LABELED SUSTAINABLE BONDS

Quarterly Market Update

WORLD BANK GROUP

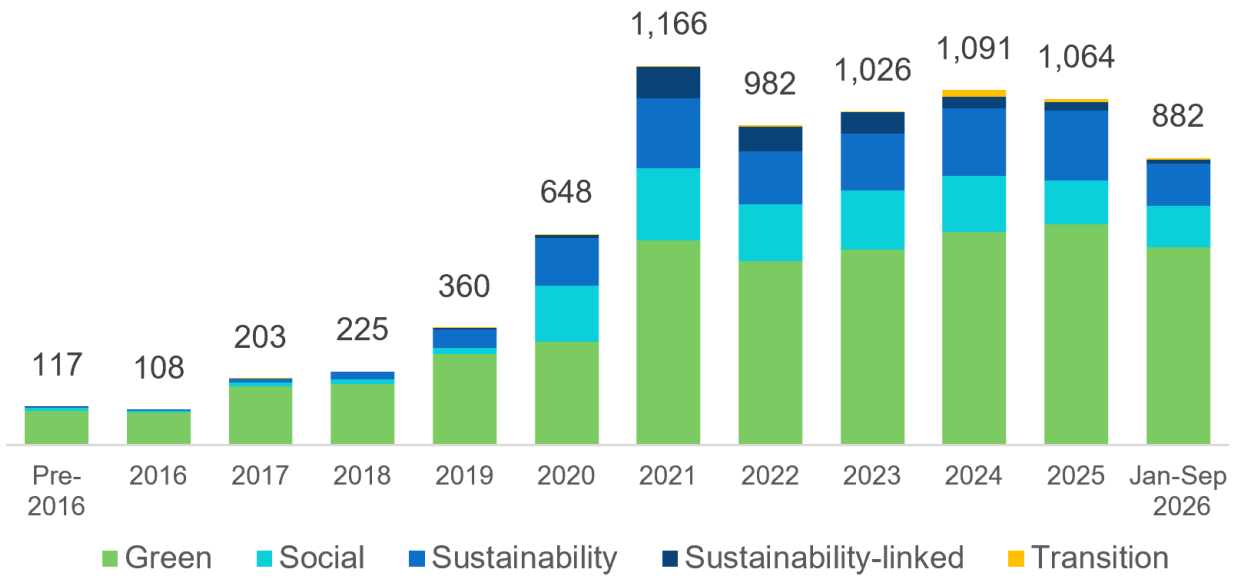
Q3 | 2026

Welcome to the third quarterly update of 2026 on trends in the labeled sustainable bond market. The World Bank Group Treasury's Sustainable Finance Advisory Program produces this newsletter. It covers labeled sustainable bond issuance by public sector entities in emerging markets, along with the policy and regulatory developments shaping the sustainable finance landscape. The labeled sustainable bond market includes green, social, sustainability-linked, and transition bonds along with subcategories such as blue bonds, gender bonds, and similar instruments. Together, these are referred to below as labeled sustainable bonds.

Market Overview

Cumulative issuance of labeled sustainable bonds reached USD 7.87 trillion as of September 2026, including USD 882 billion issued in 2026 through 30 September. Year-on-year, Advanced Market (AM) issuance rose 13.1%, while Emerging Market (EM) issuance fell 32%. Quarter-on-quarter, issuance fell in AM, EM, and supranationals. **Green bonds** remained the preferred instrument, accounting for 69.1% of overall labeled bond issuances in 2026.

Global labeled sustainable bond annual issuance, USD bn



Source: World Bank based on Environmental Finance Data

Q3 performance: Labeled sustainable bond issuance totaled USD 248 billion in Q3 2026, down 27% from the previous quarter. The seasonal dip is consistent with the pattern observed since 2021, when Q3 volumes tend to be lower than Q1 and Q2 as issuers prefer to complete the bulk of their funding program in the first half of the year.

Green Bond issuance was USD 176 billion, down 26% on a quarter-on-quarter basis but up by 11% on a year-on-year basis, with notable transactions from Italy and Tajikistan (please refer to the featured section for more information).

Social Bond issuance was USD 30.4 billion, down 36% on a quarter-on-quarter basis but up by 8.5% on a year-on-year basis.

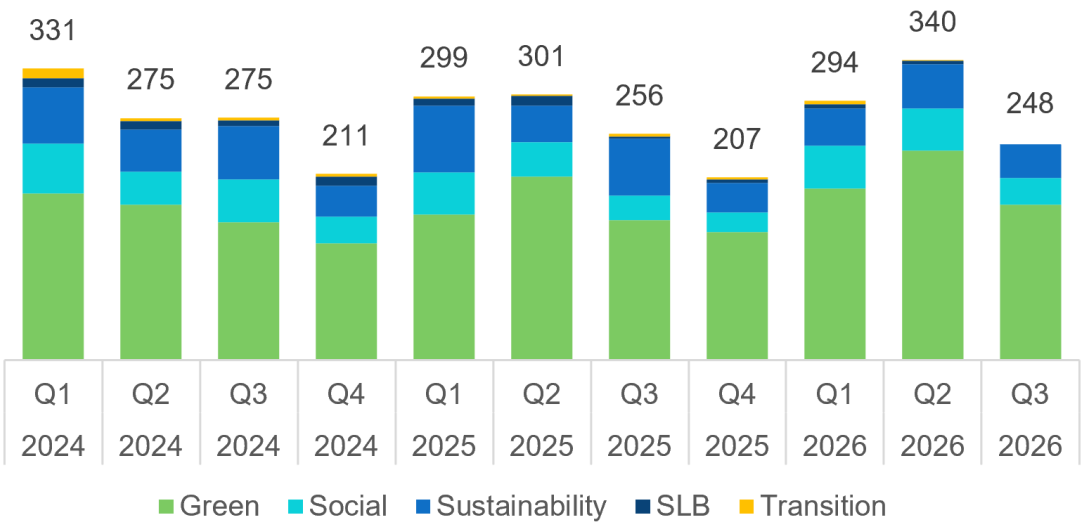
Sustainability Bond issuance declined both on a quarter-on-quarter basis by 23%, and on year-on-year basis by 40%, with total issuance volume this quarter of USD 38.2 billion.

Blue Bond issuance totaled USD 1.1 billion in Q3 2026 and USD 5.3 billion cumulatively since January 2026. Issuance remains sparse for this sub-category but has grown since 2024. The most notable sovereign issuance in 2026 was from the Republic of Indonesia, which issued EUR- and JPY- denominated blue bonds totaling USD 790 million.

Sustainability-linked Bond issuance has declined over the past few years, and Q3 2026 was no exception, with a decline of 50% on a quarter-on-quarter basis and 23% on a year-on-year basis. Most issuers of sustainability-linked bonds were corporates, which have since stopped issuance due to lack of investor appetite or switched to other labeled bond categories.

Transition Bond issuance remains intermittent, with issuances this quarter totaling USD 1.2 billion, an increase of 170% on a quarter-on-quarter basis. As with the previous quarters, corporates, mainly utility companies from Japan and Korea, are the primary issuers of transition bonds.

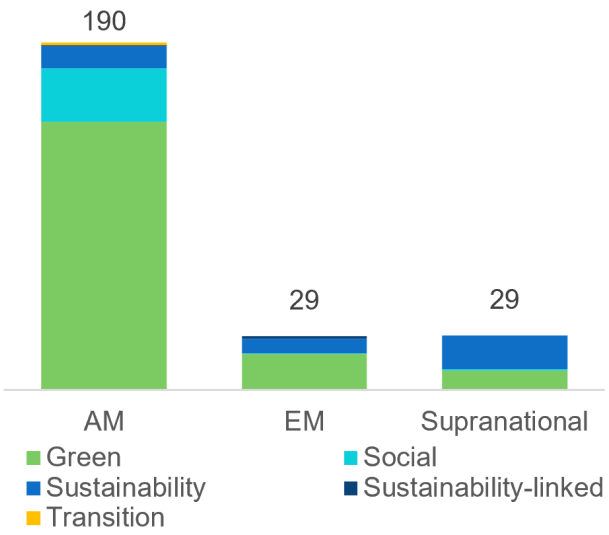
Quarterly labeled sustainable bond issuance by type of instrument, USD bn



Source: World Bank based on Environmental Finance Data

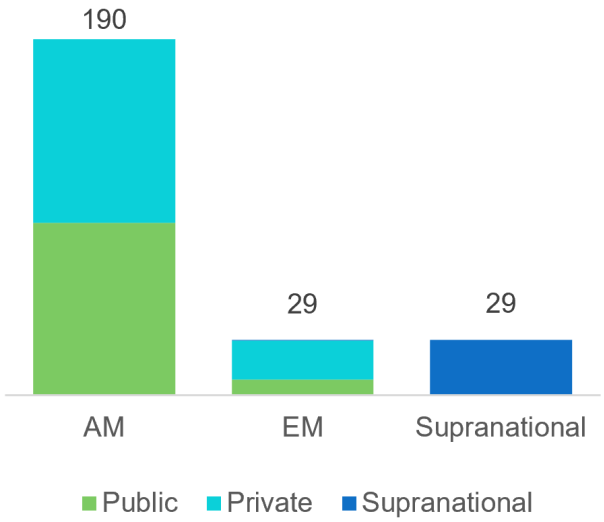
EMs accounted for only 12% of Q3 issuance, down from 17% on a year-on-year basis, with declines in both the public and private sectors. The public sector, which includes sovereigns, government agencies, development banks, and local and regional governments, accounted for 28% of EM issuance, compared with 48% in AM. Green bonds dominated both groups, at 66% of EM issuance and 77% of AM quarterly issuance.

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



Source: World Bank based on Environmental Finance Data

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

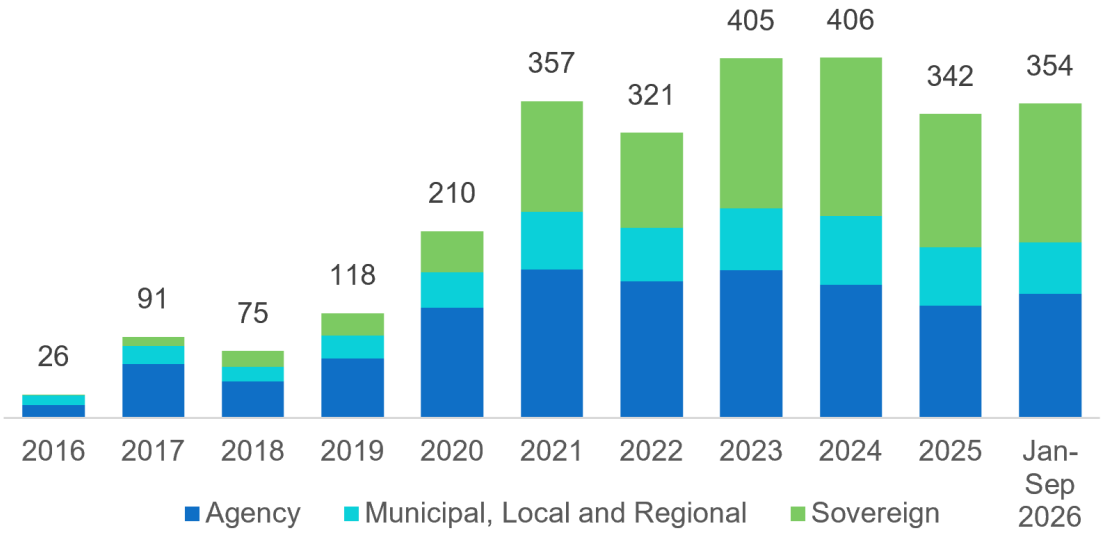


Source: World Bank based on Environmental Finance Data

Public Sector

The public sector accounts for about 35% (USD 2.73 trillion) of all labeled sustainable bonds issued to date. In Q3, it issued USD 100 billion, down by 18% on a quarter-on-quarter basis, but up by 22.4% on a year-on-year basis. Year-to-date issuance until 30 September reached USD 354 billion, already surpassing the full-year 2025 total of USD 342 billion. **Green bonds** are the preferred public sector instrument, comprising 60% of cumulative issuance to date and 72.7% of Q3 issuances.

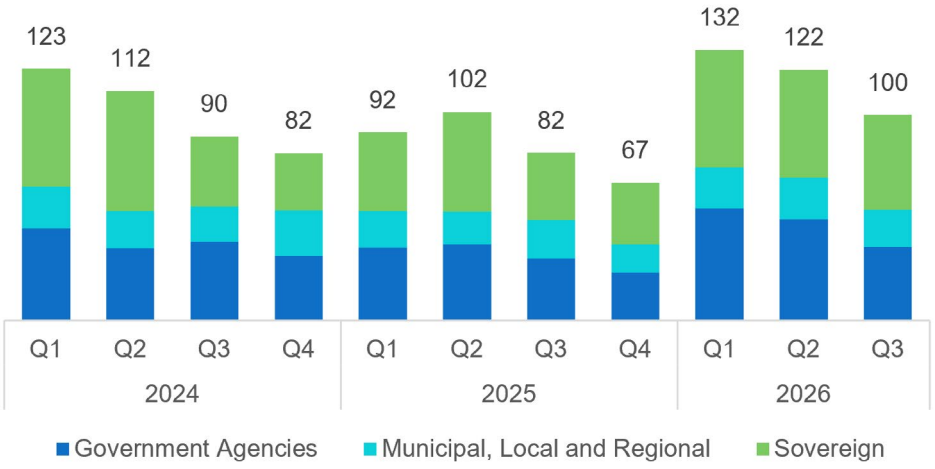
Public sector labeled sustainable bond annual issuance, USD bn



Source: World Bank based on Environmental Finance Data

Sovereigns accounted for 46% of Q3 public sector issuance (35% cumulatively), in line with the previous two quarters of this year. Government agencies accounted for 36% of public sector issuance in Q3, well below their 46% cumulative share in the segment. Municipal, local, and regional governments made up the remainder, at 18% in Q3 and 20% cumulatively. These issuers were primarily in advanced markets, with the United States and Japan leading, and most issuances categorized as social bonds. Many of the issuers were states or housing agencies, such as Korea Housing Finance Corporation and New York City Housing Development Corporation, as well as the California and Maryland departments of housing.

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



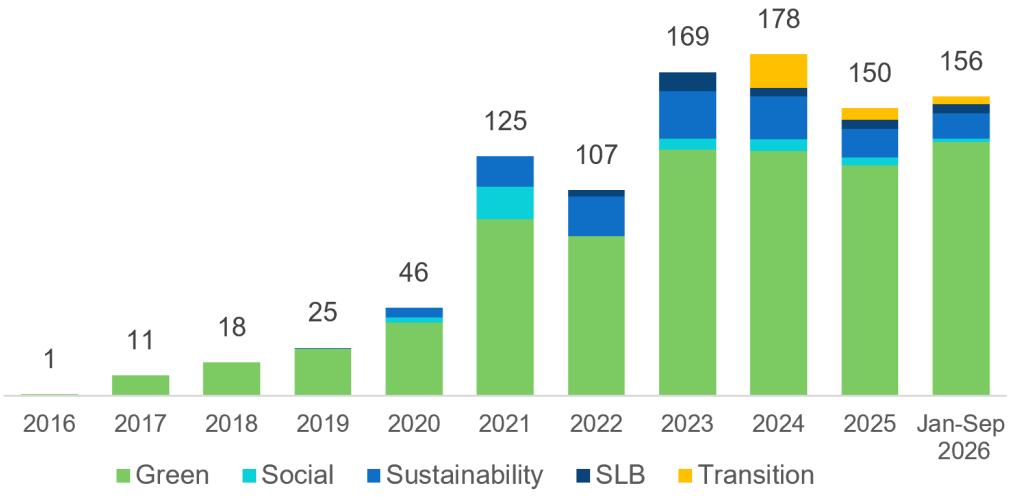
Source: World Bank based on Environmental Finance Data

Sovereigns

As of September 2026, 63 sovereigns have participated in the labeled sustainable bond market, with cumulative issuance of USD 986.4 billion. The total volume for 2026, until 30 September is USD 156 billion, of which AM sovereigns issued USD 130 billion and EM sovereigns issued USD 26 billion.

This quarter marked Tajikistan's debut in the domestic sustainable bond market, following the publication of its framework, with a five-year sovereign green bond of TJS 150 million (about USD 16.5 million), marking an important milestone for the sustainable finance market (please refer to the featured section for more details).

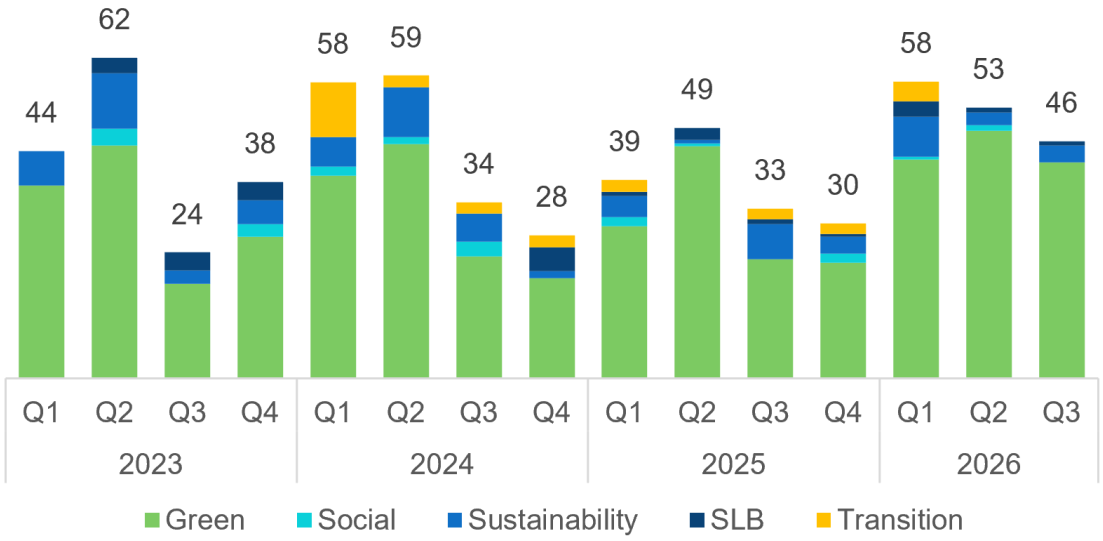
Sovereign labeled sustainable bond annual issuance, USD bn



Source: World Bank based on Environmental Finance Data

Q3 Sovereign performance: The total volume of sovereign labeled bonds was USD 46 billion, down by 12% on a quarter-on-quarter basis, but up by 40% on a year-on-year basis. AM sovereigns issued USD 40.4 billion, or 88% of the total sovereign labeled bonds. The largest issuer by notional size was the Republic of Italy, which issued a EUR denominated green bond with a notional equivalent of USD 9.18 billion.

Quarterly sovereign issuance by instrument type, USD bn

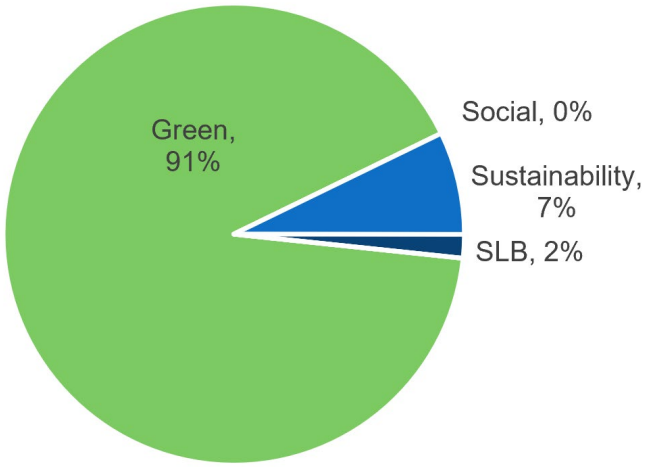


Source: World Bank based on Environmental Finance Data

Cumulatively, AM sovereigns favor green bonds, while EM sovereigns issue more sustainability bonds, which was also the trend for this quarter.

Green bonds were the most issued category in Q3 amongst sovereigns, accounting for 91% of the labeled bond issuances or USD 42 billion. Sustainability bonds followed at 7.2% or USD 3.3 billion of the total issuances.

Q3 sovereign issuance by instrument type, % total amount to date



Source: World Bank based on Environmental Finance Data

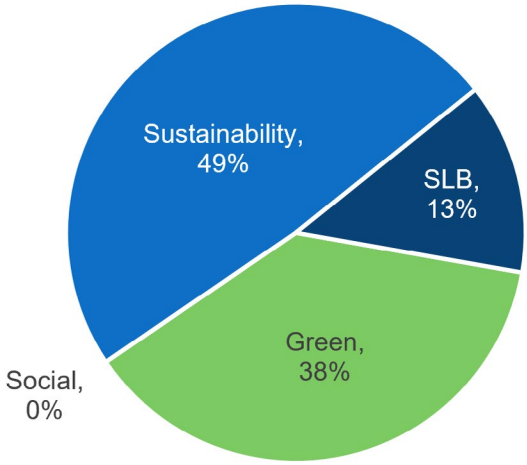
EM Sovereigns

EM sovereign issuances were USD 5.6 billion, down 38.3% on a year-on-year basis and 35% on a quarter-on-quarter basis. Türkiye, Mexico, and Thailand accounted for 70% of the total.

Domestic issuance represented 42% (USD 2.3 billion), with Tajikistan, India, Peru, and Indonesia each issuing in their local currencies. The remainder was international issuance, comprising a USD 1.5 billion issuance in US dollars by Türkiye and a JPY-denominated issuance by Mexico, equivalent to USD 1.7 billion. The Republic of Peru issued in the market five times in Q3 2026, with tap issuances totaling USD 422 million.

Within EM sovereigns, the composition is made up mostly of sustainability bonds at USD 2.8 billion or 49%, followed by green bonds at USD 2.1 billion, or 38% of the labeled issuances.

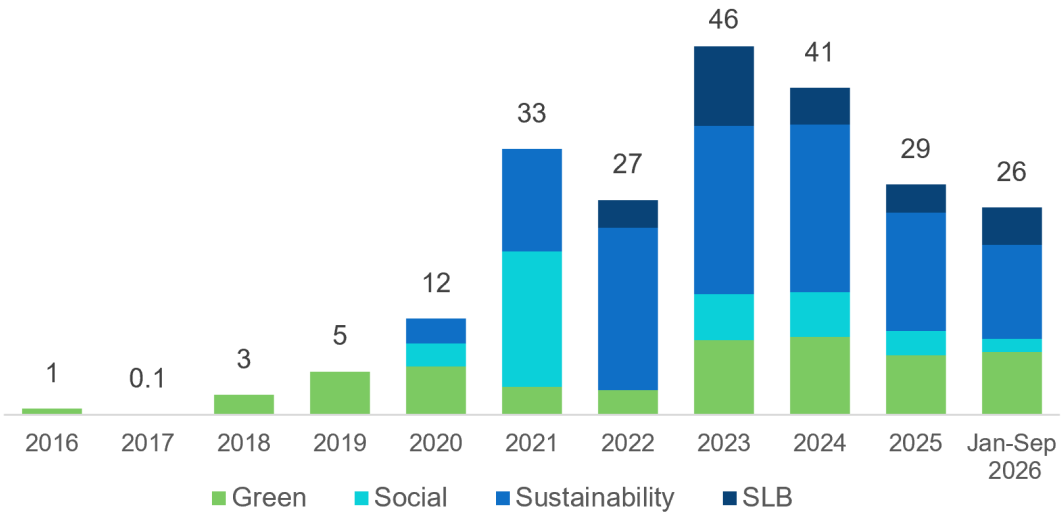
Q3 EM sovereign issuance by instrument type, %



Source: World Bank based on Environmental Finance Data

Since 2016, 30 EM sovereigns have issued labeled bonds, including Fiji, Nigeria, Colombia, Malaysia, Indonesia, Pakistan, and Brazil. Their cumulative total is USD 224 billion, or 2.8% of all labeled bonds issued globally. Year-to-date, EM sovereigns have issued USD 26 billion, or 12% of the market.

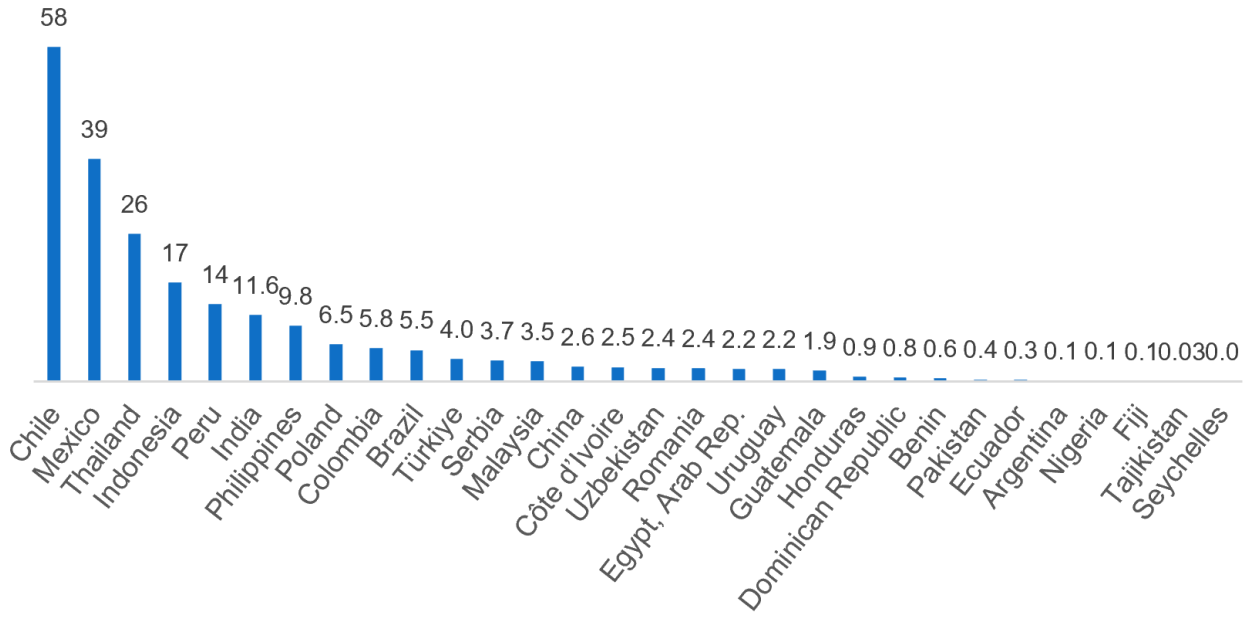
EM sovereign bond annual issuance by instrument type, USD bn



Source: World Bank based on Environmental Finance Data

Chile remains the largest EM sovereign issuer, with USD 58 billion in cumulative green, social, sustainability, and sustainability-linked bonds. Mexico follows with USD 38.9 billion, and Thailand with USD 25.8 billion.

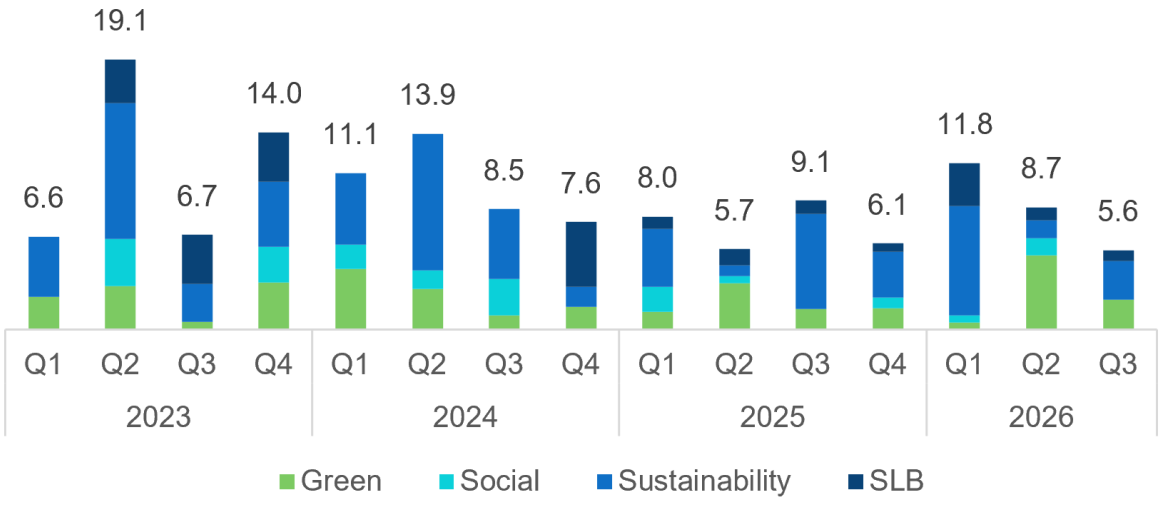
EM sovereign labeled sustainable bond issuers, USD bn total to date



Source: World Bank based on Environmental Finance Data

EM sovereign issuances were at USD 5.6 billion, down by 38.3%, on a year-on-year basis and 35% on a quarter-on-quarter basis. The annual share of EM sovereigns in the sovereign labeled bond market declined by 2% on a quarter-on-quarter basis.

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

Tajikistan issues inaugural sovereign green bond

The Republic of Tajikistan successfully issued its inaugural sovereign green bond in the domestic market after publishing its Sustainable Finance Framework in July 2026. The World Bank Group's Sustainable Finance Advisory Program provided technical assistance to the Ministry of Finance in developing the Sovereign Sustainable Finance Framework. The five-year TJS 150 million green bond was issued in the Central Asian Stock Exchange in Tajikistan on July 30, 2026. Strong investor demand led to a second domestic issuance of a five-year TJS 150 million green bond on August 28, 2026. These issuances mark a major milestone because they establish the foundational legal, financial, and regulatory infrastructure needed for long-term ESG (Environmental, Social, and Governance) capital mobilization in a highly climate-vulnerable country. The AIFC Green Finance Centre provided an independent second-party opinion on the framework, assigning it an "Excellent" rating – the highest possible assessment under its methodology.

Italy raises €8 billion in oversubscribed 12-year Green BTP

Italy issued a new 12-year Green BTP (Buoni del Tesoro Poliennali) in the amount of EUR 8 billion (approximately USD 9.2 to 9.4 billion), maturing on October 30, 2038. The transaction attracted exceptional investor demand, with the order book exceeding EUR 110 billion (approximately USD 129 billion), making the offering more than 13 times oversubscribed. More than 330 investors from 35 countries participated, and foreign investors accounted for roughly 75% of the final allocation. The strength of demand shows that international investors remain receptive to large, well-structured sovereign green supply. The largest share of the proceeds is expected to finance energy efficiency measures in buildings and clean transport. The issuance follows Italy's EUR 9 billion Green BTP transaction in May 2024, which matures in October 2037 and was equivalent to approximately USD 9 billion at the time of issuance. Italy updated its Green Bond Framework in December 2025. Read more here.

Enat Bank, Ethiopia plans debut gender bond

Enat Bank, a women-focused Ethiopian financial institution, has moved closer to issuing its first "gender bond." The bond is expected to be the first of its kind in Ethiopia and one of the first in Africa. The bond will be aligned with the ICMA Social Bond Principles, the 2X Challenge criteria and the new Sustainable Securities Guidelines published in May by the Ethiopian Capital Market Authority and the Ethiopian Securities Exchange. Read more here.

Shelter Afrique launches its first sustainability bond

Shelter Afrique Development Bank (ShafDB) has launched its debut West African CFA Franc-denominated sustainability bond, intended to finance affordable and sustainable housing in the region. The XOF 60 billion (USD 102 million) dual-tranche bond is backed by anchor investment from the International Finance Corporation and Ecobank Senegal, with CGF Bourse Dakar serving as lead arranger. Proceeds will be used to support projects across the West African Economic and Monetary Union region. Issuing in local currency is regarded by the bank as an "essential lever" for reducing currency risk in medium- to long-term real estate investment. The launch follows the August publication of a sustainable finance framework, developed with assistance from the Global Green Growth Institute and reviewed by S&P Global through a second-party opinion. Read more here.

Launch of the Nature Bonds Initiative

The Nature Bonds Initiative, designed as the nature-focused counterpart to the Climate Bonds Initiative, has been launched to address the lack of clear definitions, standards, and measurement frameworks in the nature bond market. It aims to build the missing market infrastructure, including nature bond standards aligned with the EU taxonomy and the Taskforce on Nature-related Financial Disclosures, issuer eligibility criteria, a use of proceeds framework, measurement, reporting, and verification frameworks. Co-founder Jan Amrit Poser said the initiative expects to prioritize frameworks for corporate and financial issuers, describing sovereign issuance as a "different beast." Financing for nature transition is expected to drive growth, with hard-to-abate sectors anticipated to play a leading role. The initiative has already held discussions with corporates such as Breitling and Siemens. No publication date has been set for the documents, which will build on existing market frameworks with support from an advisory council drawn from across the market.

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.

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 and provides technical assistance to financial regulators and public sector issuers in emerging markets. With technical assistance from the World Bank:

- Tajikistan issued its first sovereign green bond
- 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 market update 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 September 2026 unless otherwise indicated.

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

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