

LABELED SUSTAINABLE BONDS

Quarterly Market Update



WORLD BANK GROUP

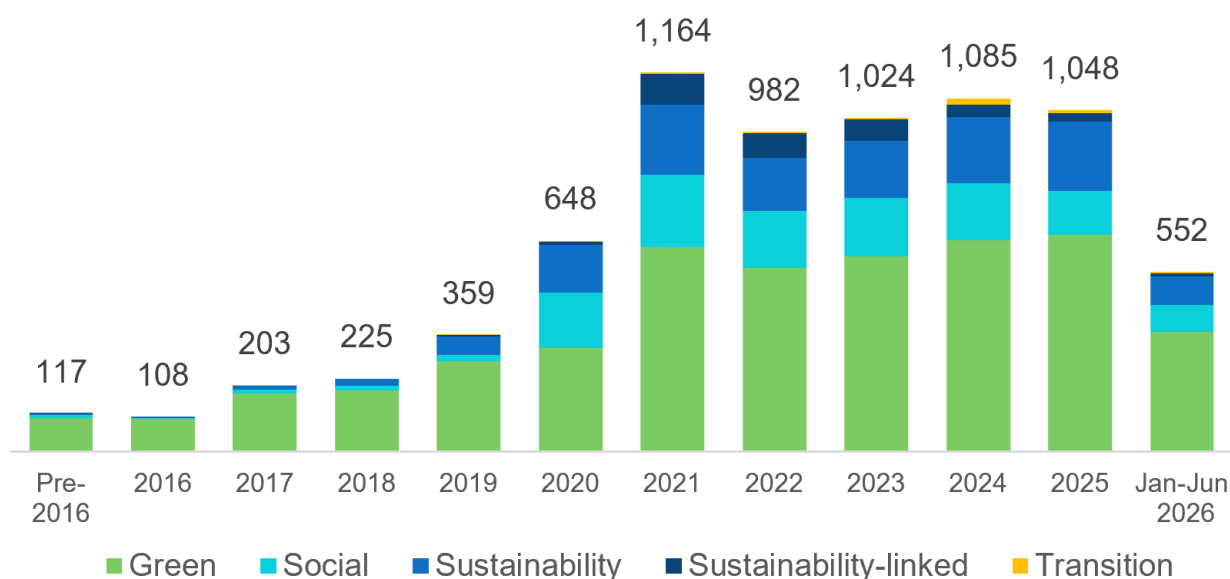
Q2 | 2026

Welcome to the second 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 markets 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 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 7.52 trillion as of June 2026. Q2 2026 delivered a resilient performance, with cumulative issuance of USD 280 billion exceeding the USD 272 billion recorded in Q1 2026. Green bonds continued to be the preferred instrument, representing 69% of overall issuances in Q2 2026.

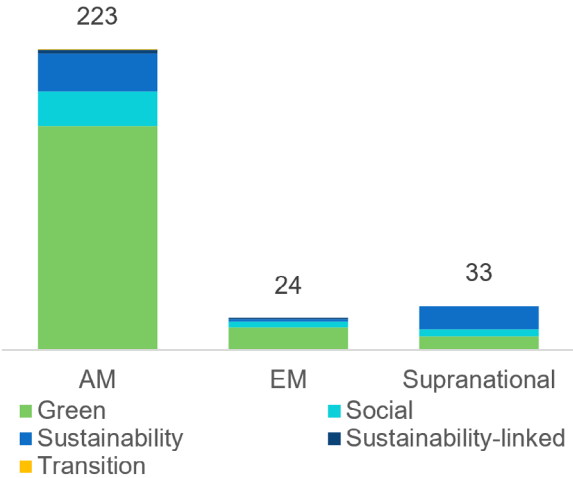
Global labeled sustainable bond annual issuance, USD bn



Source: World Bank based on Environmental Finance Data

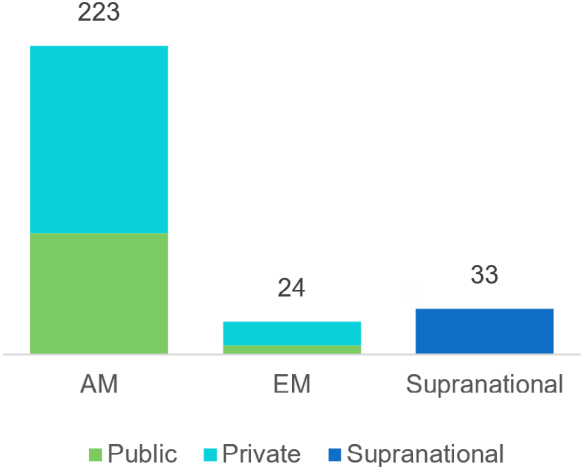
EM vs AM trends: The share of emerging markets (EM) in the second quarter represented only 9% of the total amount issued in Q2 2026. Green bond issuances dominated both the emerging markets and advanced markets (AM), representing 72% and 75% of quarterly issuances in their respective markets. Public sectors (which includes sovereigns, government agencies, municipalities, local and regional governments) participation in EM labeled bond market represented 29% of overall issuances, compared to 39% in AM labeled bond market.

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



Source: World Bank based on Environmental Finance Data

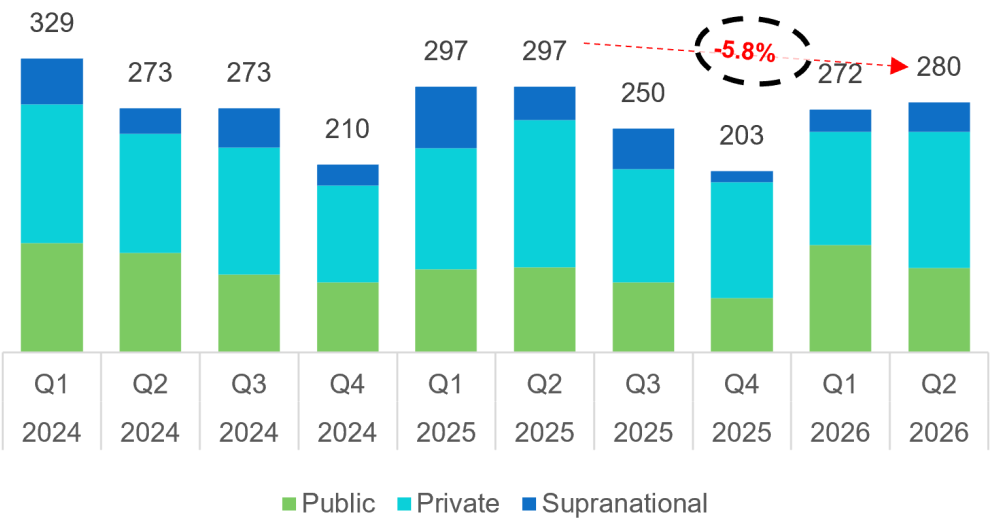
Quarterly labeled sustainable bond issuance by market and by issuer type, USD bn



Source: World Bank based on Environmental Finance Data

Q2 2026 performance: Total issuances in the quarter were USD 280 billion, an increase of 2.9% compared to Q1 2026, but a decrease of 5.8% compared to Q2 2025. Issuances for sustainability bonds increased by 16% compared to Q2 2025. However, issuances for green, social, sustainability-linked, and transition bonds decreased by 5.5%, 10.9%, 65.6%, and 61.1% respectively. Issuances in advanced markets (AM) increased by 12.1%, while issuances in emerging markets (EM) decreased by 61.2% compared to Q2 2025.

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

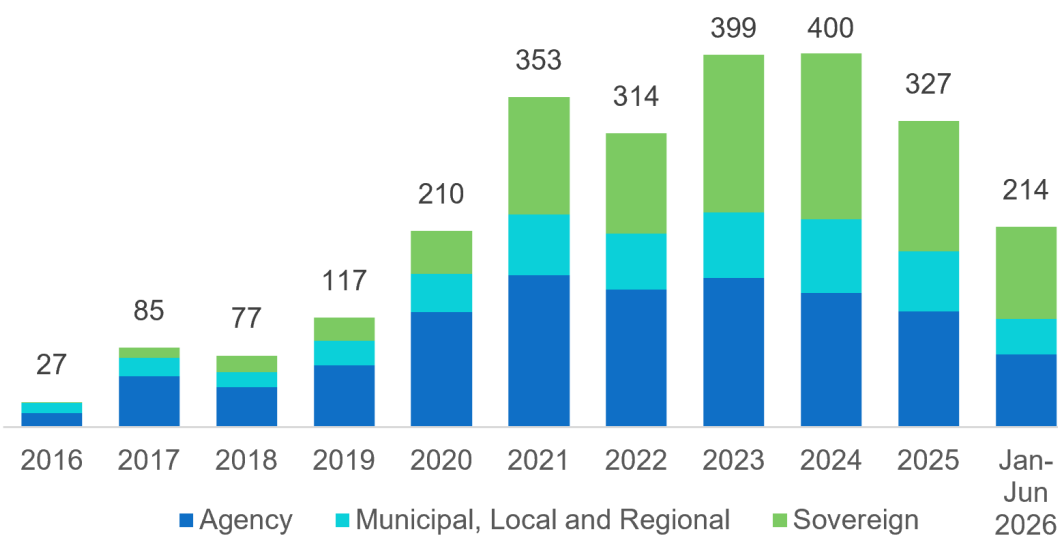


Source: World Bank based on Environmental Finance Data

Public Sector

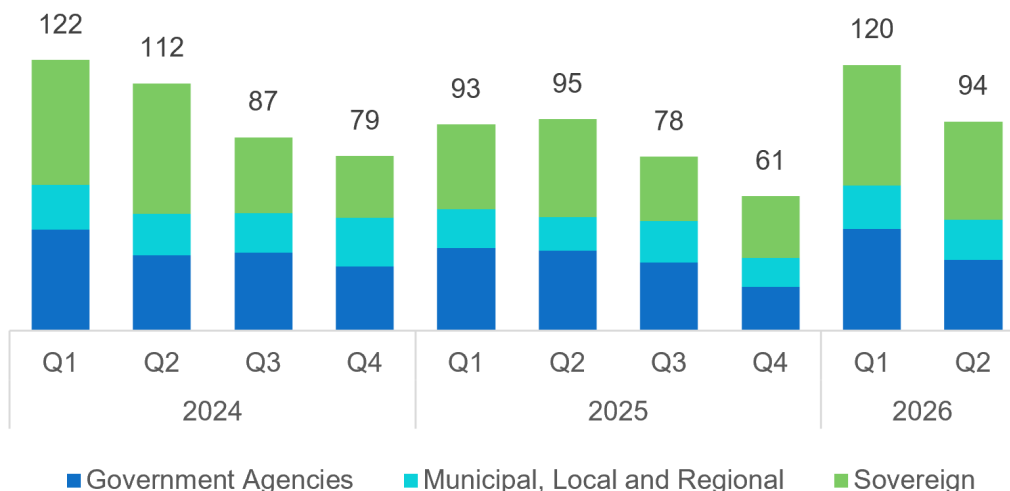
Public sector issuances represent about 34% (USD 2.55 trillion) of the cumulative labeled sustainable bonds issued to date. The share of public sector issuances in Q2 2026 remained the same (34%), with USD 94 billion in total issuances. Green bonds are the preferred instrument for public sector issuers, comprising 59% of the cumulative overall issuances and 57% in Q2 2026. Cumulatively, government agencies represent the biggest segment overall (45%), but represented only 34% in Q2 2026 in the public sector. Sovereign issuances have begun dominating the public sector issuances, accounting for 44% in Q2 2026 (35% overall). Municipal, local, and regional government issuances accounted for the remainder, comprising 20% overall and 19% in Q2 2026. In Q2 2026, the public sector issued USD 94 billion in labeled sustainable bonds, a decrease of 1.1% compared to Q2 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

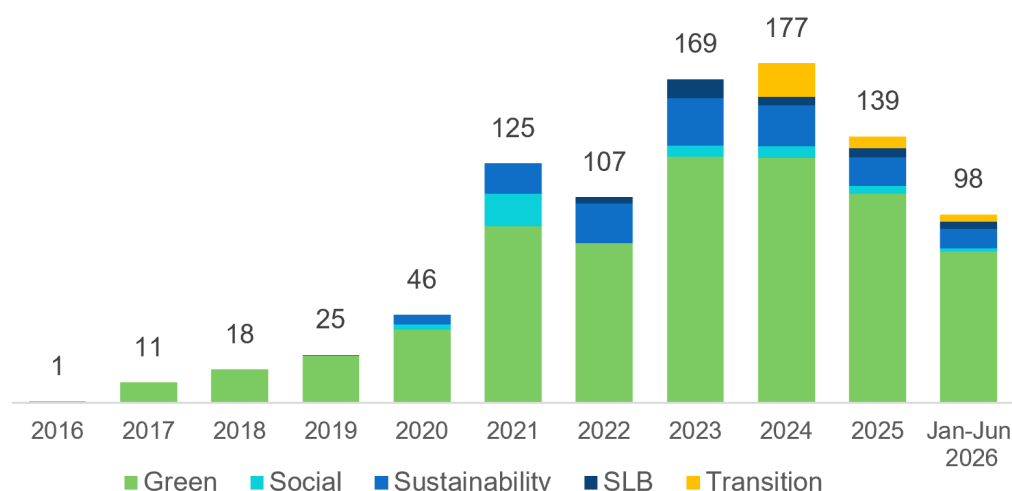


Source: World Bank based on Environmental Finance Data

Sovereigns

As of June 2026, 62 sovereigns have participated in the labeled sustainable bond market, with cumulative issuances reaching USD 917 billion. In Q2 2026, 24 sovereigns collectively issued labeled sustainable bonds totaling USD 44 billion. AM sovereigns were the principal contributors to the total issuances in the quarter, with France, Austria, and Australia leading among AM sovereigns. Serbia, Indonesia, Egypt and Thailand were the top issuers among EM sovereigns in the quarter. This quarter was again marked by an absence of debut issuances from sovereigns.

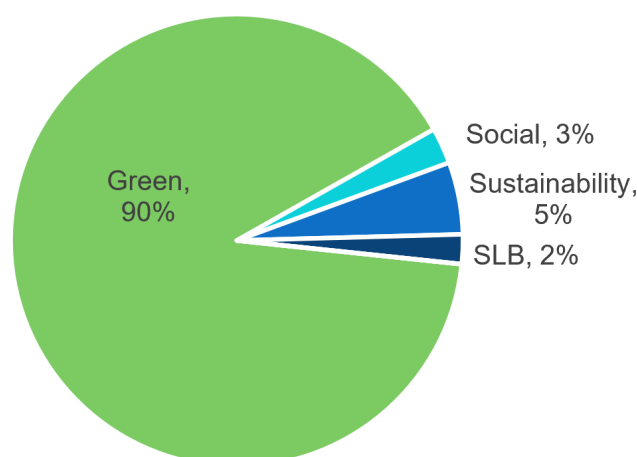
Sovereign labeled sustainable bond annual issuance, USD bn



Source: World Bank based on Environmental Finance Data

Cumulatively, green bonds are the preferred instrument amongst AM sovereign issuer, while EM sovereigns prefer sustainability bonds. In Q2 2026, green bonds remained the preferred instrument for AM sovereign issuers, accounting for USD 36 billion, or 97% of the total bonds issued by AM sovereigns. However, for EM sovereign issuers, the preference shifted towards green bonds, accounting for USD 3.8 billion, or 54.4% of the total bond issued by EM sovereigns in Q2 2026. Overall, green bond issuances reached USD 40 billion in Q2 2026 (90.2% of total sovereign issuances).

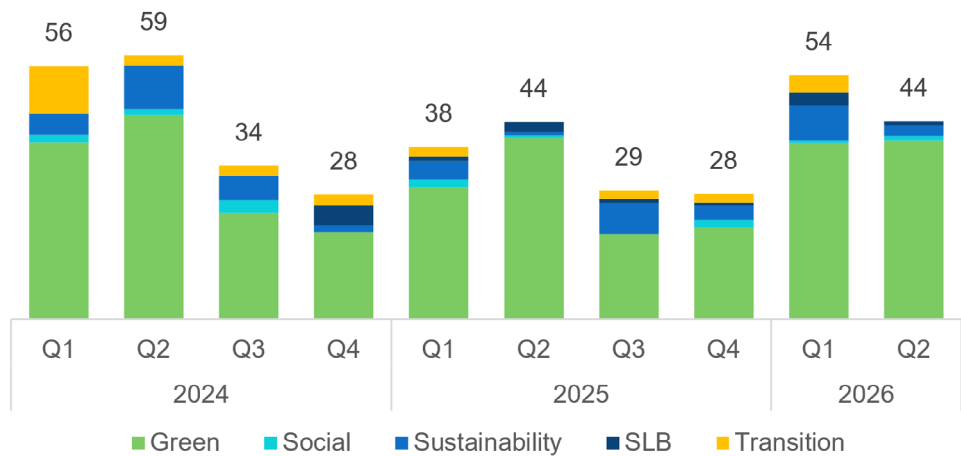
Cumulative sovereign bond issuance by instrument type, % total amount to date



Source: World Bank based on Environmental Finance Data

Sovereign issuances in Q2 2026 increased by a negligible 0.3% when compared to Q2 2025, and decreased by 18.9% compared to Q1 2026.(Q1 2026). AM sovereigns represented a significant proportion of the issuance in the quarter (USD 37 billion), with issuances decreasing by 3% and 13% when compared to Q2 2025 and Q1 2026 respectively.

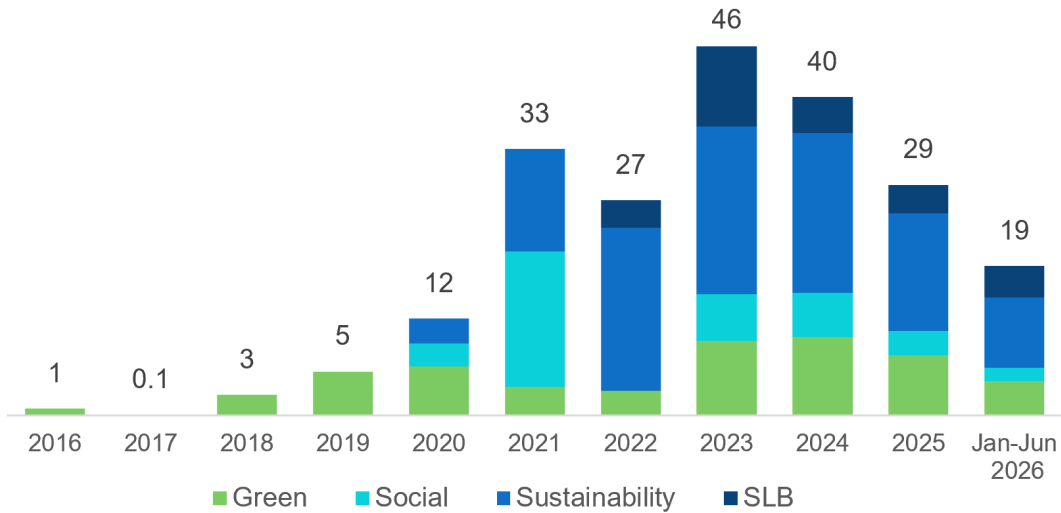
Quarterly sovereign bond issuance by instrument type, USD bn



Source: World Bank based on Environmental Finance Data

Since 2016, 29 EM sovereigns have issued labeled bonds for a cumulative total of USD 215.6 billion, representing 2.9% of total labeled bonds ever issued globally.

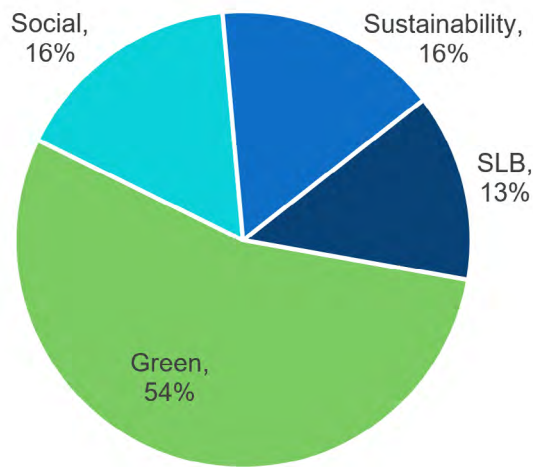
EM sovereign bond annual issuance by instrument type, USD bn



Source: World Bank based on Environmental Finance Data

Green bonds dominated EM sovereign issuers in Q2 2026, representing 54.4% (USD 3.8 billion) of the total EM sovereign issuances. Sustainability bond issuances meanwhile represented only 15.9% of the overall Q2 2026 issuances among EM sovereigns. Domestic issuances in the quarter represented 66% (USD 4.6 billion) of the total EM sovereign issuances in Q2 2026, while the remaining were international issuances by sovereigns (EUR, USD, JPY, CHF, and CNH denominated issuances).

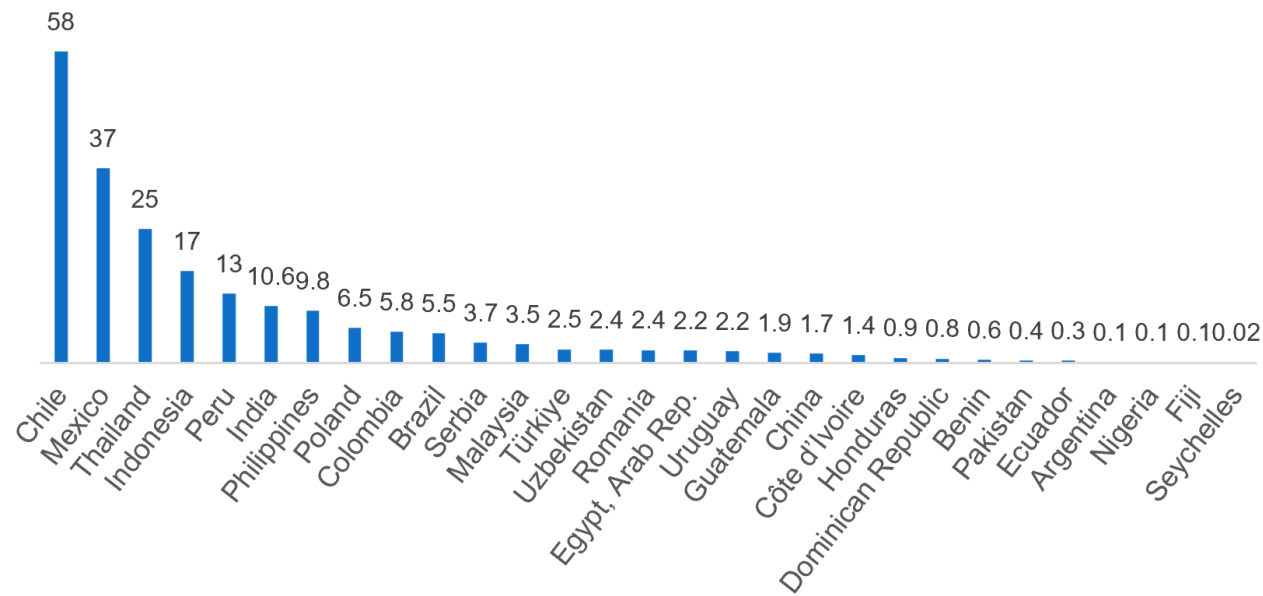
Q2 2026 EM sovereign issuance by instrument type, %



Source: World Bank based on Environmental Finance Data

Among the EM sovereigns, Chile is the largest issuer, having issued a cumulative total of USD 58.5 billion in green, social, sustainability and sustainability-linked bond issuances over the years. This is followed by Mexico with USD 36.6 billion, and Thailand with USD 25 billion, as of June 2026.

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



Source: World Bank based on Environmental Finance Data

EM sovereign issuances in Q2 2026 represented USD 7 billion in total issuances, increasing by 22.4% compared to Q2 2025 but decreasing by 41% compared to Q1 2026. Serbia, Indonesia, Egypt and Thailand represented 70% of the total EM sovereign issuances in the quarter.

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

FAO published guidance on food security themed green bonds

In May 2026, the Food and Agriculture Organization of the United Nations (FAO) published a new report titled “Food Security Green Bonds: Scaling Finance for Sustainable and Climate-Resilient Agrifood Systems”. The report addresses one of the most urgent financing gaps in global development: mobilizing the large-scale private capital needed to transform agrifood systems, reduce agricultural greenhouse gas emissions, and build resilience to climate change, while safeguarding food security for billions of people worldwide. It provides guidance on bond structuring, eligible project categories, use-of-proceeds frameworks, and reporting standards aligned with international green bond principles, offering a practical toolkit for sovereign issuers, development finance institutions, agribusinesses, and investors. The [Sustainable Finance Advisory Program](#) and the World Bank’s Agriculture and Food Global Practice provided key inputs to the FAO team while drafting the report. Read more [here](#).

Egypt inaugural social sovereign bond issuance well received

In May 2026, Egypt raised USD 1 billion from its first sovereign social bond, becoming one of only a handful of sovereign social bond issuers to date. According to Environmental Finance Data, the bond was “very well received” by investors, with the orderbook peaking at more than USD 5 billion. This allowed Egypt to tighten pricing for the eight-year bond by 35 basis points, with the final coupon set at 7.625% and the final orderbook at USD 3.9 billion. The deal arrives almost four years after Egypt published its updated sustainable financing framework in November 2022, adding social categories alongside the green categories it issued under in 2020. Although Egypt issued a RMB3.5 billion (USD 510 million) ‘panda’ sustainability bond in 2023, this is the “first hard currency social-labeled issuance that Egypt has done under this framework”. Just eight other sovereign issuers have issued dedicated social bonds, compared with 49 sovereign issuers of green bonds, and 23 issuers of sustainability bonds. Read more [here](#).

Second Chinese sovereign green bond 10-times oversubscribed

In May 2026, the Chinese government raised RMB6 billion (USD 885 million) from its second green bond, with the dual-tranche deal attracting an orderbook in excess of RMB62 billion. The Chinese finance ministry said the RMB3 billion three-year tranche with a 1.42% coupon was 9.8 times oversubscribed, with the RMB3 billion five-year tranche with a 1.56% coupon securing orders 11 times higher than the offer amount. The ministry said the transaction attracted “strong interest” from international investors both within the Asia Pacific region and beyond. In addition, China said 35% of the bond was allocated to green and sustainable investors. Credit Agricole Corporate and Investment Bank’s senior Asia Pacific regional officer Jean-François Deroche said the issuance of the green bond in Hong Kong has “broadened cross-border financing channels for China’s green and low-carbon development and enriched the supply of high-quality green sovereign bonds in the international market. The Hong Kong issuance by China follows a growing interest among international sustainable bond issuers in the Hong Kong market. Read more [here](#).

Social disclosure framework launched

In May 2026, The Taskforce on Inequality and Social-related Financial Disclosures (TISFD) launched a provisional disclosure framework. [The TISFD Framework \(Beta Version 0.1\)](#) aims to help identify and assess people-related impacts, dependencies, risks, and opportunities – particularly those that affect financial performance and the health of societal, economic and financial systems. The taskforce follows similar initiatives on climate and nature, which have both been integrated into the work of the International Sustainability Standards Board (ISSB), which sets a baseline standard for sustainability reporting globally. The framework establishes core expectations for social disclosure, encouraging users to cover material information about impacts, risks and dependencies, information which meets investor needs on system-level risk, and data on stakeholder engagement. Preparers should also cover the scope of the disclosure and the time horizons over which they are assessed. The provisional overview then sets out 12 disclosure recommendations across governance, strategy, risk management, and metric pillars. It does not set out specific metrics, but asks preparers to disclose which metrics they have used. The taskforce will further develop, and include coverage of the drivers of impacts, pathways, scenario analysis and financial-sector guidance. The framework is currently open to consultation, and a final version is expected by the end of 2027. Read more [here](#).

China launches sustainability reporting rules for asset managers

In June 2026, the Asset Management Association of China (AMAC) published ‘[guidelines](#)’ for sustainable investment funds that set expectations to invest at least 80% of their assets in line with their sustainability objectives. The guidelines are designed to “standardize the application of” sustainable investment strategies in publicly offered securities investment funds and protect investors, according to a release shared with the China Securities Regulatory Commission (CSRC) by the AMAC, a self-regulatory association of fund managers that is authorized by the CSRC. The guidelines entered into effect immediately, giving managers one year to comply. They set expectations on the use of sustainability-related terms in fund names and explain that where these terms are used, a manager is expected to use ‘sustainable investment strategies’ such as exclusion or positive screening across at least 80% of the fund’s non-cash assets. Funds with more than 80% of their non-cash assets invested in green and low-carbon ‘industry catalogues’, suggesting they could use alignment with a taxonomy to show compliance, or labeled bonds will be considered to have applied the positive screening method, the rules say. In setting an 80% threshold for compliance, China’s guidelines resemble the EU naming rules set by the European Securities and Markets Authority. 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:

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

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 June 2026 unless otherwise indicated.

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



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