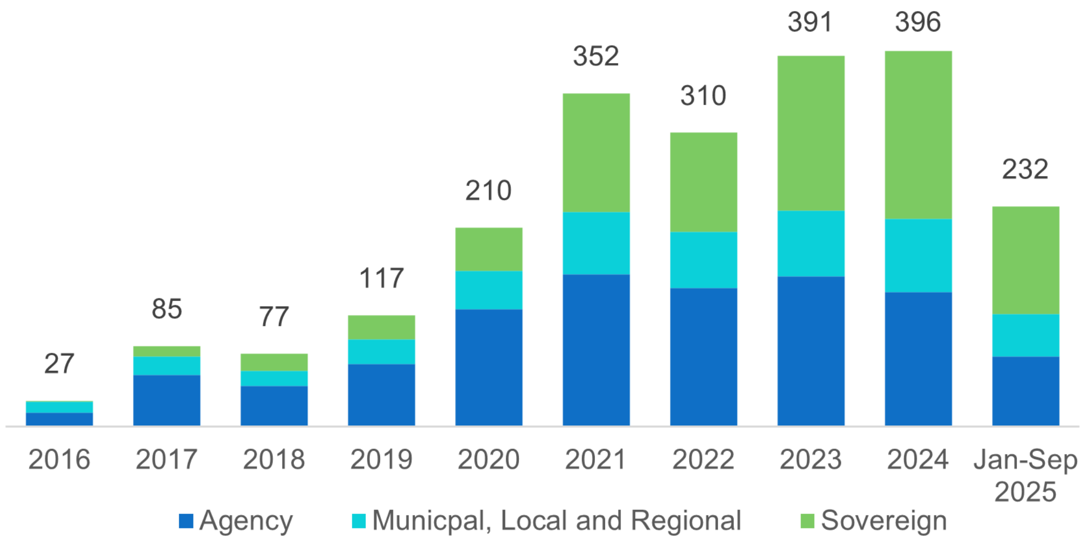


Source: World Bank based on Environmental Finance Data

Public Sector

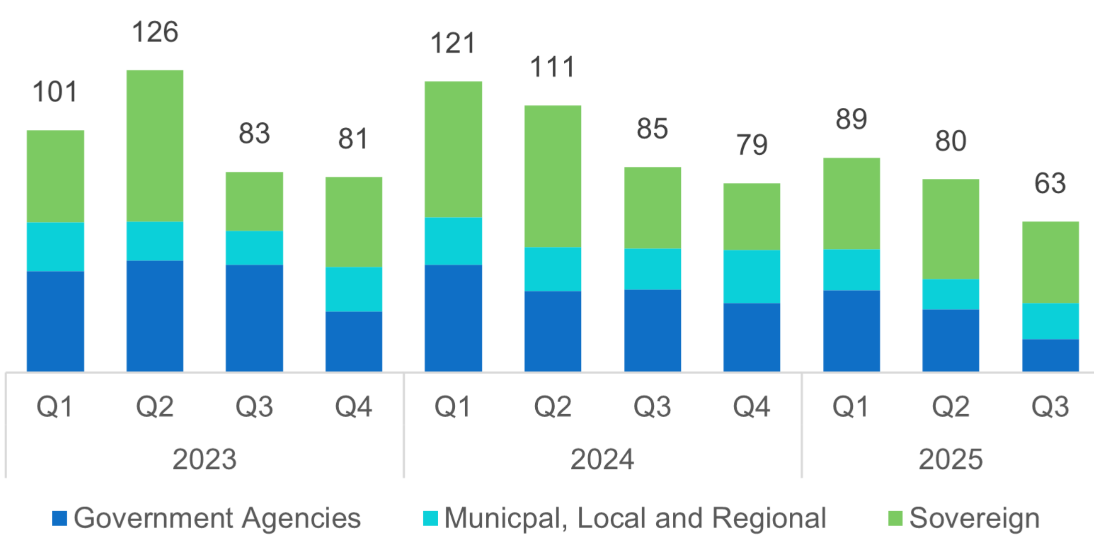
Public sector issuances represent about 34% (USD 2.23 trillion) of the cumulative labeled sustainable bonds issued. Green bonds are the preferred instrument for public sector issuers, comprising 59% of the overall issuances. Government agencies represent the biggest segment overall (45% overall, 22% in Q3 2025) among public sector issuers. However, sovereign issuances have begun to dominate quarterly issuances (35% overall, 54% in Q3 2025) representing over half of the total issuances in the quarter, with municipals, local and regional governments covering the rest (20% overall, 24% in Q3 2025). In Q3 2025, the public sector issued USD 62.7 billion in labeled sustainable bonds, with overall issuances declining by 26.6% compared to Q3 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

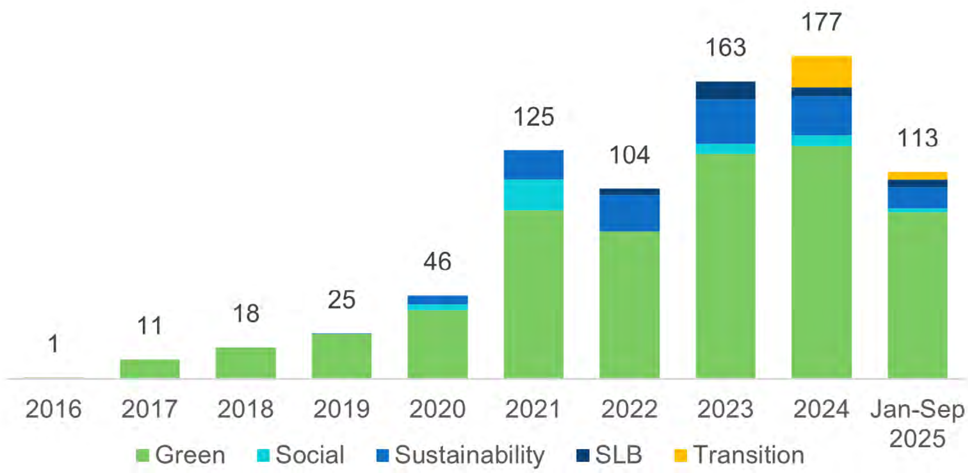


Source: World Bank based on Environmental Finance Data

Sovereigns

In Q3 2025, 21 sovereigns collectively issued labeled sustainable bond issuances totalling USD 33.9 billion. Both EM and AM sovereigns contributed to the issuances, with Austria, UK, and Germany leading among AM sovereigns. Mexico, Indonesia and Poland were the top cumulative issuers amongst EM sovereigns in the quarter. Thailand continued tapping in the domestic sustainability-linked bond (SLB) market, issuing two Thai baht-denominated SLBs with equivalent values of USD 461 billion and USD 464 billion, respectively. Overall, 61 sovereigns have participated in the labeled sustainable bond market, with cumulative issuances reaching USD 782.2 billion.

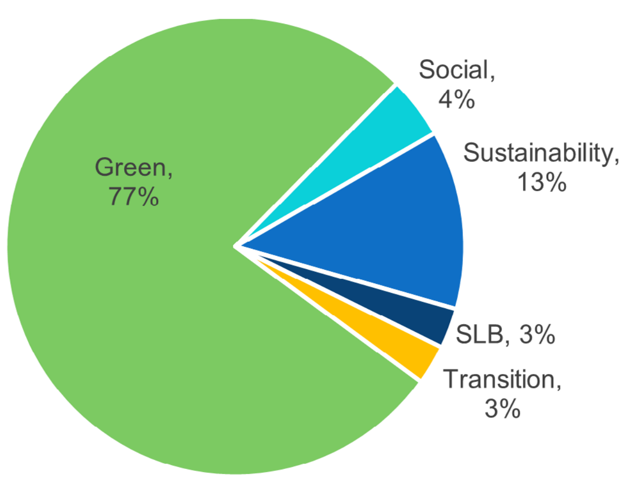
Sovereign labeled sustainable bond annual issuance, USD bn



Source: World Bank based on Environmental Finance Data

Green bonds remain the preferred instrument for AM sovereign issuers, accounting for USD 556 billion, or 94.3% of cumulative sovereign labeled sustainable bonds issuances. In contrast, EM sovereign issuers prefer sustainability bonds, which total USD 88.5 billion and represent 46% 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 24.2 billion issued in Q3 2025 alone.

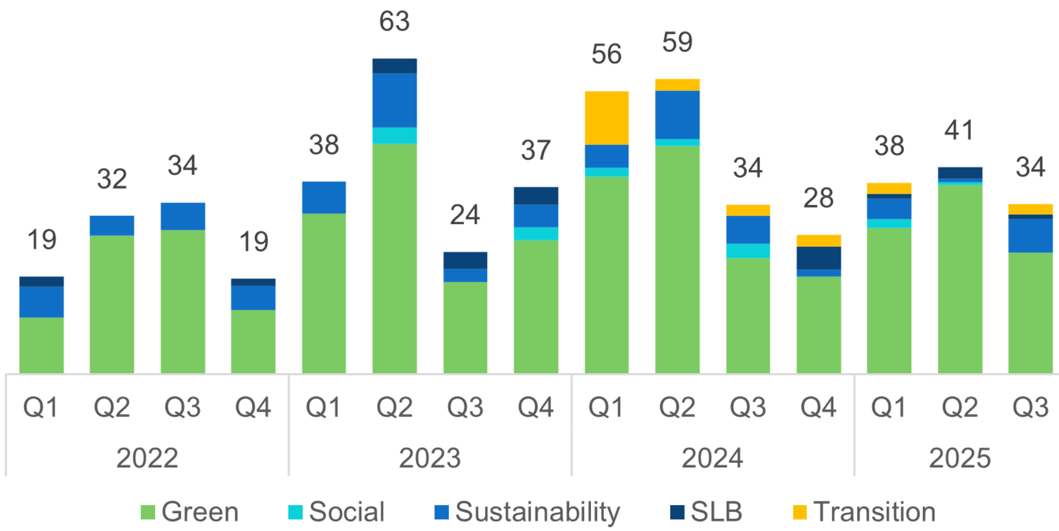
Cumulative sovereign bond issuance by instrument type, % total amount to date



Source: World Bank based on Environmental Finance Data

Sovereign issuances in Q3 2025 showed a slight increase of 0.4% when compared to Q3 2024 issuances, but decreased by 17.8% with respect to the previous quarter (Q2 2025).

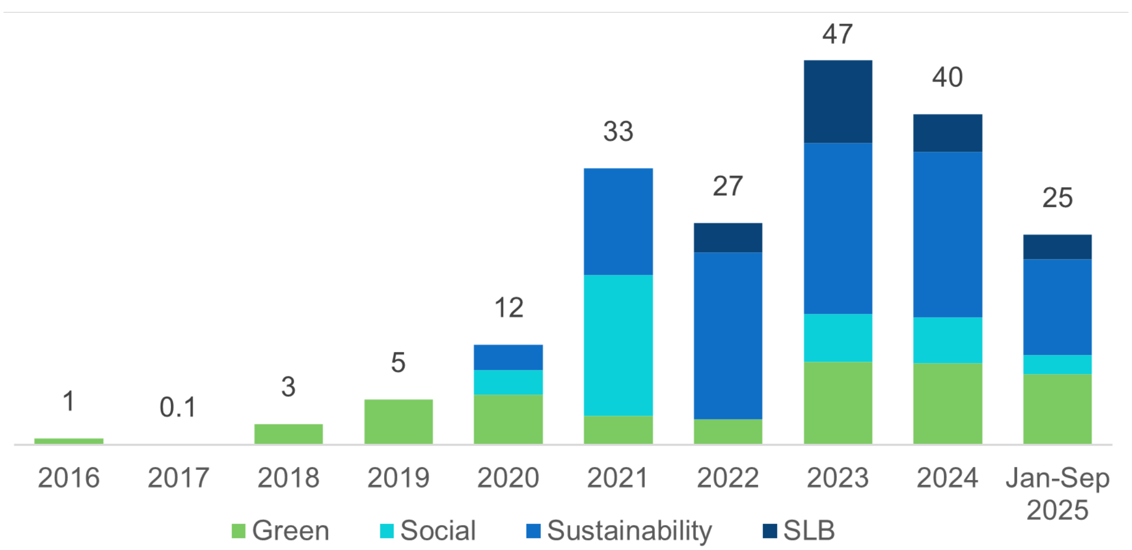
Quarterly sovereign bond issuance by instrument type, USD bn



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 193.3 billion, representing 2.9% of total labeled sustainable bonds ever issued globally.

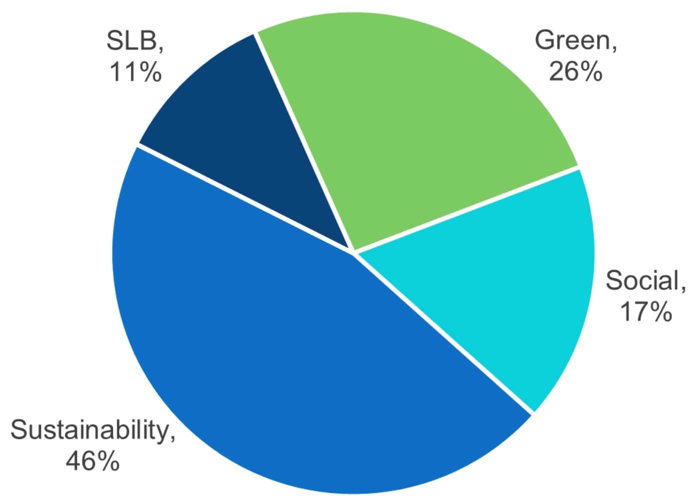
EM sovereign bond annual issuance by instrument type, USD bn



Source: World Bank based on Environmental Finance Data

On a cumulative basis, EM sovereigns have issued more bonds that finance a combination of green and social projects, i.e., sustainability bonds (46% of the total amount issued), rather than green projects only. While green bonds dominated issuances in Q2 2025 (57.5%), sustainability bond issuances in Q3 2025 dominated again in Q3 2025 (57.7%), with green bond issuances representing only 34.4% of the overall Q3 2025 issuances amongst EM sovereigns.

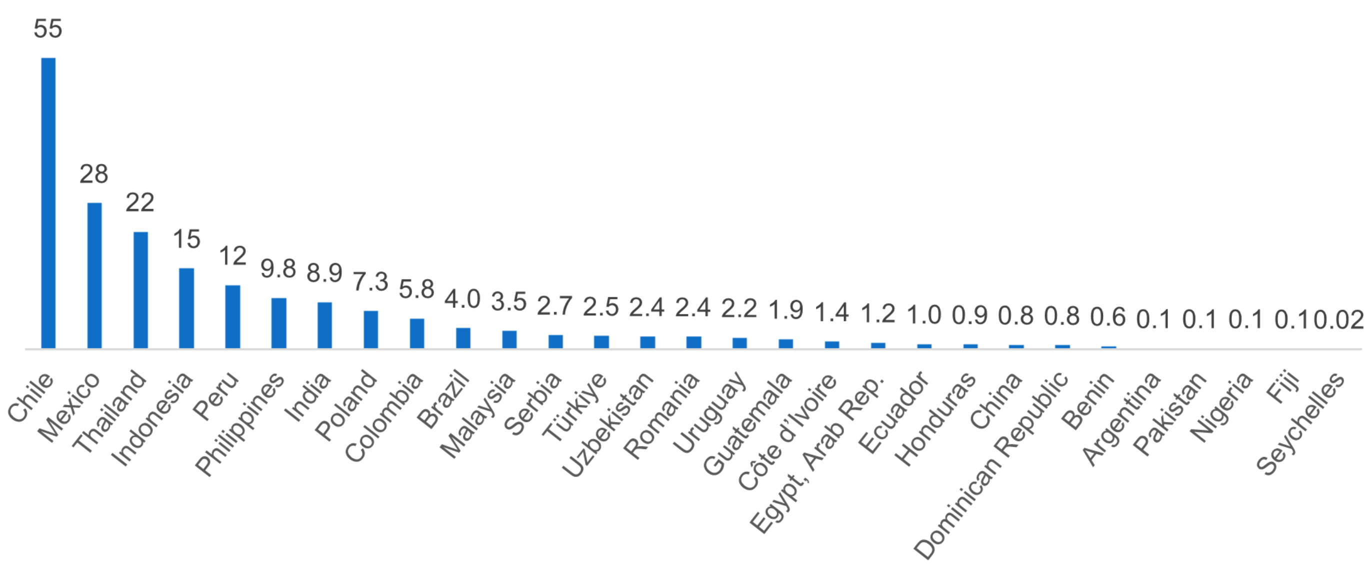
Cumulative EM sovereign issuance by instrument type, % total amount to date



Source: World Bank based on Environmental Finance Data

Among the EM sovereigns, Chile is the largest issuer, with a total of USD 55 billion in green, social, sustainability and sustainability-linked bond issuances. This is followed by Mexico with USD 28 billion, and Thailand with USD 22 billion, as of September 2025.

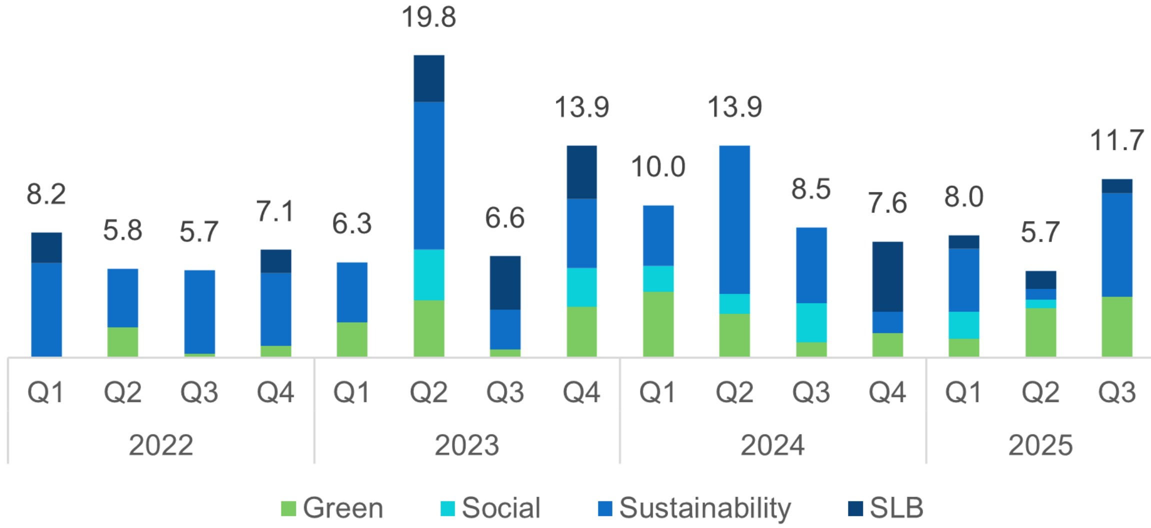
EM sovereign labeled sustainable bond issuers, USD bn total to date



Source: World Bank based on Environmental Finance Data

EM sovereign issuances performed remarkably well in Q3 2025, representing USD 11.7 billion in total issuances, increasing by 105.3% and 37.3% compared to Q2 2025 and Q3 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

National Bank of Georgia publishes regulatory framework for issuing green, social, sustainable, and sustainability-related bonds

In September 2025, the National Bank of Georgia issued a regulation for capital market participants on Green, Social, Sustainability, and Sustainability-Linked Bonds. Developed with the support of World Bank's Sustainable Finance Advisory Program and IFC - International Finance Corporation, the regulation aims to establish clear rules for the public issuance of green, social, sustainability and sustainability-linked bonds in the capital market. In addition, the regulation is expected to encourage private capital investment in sustainable initiatives while enhancing transparency in financial products that target environmental, social, and other sustainable development objectives. The Sustainable Finance Advisory Program continues to work with central banks and securities supervisors to help them develop guidelines, regulations, taxonomies, and incentives that help countries manage environmental risks while aligning with market and investor expectations. Read more here.

Pakistan Adopts National Green Taxonomy

In September 2025, the Economic Coordination Committee (ECC) of the Cabinet of the Government of Pakistan approved and endorsed the country's national green taxonomy in September 2025. The Federal Minister for Finance and Revenue Senator Muhammad Aurangzeb said the taxonomy would play a vital role in facilitating access to financing for green projects in the country. The taxonomy was developed by the State Bank of Pakistan and Ministry of Climate Change and Environmental Coordination in partnership with other stakeholders and supported by the World Bank's Sustainable Finance Advisory Program. The goal of the taxonomy is intended to provide clarity to financial market participants on how to identify green economic activities, increase the transparency of green investments and financial products, mitigate climate-related financial risks, and help the financial sector direct capital flows to projects or activities that will meet the country's environmental and climate objectives. The framework uses a "traffic light system" to categorize activities into: Green, Amber (transitioning), or Red (harmful). Read more here.

Côte d'Ivoire signs 'first' sovereign sustainability-linked loan

In September 2025, Côte d'Ivoire signed its first sustainability-linked loan (SLL), worth EUR 433.3 million (USD 504.6 million equivalent), with Standard Chartered Bank. The loan, backed by the World Bank Group through a combination of an IBRD Policy-Based Guarantee (PBG) and a MIGA guarantee, is designed to support green job creation, strengthen climate resilience, and attract private investment aligned with Côte d'Ivoire's sustainable development goals. The SLL was issued under Côte d'Ivoire's first Sustainability-Linked Finance Framework, enabling access to financing on more favorable terms by linking financial conditions to clear Sustainability Performance Targets in renewable energy (excluding hydropower), deforestation prevention, and reforestation. The IBRD provides a first-loss guarantee of €260 million, while MIGA offers a second-loss guarantee covering €372.9 million. Read more here and here.

IFC expands blue bond guidelines

The International Finance Corporation (IFC) has expanded its blue bond guidelines, in recognition of growing "momentum" around the theme. The first edition of its Guidelines for Blue Finance, released in 2022, set out how to identify project categories which support the blue economy. The latest iteration is a more mature version, covering how to identify, structure and scale investments that contribute to sustainable water use and ocean resources. This includes sample blue key performance indicators and impact indicators. The eligibility framework, which classifies which projects qualify as 'blue finance' activities, has also been expanded to include water security, plastics recycling, shipping, and marine conservation. Read more here.

Denmark leading the way with sovereign European Green Bond (EuGB) debut

Danmarks Nationalbanken raised DKK7 billion (USD 1.1 billion equivalent) from its inaugural EuGB after the sovereign launched its EuGB program at the start of September 2025. The 10-year bond with a 2.25% coupon saw orderbooks reach more than DKK14 billion. BNP Paribas, Danske Bank, Nordea, and SEB served as joint lead managers on the deal. The Denmark deal is the first sovereign EuGB, and also the first to be issued in a currency other than the euro. Denmark had launched its EuGB using the 'twin bond' concept, at the same price as its conventional twin due in 2035. Even after tightening pricing by 1.5 basis points (bps), the final orderbook stood at DKK12 billion. According to Environmental Finance Data, Denmark has now raised more than DKK 41 billion from green bonds. 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 Treasury's Sustainable Finance Advisory Program

The World Bank 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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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 Treasury's Financial Products and Client Solutions team. The sources of data for the report are Environmental Finance Data with data up to September 2025 unless otherwise indicated.