



MDB Paris Alignment Working Group

Annual Assembly of the Climate Action in Financial Institutions Initiative – 6 June 2019

Background

- At COP 21 in 2015, we announced our commitment “to substantially increase climate investments”
- At One Planet Summit in 2017, we announced our intention to align our financial flows to support objectives of the Paris Agreement and in particular contribute to Article 2.1.(c)
- Throughout 2018, we mapped different published approaches and inputs from the climate community, which provide the basis of our “**6 building blocks**” approach
- Going forward, our approach will go further than finance (although a key aspect), including other important parts of the Paris Agreement e.g. capacity building for countries and clients and the alignment of our own in-house activities

Joint Framework on Paris Agreement



The MDBs' alignment approach to the objectives of the Paris Agreement: working together to catalyse low-emissions and climate-resilient development

The global development agenda is at a pivotal point. The Sustainable Development Goals (SDGs) have set new development aspirations, and the Paris Agreement has raised ambitions for addressing climate change. There is international consensus on the urgent need to ensure that policy engagements and financial flows are consistent with a pathway towards low greenhouse gas (GHG) emissions and climate-resilient development. The Paris Agreement sets the goal of holding the increase in global average temperature to well below 2°C above pre-industrial levels and pursuing efforts towards limiting it to 1.5°C. In addition, the recent Intergovernmental Panel on Climate Change (IPCC) *Special Report on Global Warming of 1.5°C* highlights the grave consequences that temperature rise above 1.5°C would entail, and clarifies that indeed all efforts should be made to avoid such a scenario.

We, the Multilateral Development Banks (MDBs)¹, are acting on our previous commitments made at COP 21 – including to support to the *Five Voluntary Principles for Mainstreaming Climate Action within Financial Institutions*² – and at the One Planet Summit. In particular, in December 2017, together with the International Development Finance Club (IDFC), we announced our vision to align financial flows with the objectives of the Paris Agreement. Now, in order to realize this vision, we are working together to develop a dedicated approach, which constitutes our concrete and ongoing contribution to the operationalization of the Paris Agreement's Article 2.1.(c). This approach aims at the alignment of the MDBs' activities with the goals of the Paris Agreement. It goes beyond the specific MDBs' 2020 and 2030 climate finance targets and builds on the on-going contribution to climate finance, which, in 2017, amounted to US\$ 35 billion in developing and emerging economies, and enabled the mobilization of an additional US\$ 52 billion from private and public sector sources.

The MDBs' approach is based on six building blocks that have been identified as the core areas for alignment with the objectives of the Paris Agreement. A joint MDB working group is developing methods and tools to operationalize this effort under each of the building blocks.

- 1. Alignment with mitigation goals.** Our operations will be consistent with the different countries' low-emissions development pathways and compatible with the overall climate change mitigation objectives of the Paris Agreement. In line with Principle 1 of the "Mainstreaming Principles", we will assess our operations against transition risks and opportunities related to climate change.
- 2. Adaptation and climate-resilient operations.** Similarly, in line with Principle 2 of the "Mainstreaming Principles", we will be active in managing physical climate change

¹ The African Development Bank Group, the Asian Development Bank, the Asian Infrastructure Investment Bank, the European Bank for Reconstruction and Development, the European Investment Bank, the Inter-American Development Bank Group, the Islamic Development Bank, the New Development Bank, and the World Bank Group (IFC, MIGA, World Bank), (jointly, the MDBs). This Declaration has the technical endorsement of the Climate Change and Sustainable Development Department of the Inter-American Development Bank and the Investment Operations Department of IDB Invest. At the time of publication, the institutional endorsement is still in process.

² For more detail on the "Mainstreaming Principles", see: <https://www.mainstreamingclimate.org/>

risks, in a manner consistent with climate-resilient development, and in identifying opportunities to make our operations more climate-resilient. In addition, we will seek to support a significant increase in our clients' and their communities' ability to adapt to the adverse impacts of climate change.

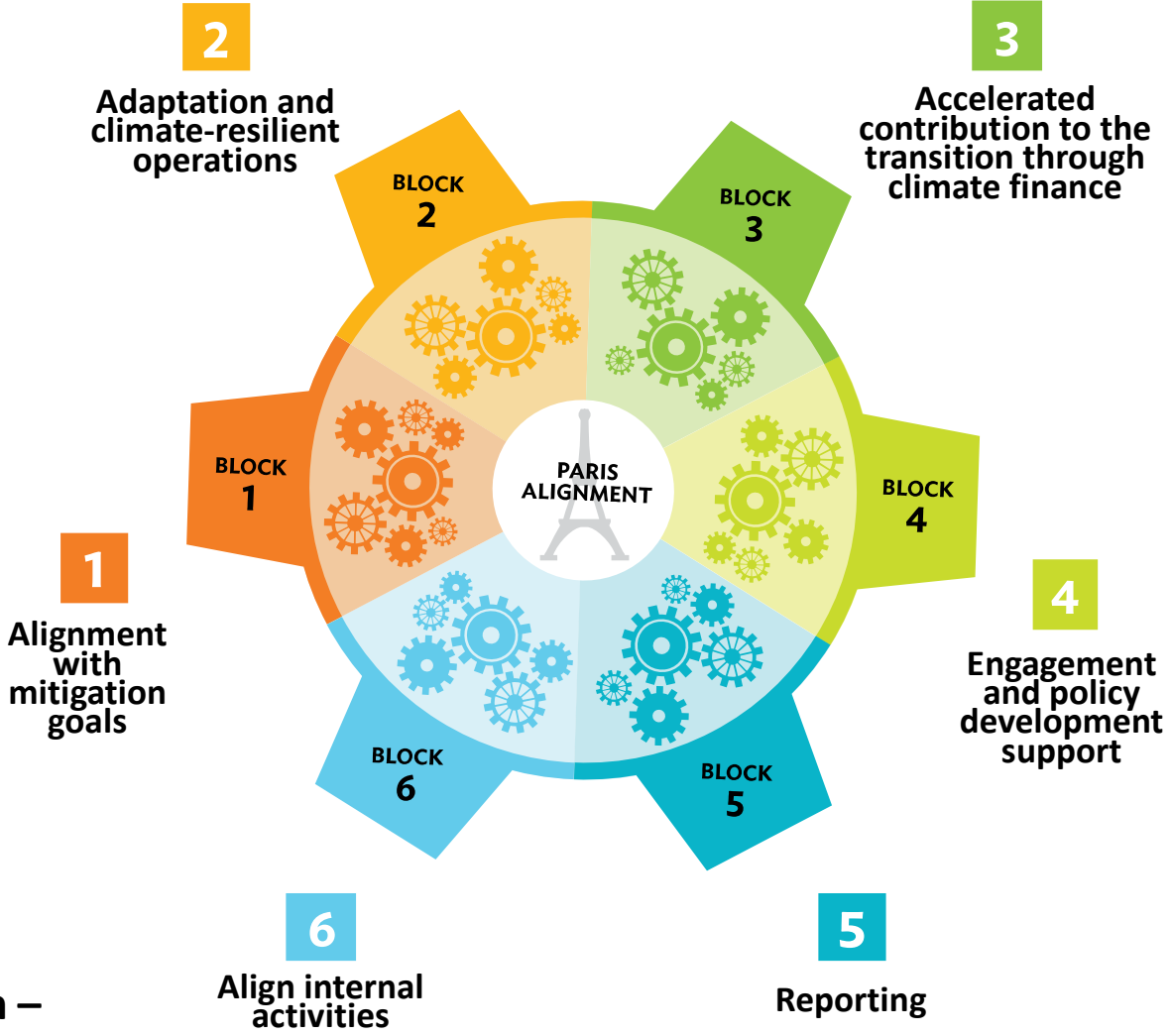
- 3. Accelerated contribution to the transition through climate finance.** We will strive to actively support low-emissions and climate-resilient development pathways through our interventions. To that end, we will further scale-up the provision of climate finance. We will operationalize new approaches to bridge the climate finance gap and accelerate the transition in order to effectively support countries in achieving the goals articulated in their Nationally Determined Contributions (NDCs), including adaptation plans. We will go beyond current efforts to (i) prioritize, target and report on climate finance, (ii) mobilise private sector investments, (iii) support clients' access to concessional finance, including for leveraging private capital, and (iv) provide the needed technical assistance for climate action. We will do this in support of ambitions agreed to under the United Nations Framework Convention on Climate Change (UNFCCC) and in line with science-based evidence identified by the IPCC.
- 4. Engagement and policy development support.** We will build on existing efforts to support the NDCs' revision cycle and develop services for countries and other clients to put in place long-term strategies and accelerate the transition to low-emissions and climate-resilient development pathways. In developing these new services, we will ensure consistency with the SDGs and establish collaborative partnerships with other institutions and private sector actors while scaling-up outreach and knowledge-sharing initiatives.
- 5. Reporting.** Building on the joint efforts on climate finance tracking and collaboration on mitigation and adaptation issues, we will further develop tools and methods for characterizing, monitoring and reporting on the results of our Paris-alignment activities. Where possible, we will collaborate to harmonize our respective approaches.
- 6. Align internal activities.** We will progressively ensure that our internal operations, including facilities and other internal policies, are also in line with the objectives of the Paris Agreement.

These building blocks serve as the basis for a joint MDB approach towards alignment with the objectives of the Paris Agreement, while fully acknowledging each MDB's mandate, capability and operational model. Accordingly, differentiated ways and timing of implementation are possible within robust common principles, framework, criteria and timeline.

In developing and operationalizing our Paris alignment approach, we value the dialogue with the climate and finance communities. In particular, we look forward to further exchange with the organizations (research institutes, civil society and non-governmental organizations) and other international finance institutions that are also working on this important topic. At COP24, we invite others to join in the upcoming discussion and dialogue on how to implement the framework using methods and tools, which we hope will also be of use to the wider financial community.

The MDBs will develop relevant methods and tools with the objective to present our joint Paris alignment approach and individual MDB progress towards alignment at COP 25 in 2019.

Six building blocks and principles jointly agreed by the MDBs as core areas for aligning with the Paris Agreement



From the Joint MDB presentation – Katowice COP 24 – 6 December 2018

Organisation

- Organizational structure
- Divide up BBs
- Distribute work to Technical Working Groups
- Consultants

Work Plan

- Common principles, harmonised definitions and framework on reporting
- Focus on a number of more critical BBs (BB1, BB2, BB3, BB4)
 - Stocktake of existing activities related to Paris Alignment, e.g. for BB1: sector lending policies, exclusion criteria, transition risk assessment
 - Highlight key questions
- 2 pager on Paris Alignment, including questions

Timeline

- 12 April: Climate Managers approved PA work plan at Spring Meetings
- 24-25 June: MDB Paris Alignment Group Meeting – stock takes of MDB tools & metrics for Paris Alignment
- September:
 - MDB framework on Paris alignment presented internally
 - Preliminary statement at UN Summit
- December: COP25 in Chile outline framework

Discussion Points

- How will MDBs operationalise consistency of their operations with countries' and other clients' low-GHG emissions development pathways taking into account national circumstances and capabilities?
- How will MDBs help ensure compatibility of their operations with the overall mitigation objectives? How will MDBs address the fact that, at the moment, NDCs on aggregate are insufficient to reach the overall mitigation goals and only few countries have developed their LTS?
- How to address possible intersections between mitigation actions and other development priorities?
- Will we consider new operations and/or existing portfolio?