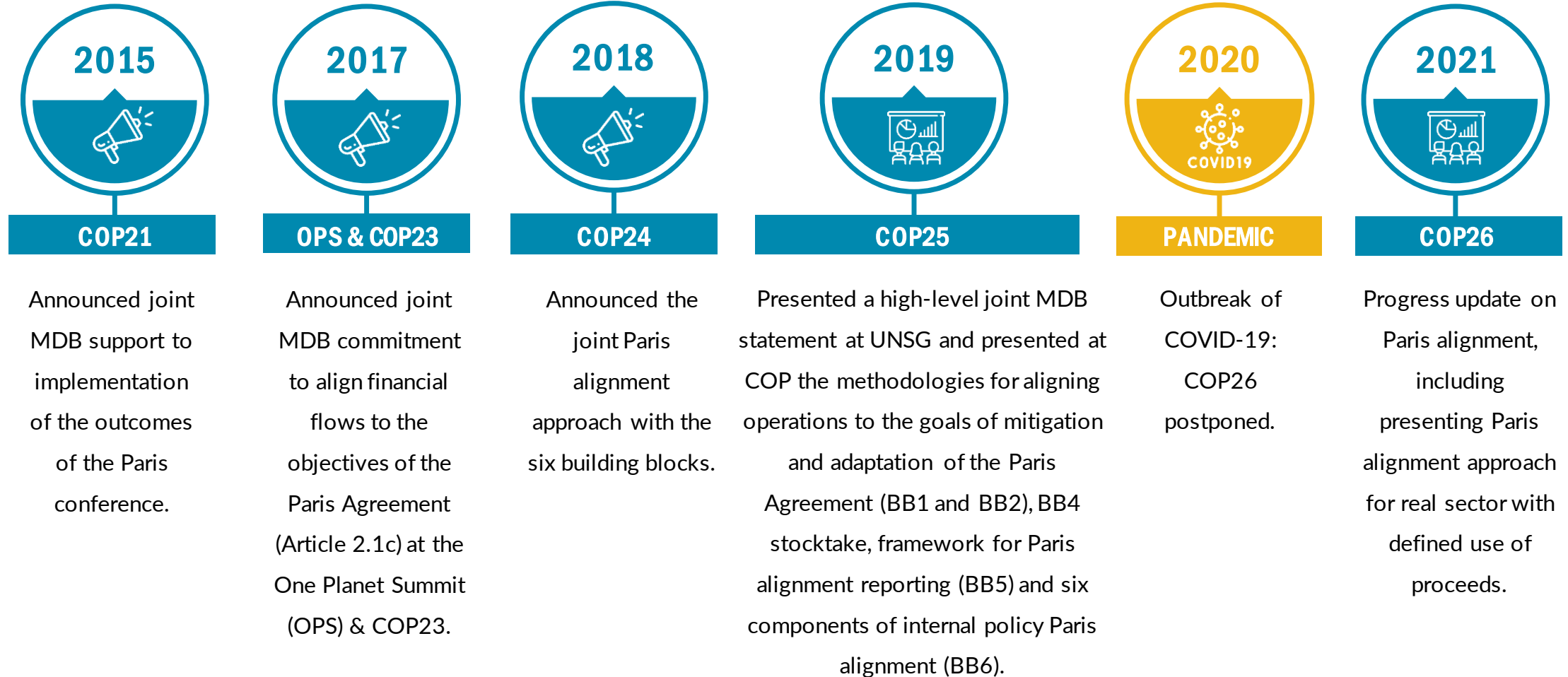


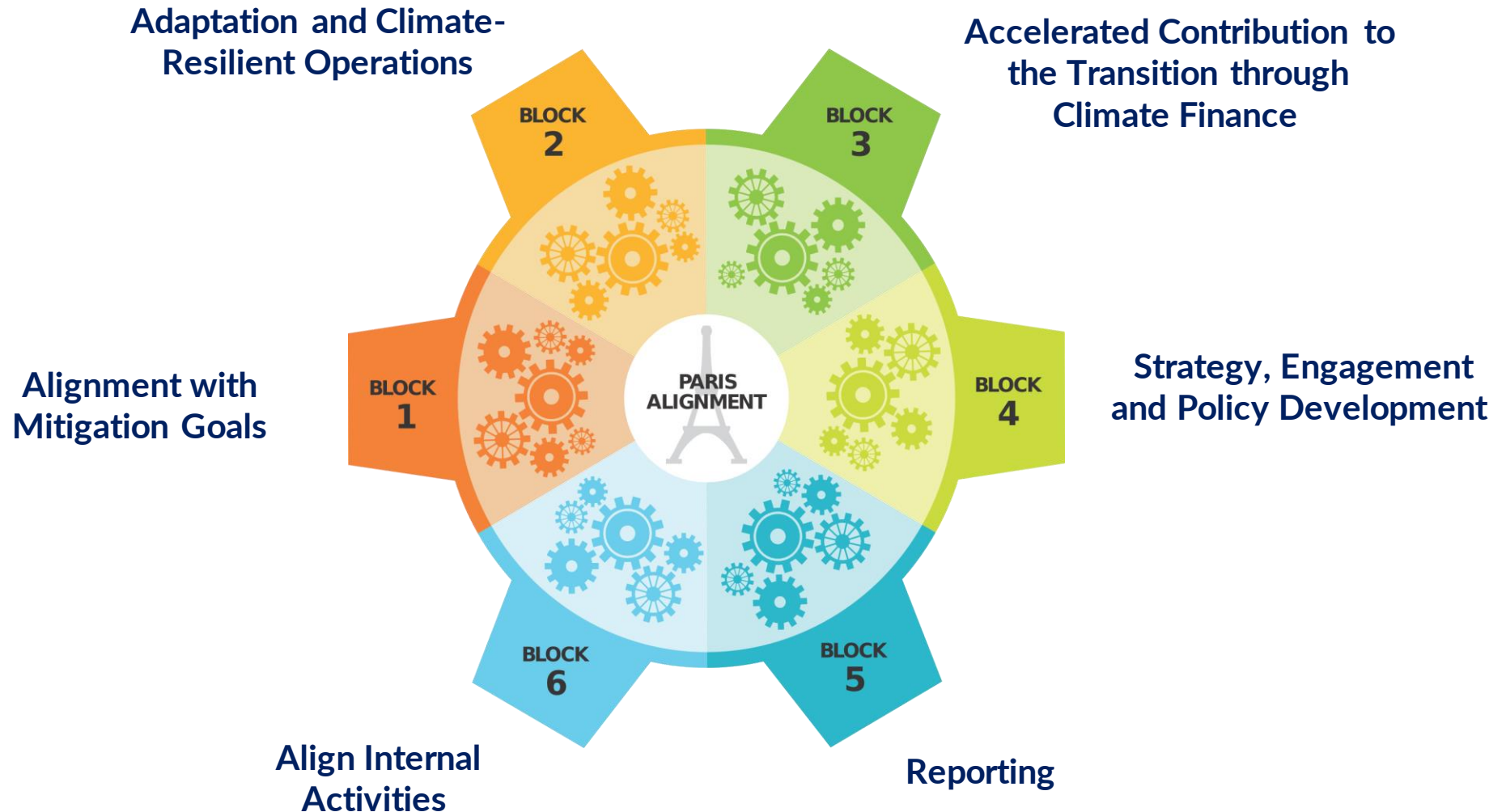
Recap

MDBs Paris Alignment journey to date



Recap

MDBs Paris Alignment Framework



Joint-MDB Presentation on Paris Alignment Approach

COP27 Progress Update | November 2022 | Sharm El Sheikh, Egypt



Key Messages

Major highlights since COP26: MDBs have worked together to deliver broad methodological progress on Paris Alignment.



Operationalisation

Progress made on operationalisation of Paris Alignment. This includes also screening projects for physical climate risks.



Data challenges in countries

Information gap still challenging, particularly due to big gap of firm level data, as well as robust LTSs and related data and information.



Timeline

All MDBs have committed to Paris alignment timeline



Delivering climate finance

MDBs on track to delivering their climate finance goals, but need more resources to scale with impact, particularly in areas of climate policy support, deep decarbonization, adaptation finance and integration of nature.



Compounding Challenges

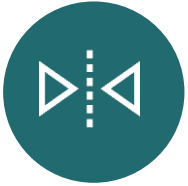
Countries are facing compounding challenges – Ukraine crisis, energy and food security crisis, rising political instabilities and socioeconomic divides.



Capacity & technical support

Increasing demand from clients to have technical and capacity support to integrate emerging climate risk management and disclosure practices; also support on sustainability strategies and pathways.

Key Messages



Aligning financial flows with PA

Continue to work together on operationalisation of joint-Paris alignment approach.



Supporting mobilising of climate finance

Work on increased access to donor co-finance and scale private sector mobilisation on climate finance.



Global stocktake

Counties will need support to demonstrate progress on NDC implementation, support received and identify needs.



Continued coordination

In-country coordination on policy and climate finance delivery, including planning and significantly scaled programmes.



Nature & biodiversity

Further integration of nature and biodiversity in climate activities.



Greening financial systems

Facilitate greening of financial systems, including policy support in developing standards and supporting clients with transition planning and reporting.



Carbon pricing & market mechanisms

Accelerate the roll-out of carbon pricing and market mechanisms by meeting increased demand through policy dialogue and capacity building.



Progress reporting

Internal and external Paris alignment progress reporting.

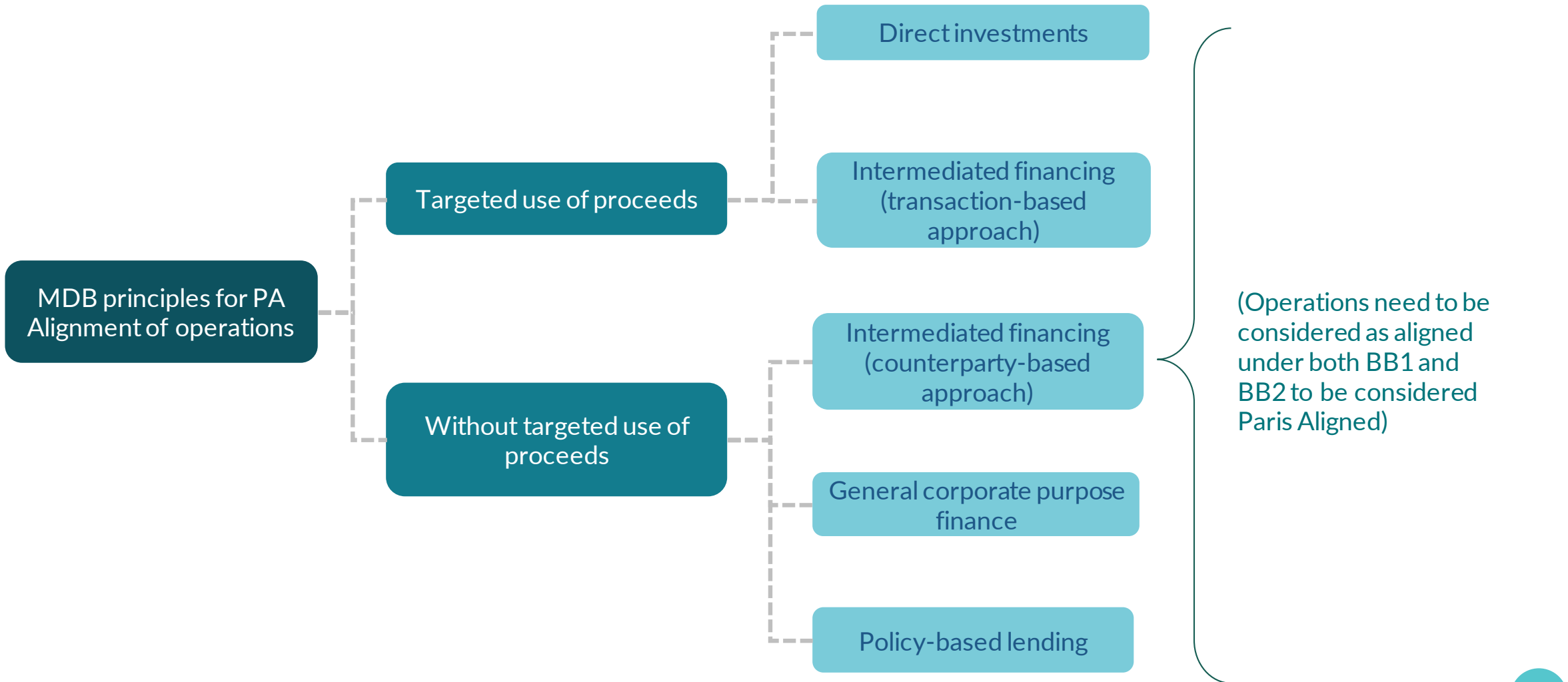
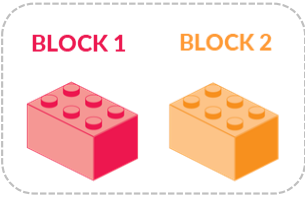
Paris alignment commitment status

A timeline of the Paris alignment commitment status of all MDBs



MDB	Latest Climate Strategy/Policy adopted	Paris alignment commitments with dates
ADB	July 2018, (Strategy 2030).	Alignment of sovereign operations by 1 July 2023; 85% of non-sovereign operations by that same date, full alignment by 1 July 2025.
AfDB	Climate Change and Green Growth Framework: Long-term strategy (2021-2030) and Action Plan (2021-2025).	Full Paris Alignment by 2025. Currently, rolling out the implementation plan.
AIIB	Corporate Strategy (2021-2030): Financing Infrastructure for Tomorrow.	Full alignment by mid-2023.
CEB	CEB Strategy 2020-2022, Development Plan with key policy goals.	Paris Alignment approach and roadmap approved by CEB Administrative Council on 18 November. The objective is to start with the alignment of our direct lending by end 2022 (with the specific methodologies and systems being finalized in 2022 and therefore affecting CEB's activities starting with approvals in Jan 2023).
EBRD	July 2020, Green Economy Transition Approach (2021-2025)	Application to new operations starts in 2021; Full alignment of activities by end-2022.
EIB	November 2020, EIBG Climate Bank Roadmap (CBR) and Updated EIB Climate Strategy covering all 6 building blocks.	All financing activities Paris aligned by end 2020. (Grandfathering of projects under appraisal at 31 Dec 2020 in Energy ends Board of Dec 2021 and other sectors Board of Dec 2022). Paris Alignment Framework for counterparts adopted in 2021, applicable as of January 2022.
IDB	Climate Change Action Plan 2021-2025.	Integration of Paris alignment into IDB and IDB Invest operations procedures. Align 100% of new operations with the Paris Agreement goals by January 2023; pending approval by the IDB Group Board of Directors.
IsDB	Action Plan for Operationalization of the Paris Alignment (2022-2023).	Fully aligning sovereign operations by end of 2023.
NDB	NDB's General Strategy for 2022-2026.	NDB will work towards aligning its new operations with the goals of the Paris Agreement by the end of the strategy cycle (2022-2026).
WBG	WBG Climate Change Action Plan (2021-2025).	World Bank aligning new operations starting July 1, 2023. IFC and MIGA will align 85% of new direct operations starting July 1, 2023, and 100% starting July 1, 2025.

Alignment of operations in different financial instruments



BB1 & BB2: PA assessment principles for direct finance

Operationalisation

Joint Technical Notes

MDBs produced a joint-BB1 & BB2 technical Note to provide public information on Paris alignment assessments.

Operationalisation

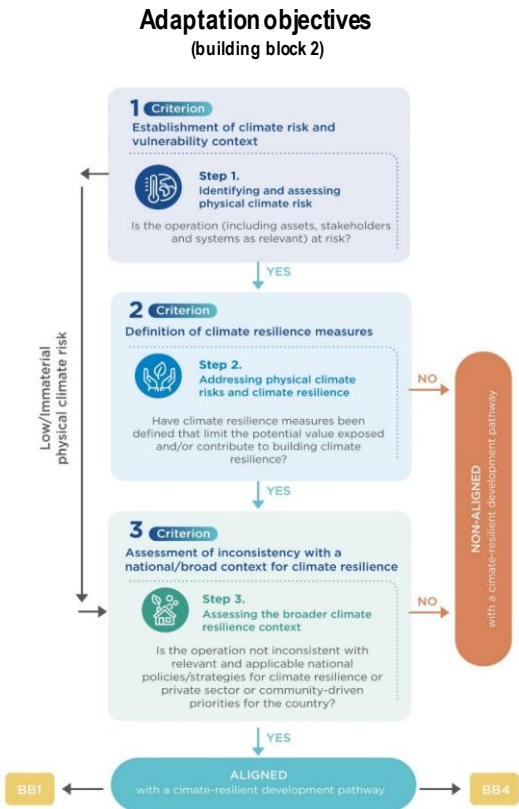
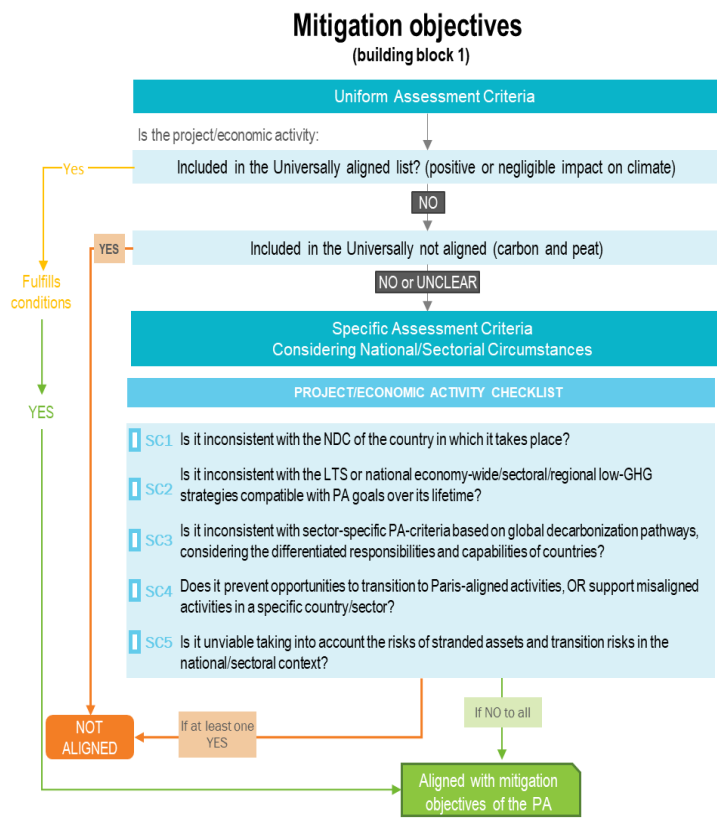
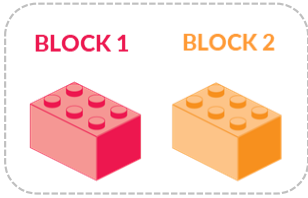
The MDBs continued to develop and operationalise the BB1 & BB2 approach for direct finance operations *within each institution*.

Exchanging experience

The MDBs have been exchanging experience on the application of the BB1 & BB2 approach in specific sectors.

Strengthening of the principles

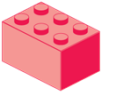
The MDBs will continue exchanges on the methodology application to address identified lessons learnt and work on strengthening of the principles in future.



BB1: PA assessment principles for direct finance

Early implementation experience and lessons learnt (from some MDBs)

BLOCK 1

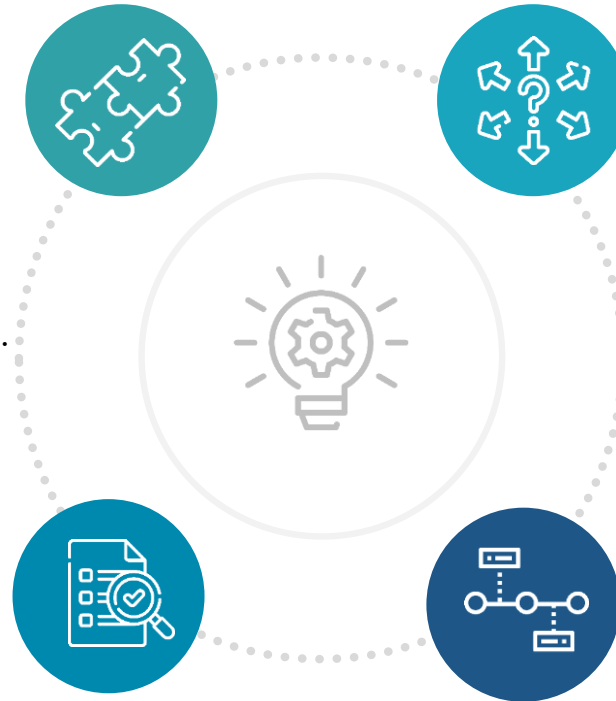


Fit for purpose

1. Consultations have validated that the general principles are robust.
2. Two stage approach is logical – high level screening and selective in-depth appraisal for more complex projects.
3. Aligned list and tools are good practical guides.
4. Systematic project screening

Best practice is evolving rapidly

1. Changing external standards (e.g., EU Taxonomy, TCFD).
2. Emerging disclosure regulations.



For complex projects judgement is required for alignment determination

1. Refinement will need to continue. Sector nuance linked to overall principles will support effective implementation.
2. Even for the projects falling under “universally aligned list” review and judgment is required
3. Challenging cases are giving MDBs an opportunity to engage with teams and clients in a more holistic manner, linking the assessment to BB4.

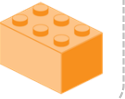
Climate policy and credible client commitments are key

1. Client organisational capacity and commitment is key.
2. Project assessment underscores complementary focus on systemic policy change to underpin Paris aligned projects.
3. Making the judgement call on “non-aligned” for developing countries when their emissions are expected to peak.

BB2: PA assessment principles for direct finance

Early implementation experience and lessons learnt (for some MDBs)

BLOCK 2



Fit for purpose

1. Road testing has validated that the general principles of the methodology are robust.
2. Three stage approach is logical – screening and selective in-depth appraisal where climate risks are identified.

Best practice is evolving rapidly

1. Changing external standards (e.g., EU Taxonomy, TCFD).
2. Emerging disclosure regulations.



Refinement will need to continue

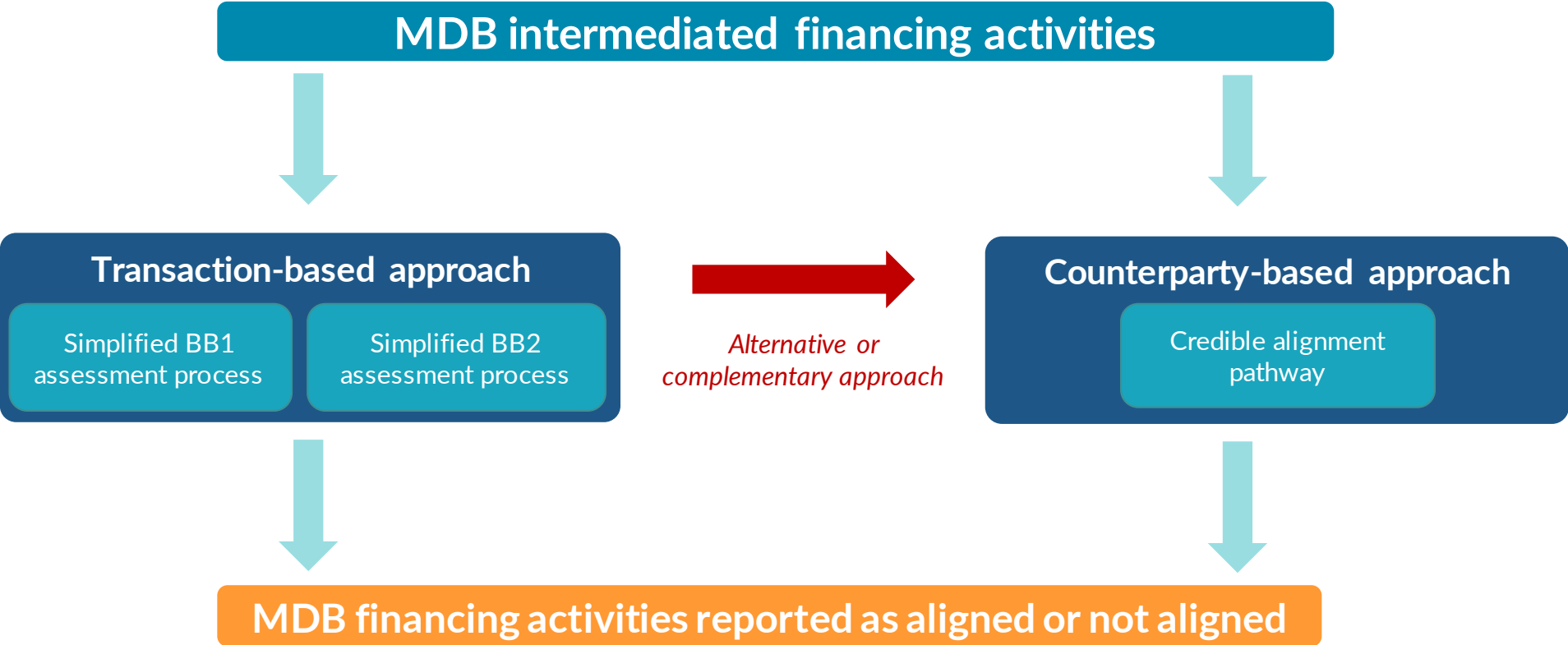
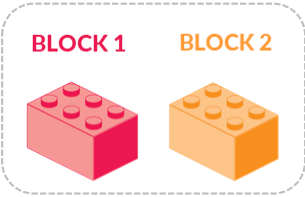
1. Learning needed to better capture nuances in climate risk and vulnerabilities of different sectors, geographies and types of operations to support effective implementation.
2. Challenging cases are giving MDBs an opportunity to engage with teams and clients in a more holistic manner, linking the assessment to BB4.

Climate policy and credible client commitments are key

1. Client technical capacity and commitment is key.
2. Project assessment underscores complementary focus on systemic policy development and planning to underpin Paris aligned projects.
3. Making the case that there are no real trade-offs between meeting development priorities and building long-term climate resilience - these objectives are complementary.

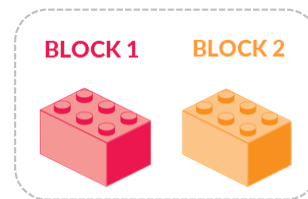
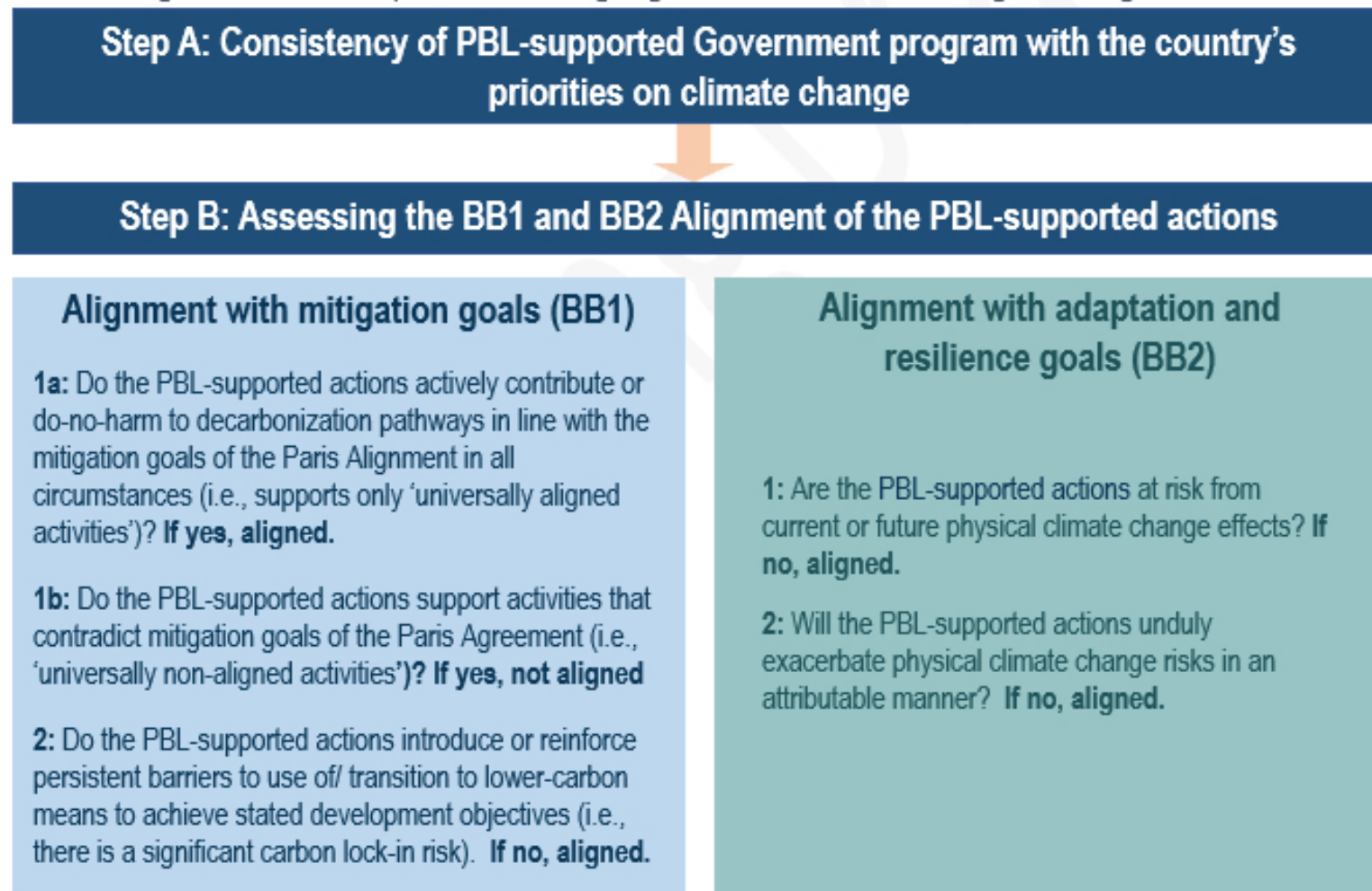
Intermediated Financing PA Assessment Principle

Two approaches to assess Paris alignment:



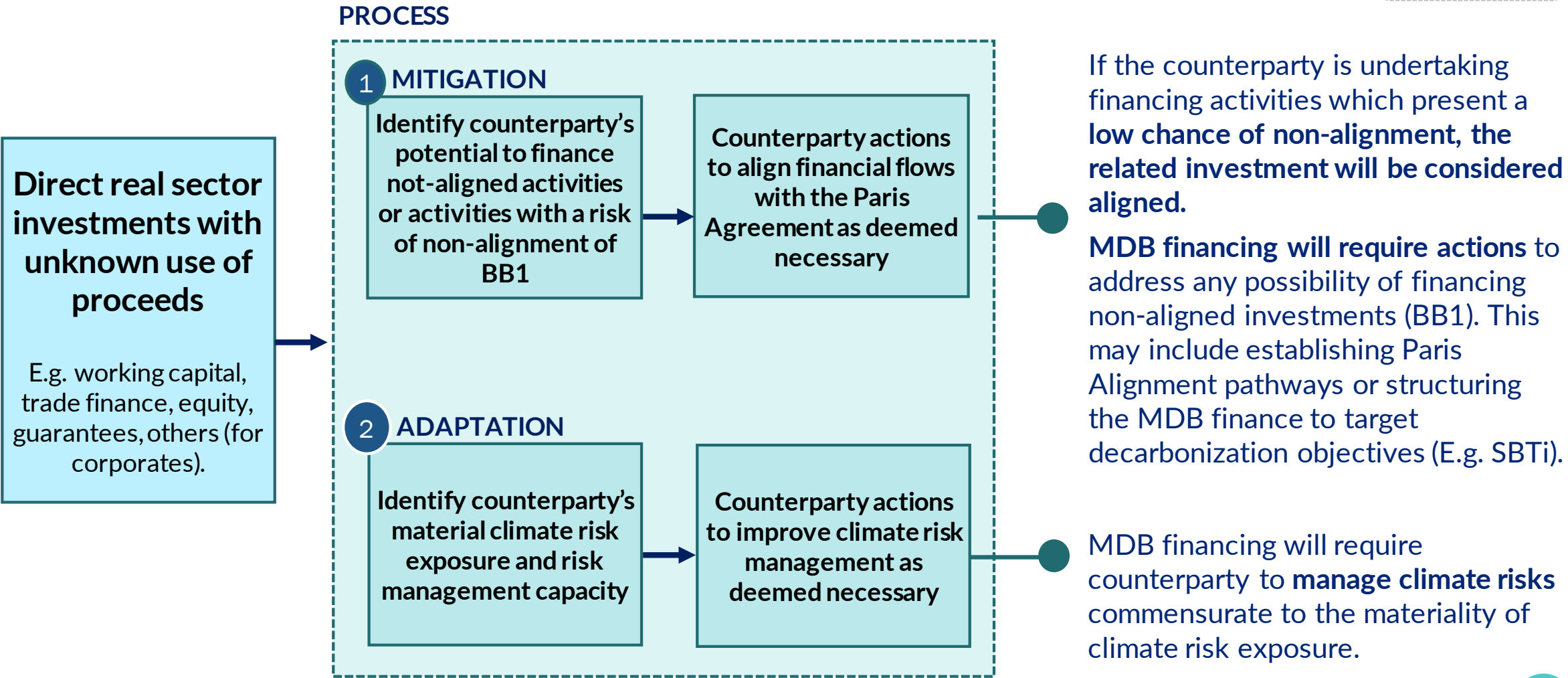
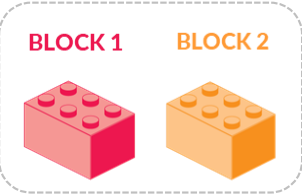
Policy-Based Lending PA Assessment Principle

Figure 1 Broad Principles for Assessing Alignment of PBLs with Paris Agreement goals



General Corporate Purpose Finance PA Assessment Principle

Counterparty approach for alignment with the Paris Agreement's mitigation and adaptation goals



Joint MDB Climate Finance Delivery 2021

MDBs provided around US\$ 51 billion in climate finance to low- and middle-income economies in 2021.

BLOCK 3



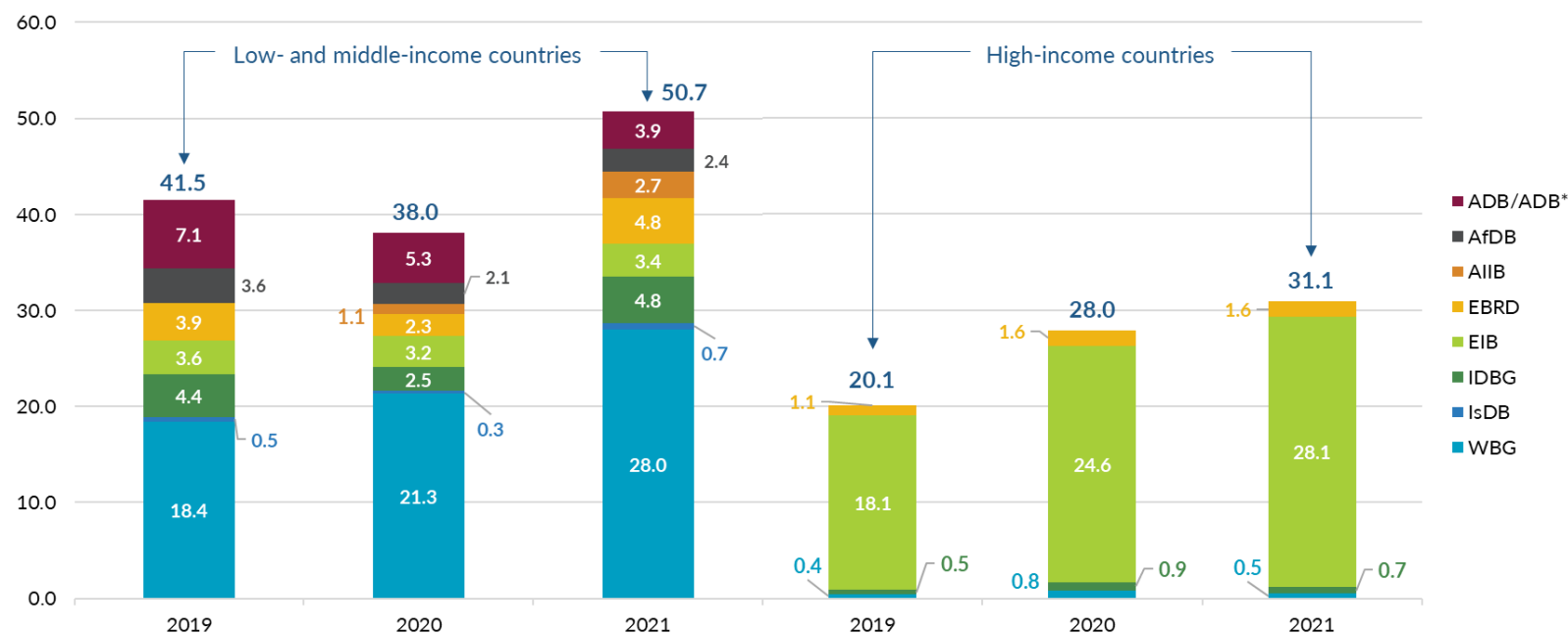
Climate finance commitments rose by **▲ 24%**

Climate finance committed by MDBs rose by more than 24% in 2021, compared to previous year (2021 Joint MDB Climate Finance Report, published on 14th October).

Total financing by continues upward trend

The 2021 total financing by multilateral development banks has surpassed the target set in 2019 UN Secretary General's Climate Action Summit in New York.

MDBs climate finance in 2021, in US\$ billion



Source: 2021 Joint Report on Multilateral Development Banks' Climate Finance

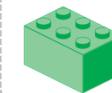
Note: NDB and CEB are in report but not as yet in the aggregated figure.

You can access the report here:

<https://www.ebrd.com/sites/Satellite?c=Content&cid=1395309067195&d=&pagename=EBRD%2FContent%2FDownloadDocument>

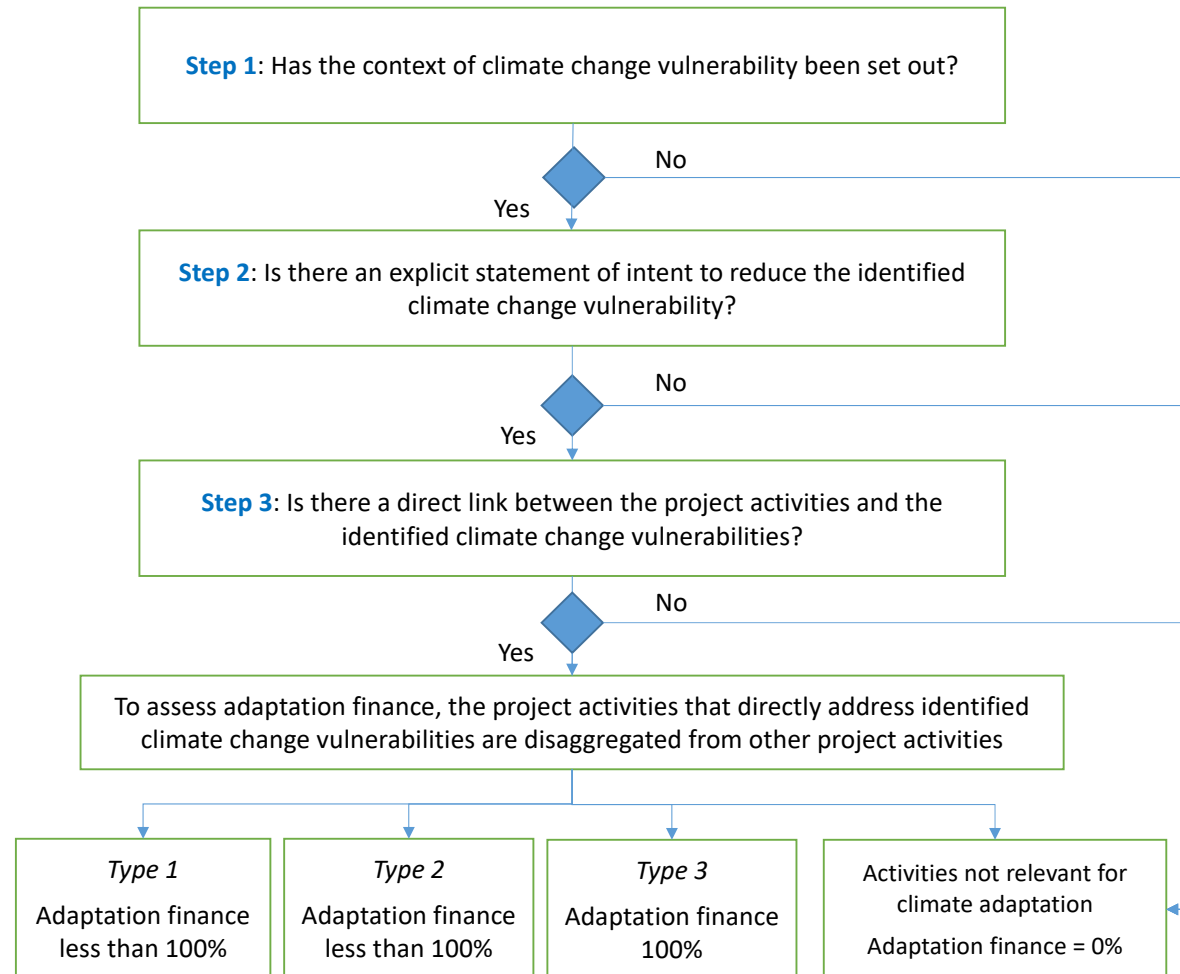
Updated adaptation finance tracking methodology

BLOCK 3



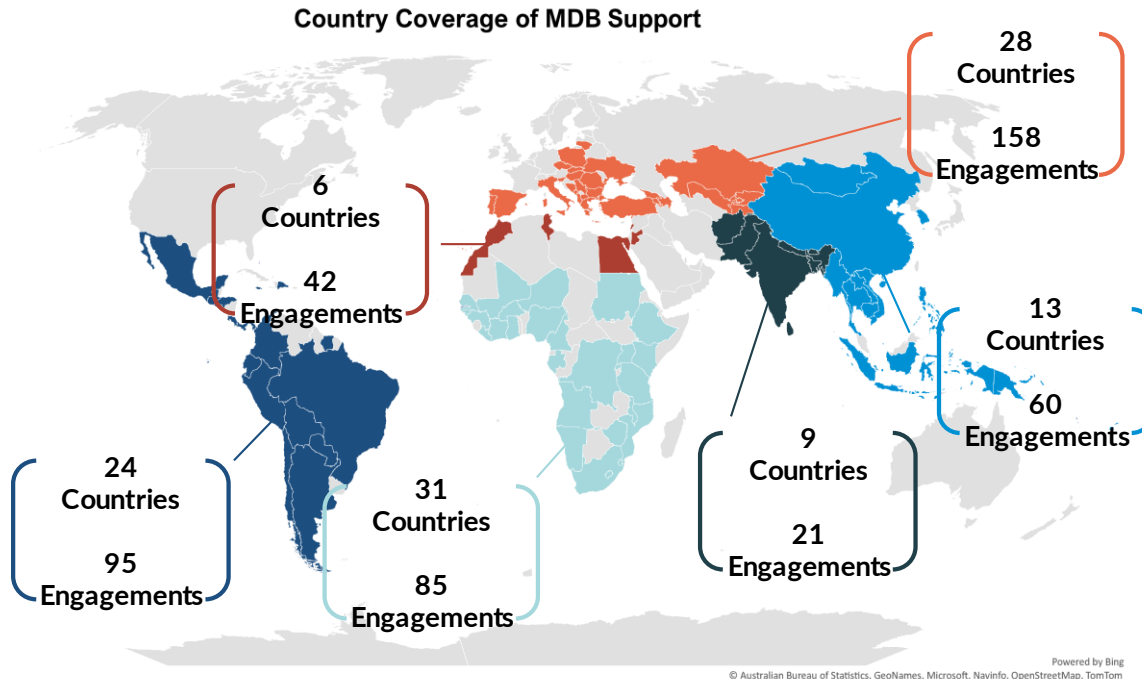
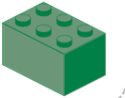
Key features

- 3 steps approach to disaggregate activities that contribute to adaptation from activities that do not made clearer.
- Definition of 3 types of activities that contribute to adaptation:
 - Type 1 “Activities that are adapted”
 - Type 2 “Activities that have shared objectives of adaptation and development”
 - Type 3 “Activities that enable adaptation”
- Tracking based on both the incremental approach and the proportional approach.
- Initial framework for tracking adaptation finance in intermediated financing, policy-based financing and working capital.



Continued growth in demand for MDB support on NDCs, LTS and Just Transition

BLOCK 4



MDBs have been stepping up their response to the growing demand from countries for support to develop robust NDCs & LTSs that help advance toward net zero emissions, climate resilience and sustainable development goals

...countries have received MDB support along the NDC and LTS cycle, up from 96 in 2020

...MDB engagements in 47 countries to help develop their LTS, up from 39 countries in 2020

111

130

61

71

...countries where multiple MDBs are engaged, offering opportunities for synergies and enhanced impact

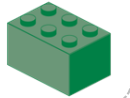
...MDB engagements on Just Transition at regional and country-levels up from 15 in 2020

As countries look to step up on NDCs and Long-Term Strategies, the demand for policy support is increasing:

- 120 countries are working towards net zero CO₂ emissions by 2050
- Only 21 countries have submitted 2022 NDC updates
- LTS submissions remain limited: 54 submissions to date and only 6 new LTS submitted in 2022

The Importance of LTS to Country Climate Action

BLOCK 4

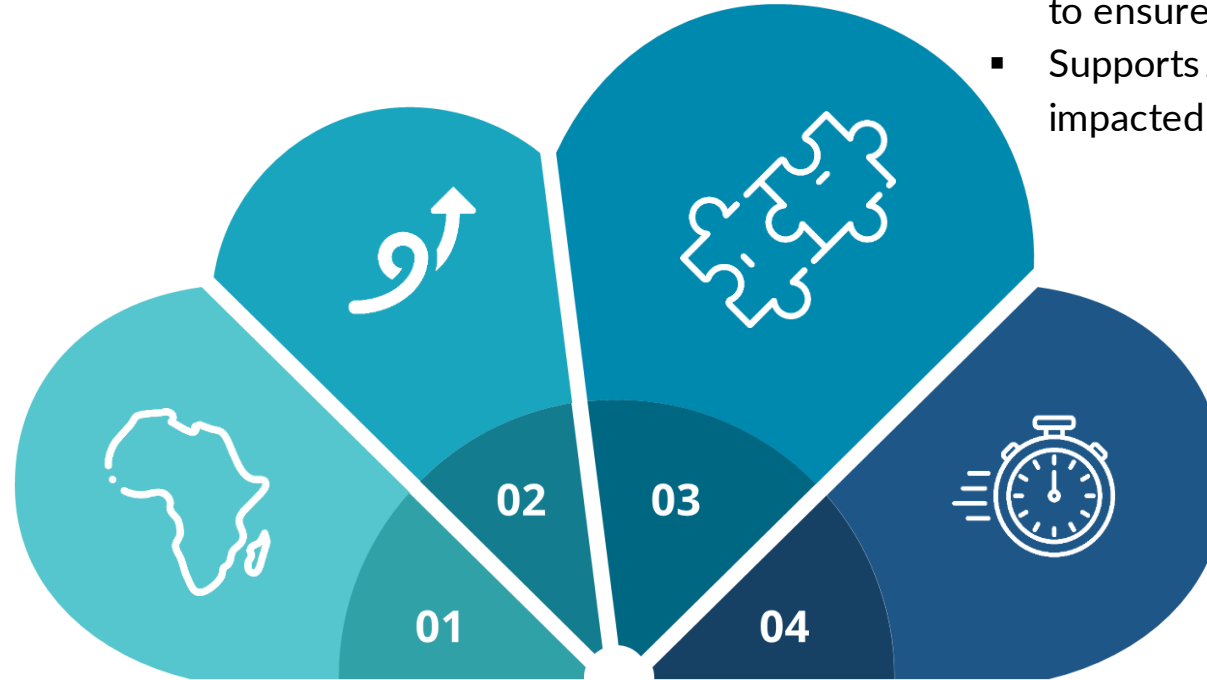


LTS as driver of ambition

- Long term direction of guide NDC development,
- ensuring NDCs achieves long term climate and development goals

Mind the gap

- Despite progress, at COP27 (the “African COP”), LTS gaps remain notably marked across Africa.

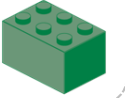


Inclusive and just

- Consensus building mechanism across government, private sector, and civil society to ensure consistent direction
- Supports Just Transition to those most impacted by climate change

Now is the time

- Transformative roadmaps are needed now: with every year physical and transition risks increase and tipping points are reached.



MDBs value added enhanced by working together



From capacity building and strategy...

...to finance and impact



Joint MDB LTS Support Facility

MDB climate action priority

Identified by MDB Climate Action Group as priority joint initiative, given potential to drive transformational change across low and middle-income countries.

Technical Assistance support fund

Provides dedicated, streamlined access for 10 leading MDBs with strong global presence. Fills substantial gap in TA for LTS development.

Building on established systems

Allows MDBs to ramp up response to growing demand via existing partnerships and building on established in-country MDB platforms.

Joined up response

Establishes platform for enhanced coordination of MDB LTS support and with wider LTS and development community.

Paris alignment, climate finance

Enhanced MDB upstream engagement facilitates Paris alignment of projects, expedites downstream investment and mobilizes private finance.

Engaging the donor community

MDBs engaged with 20 leading donor institutions and looking forward to operationalizing the Facility.

MDB Just Transition High-level Principles

In 2021, MDBs jointly developed and committed to the MDB Just Transition High-level Principles.

MDBs have made substantial progress on implementing these High-level Principles within their specific mandate in the following key areas:



Operational Approaches

Developed operational definitions, institutional frameworks, and internal processes.



Financing

Have established or are establishing technical and financing support facilities for just transition; mobilizing operations towards just transition.



Collaboration

Established a just transition sub-group. Conducted MDB knowledge sessions, and collaborated on activities. Engaging with diverse stakeholders.



Policy Support

Conducted dialogues, diagnostics and provided technical and capacity building support for policy and planning.



Knowledge

Developed assessment tools, methodological approaches, knowledge products.

BB5: Transparency Framework

BLOCK 5



Purpose

- Reporting on alignment of MDBs activities and financial flows.
- Setting joint principles and criteria.
- Enabling robust reporting within consistent framework.
- Help clients to be aligned with the Paris Alignment Framework.



Key Principles & Approach

- Building on existing practices from joint reporting on climate finance and covering all building blocks.
- Considering international emerging standards for climate related disclosures and reporting where appropriate e.g.:
 - Climate Disclosure Standards Board (CDSB, 2018).
 - TCFD 2019 recommendations (TCFD, 2019).
 - The state of EU environmental disclosure (CDSB, 2020).
 - Guidance for climate-related disclosures (CDSB, 2020).
 - Scenario Analysis for Non-Financial Companies (TCFD, 2020).
 - Guidance: Risk Management Integration & Disclosure (TCFD, 2020).
 - TCFD 2021 Status Report (TCFD, 2021).
 - TCFD 2021 Annex (TCFD, 2021).
 - Guidance on Metrics, Targets, & Transition Plans (TCFD, 2021).
 - TCFD: Guidance on Metrics, Targets, and Transition Plans 2021 (TCFD, 2021).
 - International Sustainability Standards Board (ISSB, 2021).
 - TCFD 2022 Status Report (TCFD, 2022)
 - TF on Nature-related Financial Disclosures (TNCF beta 2022).

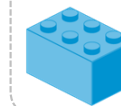


Joint Principles for Reporting

- Reporting on an annual basis.
- Reporting for new operations, ex-ante on basis of commitment.
- Reported forward-looking financial flows are derived from the BB1 and BB2 assessments. Financial flows not assessed or with a non-conclusive assessments will be noted.
- Reporting will become more granular and comprehensive, with portfolio considerations where appropriate, over time.

Paris Alignment Reporting Elements

BLOCK 5



Governance and Processes

MDB Processes

- MDBs climate policies, strategies and objectives.

MDB Risk Management

- How climate risks and opportunities are integrated into risk management processes.

Conformance and Assurance

- As required by financial auditing.

Key Principles & Approach

BB1 and BB2

- Sources of climate impacts.
- GHG impact metrics (BB1).
- Climate resilience impact metrics (BB2).

BB3

- Publications: climate finance & private sector mobilisation.
- Technical assistance and capacity building delivered for Climate investments/Climate programmes.

BB4

- Indicators to disclose climate contributions from policy dialogue activities.

BB6

- Sources of climate impacts.
- Impact metrics of MDB internal activities.

Reporting

Methodologies and tools

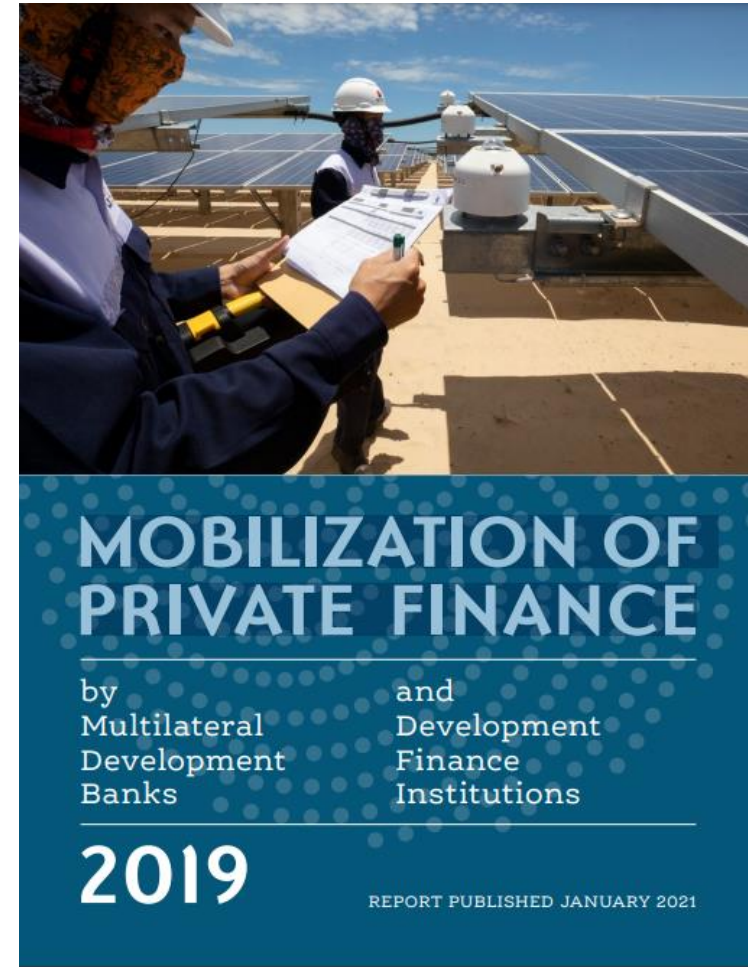
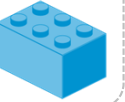
- Climate analytics and data management.
- Methodologies for scenario analysis.
- Specific tools used e.g., low carbon pathways or carbon shadow pricing.

Analysis and Benchmarks

- Climate performance benchmarks and indicators.

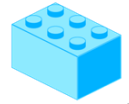
Case studies & best practices of MDBs joint reporting

BLOCK 5



BB6 Framework Development

BLOCK 6



Step 1

Approval of
BB6 Technical
Note



Step 2

Implementation
of BB6 Action
Plan



Step 3

Setup
targets &
KPIs



Step 4

Designing
and testing
assessment
frameworks



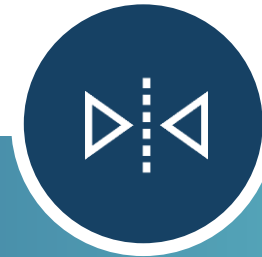
Step 5

Training and
awareness
raising



Step 6

Streamlining
with other BBs

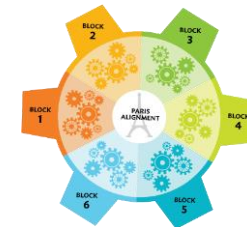


Step 7

Measure,
monitor, report,
verify and
compensate



Moving Forward...



Aligning financial flows to PA

- High level principles for PA
- Case study sharing



Explore results & metrics

- Engage on metrics capturing effectiveness of adaptation activities.



Continued coordination

- On policy and climate finance, including enhanced knowledge sharing
- On NDCs, LTS and Just Transition
- Integration of nature/biodiversity into climate



Carbon Market Standards

Improve the methodology with applicable rules and standards, with specific consideration of emerging carbon market standards and baseline methodologies



Reporting

- Internally monitor MDBs' developing experience on Paris alignment
- Share best practices and standards on climate disclosure/Paris alignment reporting requirements

Thank you for your participation!

