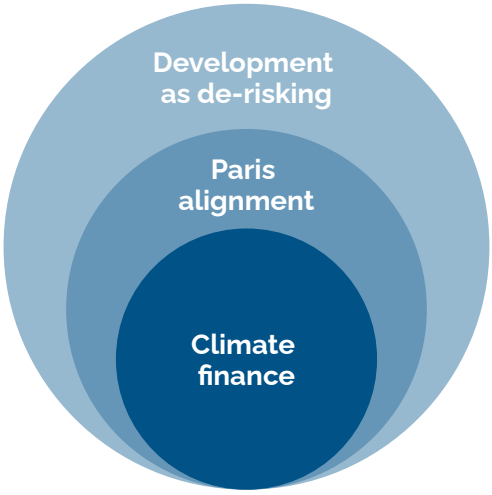
The MDBs' growing role in climate finance: All that glitters is not gold

Despite long-standing civil society criticism of the negative track record of multilateral development bank (MDB) financing, including ongoing support for fossil fuels, lack of commitment to human rights, undemocratic governance structures, and increasing financial subsidies to the private sector, the power MDBs wield over climate outcomes and finance flows continues to soar. This briefing aims to give civil society, government negotiators, and journalists engaged in climate and environmental issues a short, accessible background on the latest developments around MDBs, the main criticisms of their approach, and how they impact climate finance delivery and the achievement of the Paris Agreement. It will go from specific to broad — starting with MDBs' direct role in climate finance delivery, to their overarching 'Paris alignment', to their wider development agenda championing private finance de-risking over human rights.



A history of MDBs' role in climate finance delivery

The 2021 Glasgow Climate Pact positioned MDBs as central to the delivery of climate finance under the UN Framework Convention on Climate Change (UNFCCC), a role that had been steadily growing over more than a decade. The MDBs made their official entry into climate finance in 2008 with the launch of the Climate Investment Funds (CIFs), hosted by the World Bank Group (WBG) and with MDBs at the forefront to deliver projects. The CIFs were controversial from the start as they were created by developed countries purposefully outside of the UNFCCC, just as it was negotiating the official fund for delivering climate finance under what is now known as the Green Climate Fund (GCF). The CIFs were meant to be temporary and phased out after the GCF became operational; however, this was not acted on even after the first GCF project was approved in 2015, and in 2019 the CIFs postponed winding up operations indefinitely. The WBG also serves as trustee and implementing partner of the GCF, as well as the Global Environment Facility (GEF) created in 1991, and it is the host of the 2023 Fund for Responding to Loss and Damage.

After the Paris Agreement (PA) was signed in 2015, a group of MDBs started to work towards 'Paris alignment', committing to make their operations consistent with the Paris goals by 2023–2025 and publishing a set of Joint MDB Methodological Principles for Assessment of Paris Agreement Alignment.

These followed an earlier set of common principles to track climate finance for mitigation and adaptation, and later expansions to "nature-positive finance". Yet, all of these methodologies have allowed for fossil fuel investment and are inconsistent with the fundamentals of the Paris Agreement, in particular the 1.5°C threshold.

The Roadmap towards Bigger, Better and More Effective MDBs, initiated by the G20 in 2023, aimed to triple the MDBs' annual lending until 2030, broaden their mandates to 'global public goods' such as climate, simplify approval processes, and "bring engagement with the private sector to the center of MDB operations". This focus on the private sector has been core to MDBs' identity for decades, but has ramped up significantly since the start of the WBG's agenda of crowding private finance into development "from billions to trillions" from 2015 onwards. The WBG's 'Evolution Roadmap', launched in response to the G20 initiative, reaffirmed this failed paradigm once more, despite a decade of evidence of mediocre leverage ratios and fundamental contradictions with development and climate objectives. Even pragmatic reform efforts from Global South leaders such as the 2022 Bridgetown Initiative called for a massive scale up of financing volumes for climate and the Sustainable Development Goals (SDGs) delivered through MDBs, bolstering their role.

For the UNFCCC's New Collective Quantified Goal (NCQG) $300bn financing target agreed at COP29 in 2024 — called a "betrayal" of the Global South by civil society and least-developed countries for being far too little, missing quality, equity and justice, and muddling the North's responsibility for provision — MDBs were explicitly called on to mobilise the majority of climate finance pledged. The NCQG decision text even echoed wording of the G20 Roadmap by encouraging countries "to continue advancing efforts to promote an evolution agenda for bigger, better and more effective multilateral development banks". It suggests that MDB-mobilised finance could count towards the NCQG in future, instead of just paid-in capital by Global North countries, despite MDBs being mere observers, not parties to the convention. This is controversial for a host of reasons, including for making them a convenient vehicle for developed countries to dodge their obligations for direct grant finance provision.

The glaring flaws in the MDBs' climate finance tracking and wider Paris alignment methodologies, and the focus of the G20 Roadmap and these other initiatives on increasing scale and expediency while taking more risks, stand in stark contrast to principles of high-quality climate finance and rights-based delivery enshrined in the Paris Agreement. Moreover, geopolitical shifts since COP29 towards trade wars, re-armament, climate denial and national interest over multilateralism among major shareholder countries have led some MDBs to rebrand climate efforts as 'nature' or 'environment-focused' and downplay their climate work.[1] This risks diluting urgency precisely at a time when bold, united climate responses are more critical than ever.

An additional core challenge that pervades most MDBs is their governance structure. Unlike the UN where all countries have an equal seat at the table, governance of MDBs is based on a shareholder model representing member countries often weighted or grouped together by their economic size. Unlike the UNFCCC principle of Common but Differentiated Responsibilities and Respective Capabilities (meaning countries that have emitted more and have greater capacity to act, i.e. rich 'advanced economies', must shoulder a greater burden

1 For example, the WBG now frames its climate finance as 'Development Finance with Climate Co-Benefits', and ADB removed a banner proclaiming it as the "climate bank of Asia and the Pacific" from its website.

of the transition), this model tends to give disproportionate decision-making power to the same countries responsible for the majority of accumulated emissions, while those least responsible for climate change have little say.[2]

Challenges with the MDBs' climate finance methodology

Since 2012, a group of several MDBs has been releasing annual climate finance figures based on joint principles for mitigation and adaptation that were developed over the years. Each year the MDBs claim to break the record of the last: $100bn in 2022, $125bn in 2023, $137bn in 2024. However, a closer look at the volume, type, recipients and quality of this finance paints a different picture. In general, MDB climate finance remains dominated by loans, aggravating the already severe debt crisis, and the lax principles of their tracking system means even activities that increase emissions and/or undermine human, land, environmental, indigenous and other rights can count towards it.

Miscounting and inflating 'climate finance'

Efforts to calculate their contributions to climate finance and develop a joint approach were initiated in 2011 by seven MDBs, now grown to ten.[3] The group began publishing a Joint Report on MDBs' Climate Finance annually from 2012 onwards, although different MDBs have conflicting approaches (e.g. counting approved vs disbursed funds, and different types of activities).

In 2015, the ADB was the first MDB to commit to an annual target on climate finance, $6bn by 2020. The AIIB announced in 2020 that 50% of its financing would be for climate by 2025. At COP28 in 2023, WBG President Banga promised that 45% of its financing would become climate-related by 2025 (up from 35% at the time) and would balance mitigation and adaptation. In 2024, the largest volumes of MDB climate finance came from EIB and the WBG, 35% and 32%, respectively.[4] Over the 2023/24 fiscal year, the WBG claimed to have provided $42.6bn in climate finance (44% of total financing), of which $31bn went through its two concessional and non-concessional public sector arms, IBRD and IDA, $9.1bn through its private sector arm the IFC, and $2.5bn through its guarantee arm, MIGA.

While impressive, these numbers are likely inflated. Research by Oxfam could not verify them due to poor reporting practices and lack of detailed data, suggesting divergences of between 26% and 43% in what is delivered vs what is reported at the approval stage over 2017–2023 (amounting to $24–$41bn). MIGA refuses to disclose a full list of its climate finance projects. In 2025, the WBG finally announced it would shift to reporting climate finance after project completion, potentially remedying some of the criticism. The joint MDB report calculated the AIIB's share of climate finance as 29% in 2023, far from its 50% target and less than half of the 60% it claimed in its own reporting, which excluded some projects from the total. Verifying the AIIB's calculations is equally impossible, as they count approved projects but only publicly disclose disbursed projects.

2 While the Global North dominance is more or less pronounced in other MDB executive boards depending on the region (e.g. the European ones are made up primarily of European countries, while others like the AIIB, IsDB and NDB have no Global North representation at all) even then governance is often skewed towards greater economic size and power (and often emissions), with smaller countries grouped together in combined constituencies while bigger ones have their own individual board chair.

3 The ten MDBs that are part of the joint Paris Alignment approach: African Development Bank (AfDB), Asian Development Bank (ADB), Asian Infrastructure Investment Bank (AIIB), Council of Europe Development Bank (CEB), European Bank for Reconstruction and Development (EBRD), European Investment Bank (EIB), Inter-American Development Bank Group (IDB), Islamic Development Bank (IsDB), New Development Bank (NDB), World Bank Group (WBG).

4 Since the EIB's finance goes primarily to high-income countries, it does not count towards global climate finance targets under the UNFCCC — but obviously still impacts where investments are made.

Reviewing the ADB's climate support over 2011–2020, its internal evaluation department suggested weak results frameworks, lack of operational guidance, and counting large transport projects entirely as mitigation finance despite limited emission reductions. It concludes that "climate accounting is driven by financial objectives rather than by climate outcomes". Another study by Oxfam found that the ADB could have over-reported its financing by as much as 44%.

What MDBs count as 'climate finance' is also problematic due to their insufficiently stringent methodologies. Partially because there is no universally-agreed upon definition of what constitutes climate finance, MDBs have been able to make up their own (see box). Thus, even projects that lock-in fossil fuels or high emissions but contain a minimum amount of a 'climate component' have been counted, such as LNG infrastructure, a greenfield gas power plant, high-emitting waste-to-energy plants, airport expansions, and even luxury hotels. A CGD report investigating World Bank projects between 2000 and 2022 found that "hundreds of projects tagged climate—many in poorer countries—appear to have little to do with climate change mitigation or adaptation". Other civil society research from different years has also pointed to over-reporting and miscounting (e.g. CARE 2021, BIC 2022).

Lack of quality and growing debt burden — what type of finance, for what and for whom?

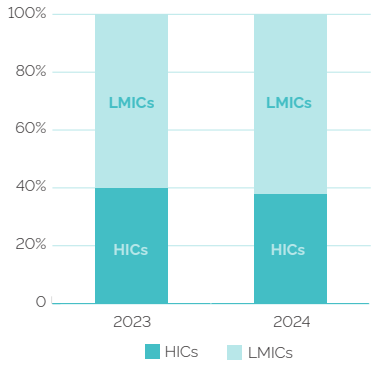
The great majority of MDB 'climate finance' does not go to the most climate vulnerable countries, adaptation, or grants. In 2024, 38% of MDB climate finance went to high-income countries and 62% combined to low- and middle-income countries. Europe was getting 43% and Sub-Saharan Africa 13%. Mitigation received 77% vs 23% for adaptation, and only 3% of finance came in the form of grants.

What counts as climate finance?

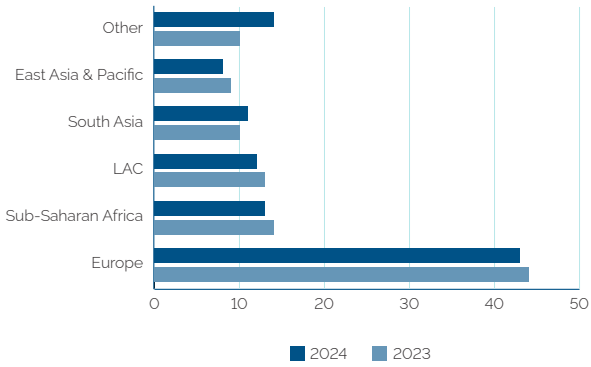
The UNFCCC refers to 'climate finance' as "local, national or transnational financing — drawn from public, private and alternative sources of financing — that seeks to support mitigation and adaptation actions that will address climate change". However, there is no agreement on what this means in detail, which leads to poor transparency, inflation of numbers, and counting harmful activities, as is happening at the MDBs.

A more specific definition should be developed under the UNFCCC process, together with an accounting framework that provides greater clarity on reporting standards, an exclusion list of what can definitely not be counted, and a discussion of quality. Until then, MDBs and other entities will make up their own definitions, and the longer they are in use, the harder it will become to establish a different framework.

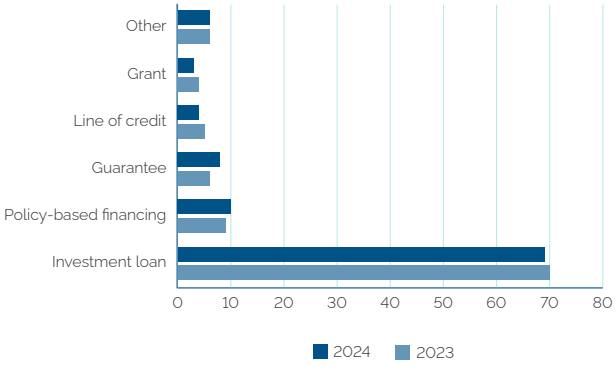
Less than two-thirds of MDB climate finance goes to low- and middle-income countries



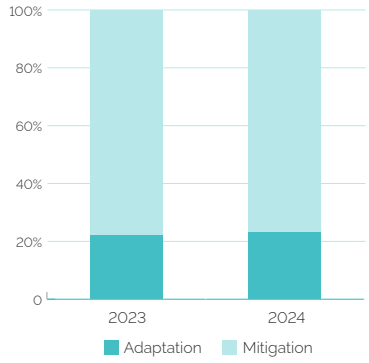
Europe gets as much MDB climate finance as Sub-Saharan Africa, Latin America, South and East Asia combined



Almost all MDB climate finance is debt-based



Most MDB climate finance is for mitigation, leaving adaptation underfunded



Even the AIIB, the newest MDB, only invested 10% of its climate finance into adaptation in 2023 (the latest year with granular data). Of the ADB's adaptation finance over 2019–2023, no more than 6% came in the form of grants, and just 3% of its entire climate finance portfolio in 2023.

The MDBs' loan-based climate finance is adding to a global debt burden that is reaching record highs in 2025: 3.4 billion people live in countries that spend more on interest than health and education. Between 2024 and 2030, annual debt service will amount to 137.4% of Africa's annual climate finance needs. Climate-vulnerable countries have $746bn in debt service payments due between 2025 and 2031, about four times the financing needs for their climate plans. That is why the elevating of MDBs by developed countries over their own direct, public grant-based finance delivery is so problematic.

Debt-based financing models not only exacerbate the overall burden, but drive scarce public resources towards projects that can generate enough profits to pay interest — undermining a community-centred, public interest focused, gender-sensitive and reparative approach to climate finance that would rectify the Global North's 'climate debt' rather than burdening Global South countries with more loans.

The conditionality attached to MDB's policy-based lending (loans given to governments in return for specific reforms) have also tended to disregard indebtedness and fiscal space implications, "pushing countries to implement austerity measures to repay debts instead of allowing them to pursue their own energy transition and poverty reduction objectives", as highlighted by Recourse.

This growing debt and repayment burden not only soaks up fiscal space for development and climate spending, it contributes to deepening a debt-climate vicious cycle[5] that can lock-in fossil fuels further, and the MDBs' simultaneous championing of gas as a 'transition fuel' in the Global South is creating a fossil gas-related circular debt trap.

When the main motivation is for leveraging or derisking for private profit, projects like large-scale, often damaging, hydro, geothermal, wind or solar farms; or fossil fuels projects; or export driven projects, such as for green hydrogen, are likely to get prioritised over those which deliver diverse, community based renewable schemes, energy efficiency or energy access.

Elements of high-quality climate finance

The Paris Agreement calls on all countries to "respect, promote and consider their respective obligations on human rights, the right of health, the rights of Indigenous peoples, local communities, migrants, children, persons with disabilities and people in vulnerable situations and the right to development, as well as gender equality, empowerment of women and intergenerational equity."

Thus, climate finance and its delivery require clear principles of equity and common but differentiated responsibilities in light of respective capabilities (CBDR-RC); predictability; adequacy; just transitions; human rights, Indigenous Peoples' rights and informed consent; gender equality; access and accessibility; responsiveness to marginalized communities and groups; additionality; affordability and non-exacerbation of debt challenges; science- and evidence-based approaches; integrity, especially ruling out climate finance for false solutions (such as fossil gas) and dangerous distractions (such as carbon offsets); prioritizing UN-based funds; transparency and accountability.

Climate Action Network: NCQG Submission 2024

5 There is a wealth of expert reports on the debt-climate vicious cycle, e.g. from Climate Action Network (2022); the Expert Review on Debt, Nature & Climate (2025); Debt Relief for Green and Inclusive Recovery (2025) and (2024); Action Aid (2023), Eurodad (2020), and many more.

Challenges with the MDBs' 'Paris alignment'

Looking beyond just climate finance, the ambition of MDB 'Paris alignment' should imply reforms across their operations, lending frameworks, investment strategies, and performance indicators. But major gaps and loopholes in their methodologies mean MDB support continues flowing into harmful assets and activities — including fossil fuels — allowing 'business as usual' to prevail.

What does 'Paris alignment' really mean?

As far back as 2008, the World Bank had affirmed its adherence to "the principles, policies, and directions of the UNFCCC process", including that of common but differentiated responsibilities. After the Paris Agreement was signed in 2015, MDBs announced they would work towards 'Paris alignment', resulting in joint MDB Just Transition High-Level Principles in 2021 and finally a set of six Joint MDB Methodological Principles for Assessment of Paris Agreement Alignment launched by a group of ten MDBs in 2023, covering direct investment lending, policy-based lending, intermediated financing, and general corporate purpose finance as well as lists of activities considered "universally aligned" or "non-aligned". The WBG published its own Paris Alignment methodologies in June 2023, with (previously announced) alignment deadlines for its various arms between 2023 and 2025. The other MDBs announced similar Paris Alignment deadlines with a comparable timeframe — some simply taking on the joint principles, others also developing standalone methodologies — including ADB, AfDB, AIIB, CEB, EBRD, EIB, IDB, IsDB, and NDB.

'Paris alignment' should ultimately focus on achieving the 1.5°C threshold, successful mitigation and adaptation, and aligning financing flows with climate-resilient development, doing so based on principles of equity and CBDR-RC.

An extensive benchmarking of the joint MDB Paris Alignment principles as well as individual methodologies of the World Bank, EBRD, IDB and AIIB showed **considerable room for improvement:** Among others, holes in the list of "universally non-aligned" activities allowing fossil investments in oil and gas, vague standards without specific thresholds, e.g. for acceptable risks, absence of recourse or any mention of human rights, and almost complete lack of consultation and transparency requirements. Only the EBRD methodology explicitly commits to 1.5°C. The AIIB's methodology controversially allows investments in fossil gas and carbon-intensive infrastructure like airports as 'Paris aligned', with few restrictions. Its list of "automatically aligned activities" also includes trade finance, despite evidence of MDBs using this to support the oil and gas industry. **The overall approach is one of minimising risk, not one of proactively seeking opportunities to generate positive and transformative climate impacts.**

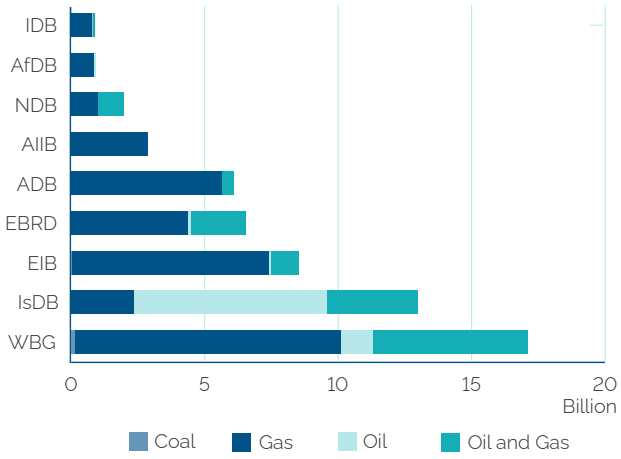
In addition, the MDBs joint methodologies also rely on countries' Nationally Determined Contributions (NDCs) and long-term strategies, which in many cases do not actually align with 1.5°C. Indeed, while seeking consistency with national climate plans is important, NDCs so far "fall short of the levels needed to meet climate goals across all sectors and regions" both in terms of finance and emissions according to the IPCC, and are projected to overshoot the 1.5°C goal significantly. **This deferral to client countries' NDCs is another aspect of MDBs diluting the rigour of their 'Paris alignment' and deflecting their — and their shareholders' — independent obligations under international law to align with 1.5°C.**

Continued financing of fossil fuels and false solutions instead of concerted renewable push

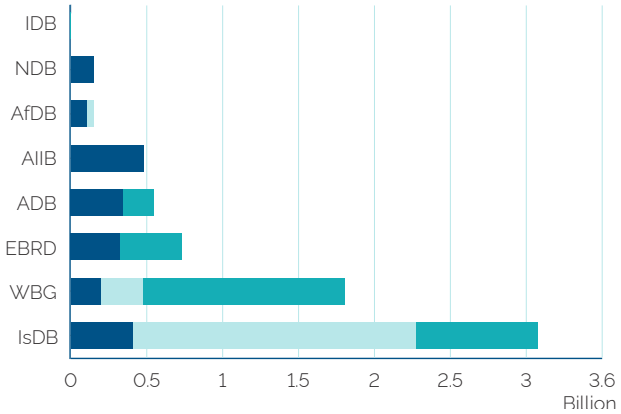
Of all potential fossil investments in the MDBs' list of universally non-aligned activities, only extraction and electricity generation from coal and peat are fully excluded. As a result, over 2023–2024, MDBs still provided a total of $7bn to fossil fuel projects, of which the IsDB provided the most ($3.1bn), followed by the WBG ($1.8bn). Two billion of this went to fossil gas, which the MDBs continue to promote as a 'transition fuel', another $2.2bn to oil, and $2.7bn to oil and gas (all data here).

Since the signing of the Paris Agreement in 2015, and even since their own 'Paris alignment' principles in 2023, MDBs have continued to pump billions into fossil fuels

Total MDB fossil finance over 2016–2024



Total MDB fossil finance between 2023–2024, after 'Paris alignment'



In the case of the **World Bank**, 27% of energy funding still went to fossil-linked projects in 2024, 20% to 'false solutions' like large hydropower and unproven carbon capture and storage (CCS), highly polluting waste-to-energy plants, carbon markets, and mining for critical minerals — and only 32% to renewables. The **AIIB**, which came into existence a month after the Paris Agreement was signed with the aim of being "lean, clean and green", only banned coal financing in 2022 when its Energy Sector Strategy was revised; a year after the **ADB** finally excluded most forms of coal investments from its Energy Policy. As of the end of 2021, the AIIB had invested almost $2.3bn in fossil fuels, representing close to half of its energy portfolio vs just a quarter for renewable energy. Both introduced restrictions on financing for fossil gas; however, it has not stopped them from providing both direct and indirect funding. The AIIB funded two greenfield gas power plants in the first six months after its new strategy was approved.

In the years **since the signing of the Paris Agreement in 2015, MDBs have pumped a grand total of $60bn into fossil fuels** (see graphs), of which $19bn came from the WBG, the IsDB $13bn, EIB $8.5bn, EBRD $6.5bn, ADB $6.1bn, AIIB $2.9bn, NDB $2bn and AfDB and IDB just below $1bn each.

For the **IFC**, its own internal accountability mechanism (the Compliance Advisor Ombudsman, CAO) called its Paris alignment into question in 2024, substantiating civil society findings that the institution's emissions accounting was defective and insufficient. Previous loopholes in the IFC's rules for how it invests via private banks allowed the indirect financing of two new huge coal-fired power plants in Indonesia in 2020, and still do not prevent the financing of 'captive coal'.

If they took Paris alignment seriously, MDBs could play an important role in helping to scale up the high upfront public finance required to get widespread, community-based renewable energy off the ground and help Global South countries overcome the climate investment trap of chronically insufficient, excessively expensive capital to invest in a just green transformation. But for that to happen, they need to get serious about no longer wasting money on fossil fuels and costly false solutions and instead focus on rights-based, climate-resilient, development-oriented financing rooted in the SDGs and Paris goals.

Challenges with the MDBs' development finance, sustainability and rights frameworks

MDBs play a wider role in the international financial architecture by framing the development policy debate, championing the private finance de-risking approach, and setting standards for safeguarding. This necessarily also impacts the scope and direction of the role they are able to take in delivering on climate action — and has ripple effects on the realisation of climate justice and the right to a clean, healthy and sustainable environment as recently re-affirmed by the International Court of Justice.

Promoting the interest of private finance over public development and climate goals

The MDBs, and the WBG in particular, have been fundamental in advancing the 'Wall Street (Climate) Consensus', a development finance approach through which 'de-risking' private capital through public funds is prioritised over countries' climate, development and human rights obligations. This perpetuates a cycle of dependency on market forces that centres short-term profits over long-term sustainability and resilience, even at the cost of more debt, often neo-colonial extraction of natural resources, loss of sovereignty (see box on ISDS below), and major accountability gaps. When considering the MDBs' role in climate finance, learning lessons from their development finance track record is crucial.

The derisking approach to climate finance is particularly problematic from a justice perspective: As scholars of the Wall Street Consensus have explained, private financial institutions overwhelmingly based in the Global North have for decades financed and profited from carbon-intensive companies and assets which have disproportionately harmed the Global South. Now, de-risking champions like the WBG and investors themselves are calling for additional public finance for subsidies, guarantees, and other incentives to coax private finance into public services and climate action, thus making further profits at the expense of the South by exploiting its transition and adaptation needs, which they have greatly contributed to creating in the first place. Civil society has called out how the resulting "race to the bottom" of subsidies, tax cuts, and weak regulation to attract foreign capital, compounded by tax evasion, leads to "a deluge of wealth transfer from Global South to North".

For example, through policy-based lending, MDBs increasingly influence countries' energy policies, which can include imposing 'green' conditionalities biased towards promoting the privatisation and unbundling of energy systems and modifying regulatory frameworks to de-risk private investment, with significant concerns around affordability and access to last-mile communities. In countries like Pakistan, these kinds of policies have led to huge public subsidies to foreign investors.

MDBs should work with countries to promote just transition approaches that reverse extractive financial flows from Global South-to-North and place the human rights and needs of communities, rather than the profit interests of investors, at the centre.

External shocks such as the Covid-19 pandemic and subsequent interest rate hikes have gravely exacerbated a situation where poor countries are diverting critical public development funds to service debt. Since then, despite mounting evidence of a decade of failure of the 'billions to trillions' agenda, spearheaded by the WBG but championed by all MDBs, the G20 "Bigger, Bolder, Better" roadmap and resulting reform efforts are doubling down on centring private interests. Even the WBG's chief economist has called this agenda a "fantasy", noting that foreign private creditors have extracted nearly $141bn more in debt-service payments from developing economies than they have disbursed in new financing since 2022. Given this background, the 2024-launched joint WBG–AfDB flagship energy transition project, Mission 300 — which aims to bring electricity to 300 million people in sub-Saharan Africa by 2030 — is already raising concerns from civil society about exacerbating debt, not excluding fossil fuels, prioritising private profit, and needing proper participation mechanisms.

Both academic experts and civil society have long called on the MDBs to re-centre the public interest and help create the fiscal and policy space for genuine and rights-based green transformation, climate action, and energy sovereignty in the Global South. This means empowering Global South governments to allocate capital, steer industrial policy, shape markets and regulate in development- and sustainability-oriented ways, enabling them to leapfrog dirty development, while responding to the needs of frontline communities.

Facilitating opaque investor state arbitration that undermines necessary climate regulation

The International Center for the Settlement of Investment Disputes (ICSID), the world's leading investor-state dispute settlement (ISDS) forum, is a lesser known arm of the World Bank Group. It was created by the WBG board in 1966 and is enshrined in most international investment treaties, with 70% of dispute cases settled there. **Here, foreign investors can sue governments for** violations of trade agreements, including for implementing **climate and environmental regulation** that threatens (potential) profits from fossil fuels or environmentally harmful activities, turning the "polluter pays" principle on its head. Over 1982–2021, 175 ISDS cases were brought by investors against measures to protect the environment and 192 for actions related to fossil fuels. The great majority (74%) of fossil fuel ISDS cases were targeted at developing countries, while claimants were overwhelmingly from rich countries (89%). For environmental cases, 67% of states getting sued were developed, as well as 95% of claimants. In 2025, a record number of cases have been brought by investors related to fossil fuels and mining projects.

ISDS disputes are complex, opaque, expensive (even if won) and lack a formal appeals process. Civil society, the UN and IPCC, news outlets, European institutions and a range of academic studies have documented the resulting "regulatory chill": Countless case studies on mining, oil, coal, and others in both rich and poor countries show that the threat of ISDS leads to pushing back of climate goals, watering down or pulling back regulation, excessive compensation payments, and carbon lock-in.

Accountability gaps and loopholes further sidelining rights and gender

MDBs are not only financing providers but also standard setters — their **environmental and social safeguards have signalling effects to other IFIs, governments and the private sector.** For example, the IFC's Performance Standards, part of its Sustainability Framework, not only apply to all of the IFC's and MIGA's own investments, but also influence those of 130 private financial institutions that align with them via the Equator Principles. The IFC's entire Sustainability Framework, including the Performance Standards, Access to Information Policy and Sustainability Policy, is currently under review until 2027.

The MDBs' joint Paris alignment principles, in contrast to the Paris Agreement, pay no attention to human rights obligations, and their principles for mitigation and adaptation are completely gender blind. Other parts of their climate commitments do to some degree but remain vague and have not translated into concrete action plans, e.g. the joint high-level Just Transition principles mention applying a gender lens to planning and mitigation of socio-economic transition impacts.

As a result, MDB climate and energy transition finance can include activities with a high likelihood of undermining or violating gender equality and human rights, risking new 'sacrifice zones' in the Global South.[6] A 2022–2024 portfolio review of World Bank, ADB, and AfDB energy sector project documentation found fewer than half included references to adequate consultation or integrated gender-responsive measures. Of AIIB's 2023 project portfolio with a climate component, 31% were classified as "high risk" and three quarters had no or minimal gender considerations. UN Special Rapporteurs have also criticised MDBs for neglecting free, prior and informed consent (FPIC) in energy and extractive finance, undermining human rights obligations. As a result, 'green' projects such as large-scale solar and hydro as well as critical minerals mining projects have gone ahead under the 'Paris alignment' banner without adequate rights standards and safeguards, leading to displacement and exclusion of local communities. Civil society research in 2023 found that out of 1,804 complaints filed with independent accountability mechanisms (IAMs), a third raised concerns about environmental harms, of which a third stemmed from 'green' projects.

The continued push for 'bolder and better' (i.e. more efficient) MDBs is leading to concerns that **in efforts to 'get money out the door faster', environmental and social safeguarding standards will be bypassed** or watered down. Already, MDBs' IAMs often lack independence and timely disclosure. Talks are ongoing at the WBG to merge its two independent accountability mechanisms — the Bank's Accountability Mechanism and the IFC's CAO — while civic engagement was left out of its new Corporate Scorecard. In the meantime, harmed communities of long-standing cases continue to see their rights violated, like the communities badly impacted by the IFC's investment in the Tata Mundra coal power plant in India, who waited for remedy for over a decade to no avail, while key evidence was withheld and the case has now closed.

Civil society research on the World Bank's policy-based lending with energy sector conditionality "made clear that these reforms are often happening with virtually no public debate or democratic processes" instead

6 Sacrifice zones are areas of pollution, contamination, destruction, displacement and human rights abuses resulting e.g. from mining, fossil extraction, and industrialisation, often affecting marginalised and Indigenous people living in or close to these areas. With the push for decarbonisation foreseeing a boom in demand for 'critical minerals/transition materials' in addition to large-scale 'green energy' projects, these environmental, health and social impacts are likely to be amplified if no decisive steps are taken to prevent them. Read more in Pallares (2025). Green sacrifice zones: The places ruined by the energy transition. Think Landscape, and MENAFem Movement: Beyond Extractivism: Toward a Feminist and Just Economic Transition in Morocco and Egypt (2025)

of ensuring "that any policy changes are derived through transparent processes that are democratic, country driven, and rooted in citizens' human rights". The MBDs' focus on private finance creates additional transparency and accountability gaps, e.g. when it comes to on-lending through financial intermediaries and the sub-projects they invest in, which are rarely disclosed and their impacts not consistently monitored. **Together with MDBs operating in a growing number of countries with restricted civic space and a track record of MDBs failing to do proper reprisal risk assessments, the likelihood of faulty due diligence and human rights harms is growing.**

These implications are particularly salient for women as well as other marginalised groups, who face specific (gendered) inequalities in carrying the burden of climate and debt impacts, protecting the environment, and being able to access and make decisions over (climate) finance and resources. Without recognising and substantially addressing the multifaceted gendered human rights impacts of their various climate and 'green transition' policy instruments and debt-based financing, MDBs will continue exacerbating these inequalities and undermining resilience.

A gender justice lens on climate finance

The Paris Agreement integrated gender equality as a preambular principle for all climate action, as well as in relation to adaptation and capacity building. In 2017, the first Gender Action Plan was adopted in the UNFCCC (to be updated in 2025), followed in 2019 by the adoption of the enhanced Lima Work Programme on Gender and its Gender Action Plan, aimed at enhancing gender equality through climate change policy and decision-making practice. The SDGs also enshrine gender equality as a standalone goal, whose targets around care work, public services, equal rights to resources, and effective participation (among others) must equally apply to climate finance delivery and just transition policies.

Taking a gender justice lens to climate finance and action includes several pillars:

- **Integrating gender in climate finance and just transition**, e.g. ensuring NDCs, climate action plans, and climate finance frameworks link to women's rights by addressing gendered impacts of climate change and a just transition, using climate finance and action to actively improve gender equality, and tracking data accordingly.
- **Participation in decision-making**, e.g. centring local and Indigenous communities and women's rights organisations' knowledge in climate finance decision-making and delivery, and positioning them as active stakeholders in processes that determine mitigation and adaptation investment priorities.
- **Aligning with macroeconomic reform demands of the feminist movement**, e.g. championing feminist decolonial green new economy alternatives, such as the Women and Gender Constituency at the UNFCCC, organisations coalescing in the Feminist Action Nexus for Economic and Climate Justice, and eco-feminist movements and scholars.

Recommendations

MDBs are not fit for purpose to deliver climate finance, and major reforms are needed to make them 'better' in a meaningful, justice and rights-based way before making them 'bigger'. While the MDBs' private finance centred approach to climate and development means their ability to deliver justice-based climate finance is fundamentally questionable, there are several avenues to improve their alignment with the Paris Agreement and SDGs:

Increase transparency and rigour of climate finance accounting

A clear definition and accounting framework for climate finance should come from the UNFCCC, and it is incumbent on countries — both Parties to the UNFCCC and MDB shareholders — to pursue this, as well as to step up to their own climate finance obligations rather than hiding behind the MDBs. In the meantime, MDBs should provide far greater transparency of their climate finance accounting, including publishing full project documentation at the activity level and their calculation of what sub-components count as 'climate finance', measuring this at the stage of actual delivery, as well as collecting this information in a publicly available central climate finance database.

Improve quality of finance: more adaptation, to low-income countries, and less debt

MDBs should ensure that mitigation and adaptation finance are at least balanced 50-50, with all adaptation and an increasing portion of mitigation financed through grants to the public sector. Much more finance needs to go to low- and middle-income countries, and a much greater focus needs to be put on providing finance that is accessible for community-led climate action and solutions that benefit people in all their diversities, rather than large-scale projects driven by private profit margins.

However, the most effective way to deliver quality finance is not via MDBs but by developed countries massively scaling up their contributions to climate funds under the UNFCCC, such as the GCF, Adaptation Fund, Least Developed Countries Fund, and Fund for Responding to Loss and Damage, aligned with the NCQG decision to triple annual outflows from those Funds from 2022 to 2030.

Align climate finance with 1.5°C, close loopholes and exclude all fossil fuels

MDBs should urgently review and strengthen their Paris Alignment Methodologies to ensure they are consistent with 1.5°C. The exclusion list must cover all direct and indirect support for fossil fuels and other emission-intensive and environmentally destructive activities, including projects that create carbon lock-in (e.g. requiring fossil-based power supply) or contain fossil components (even if other components qualify as 'climate finance'). All fossil fuel loopholes must be closed, including through financial intermediaries, capital markets, policy-based financing, technical assistance and results-based financing. Transparency and accountability in accounting and reporting climate finance must be improved, resulting in greater quality, quantity and timeliness.

Move from false solutions to sustainable renewables

MDBs should stop funnelling climate and energy finance into false, costly and largely unproven 'solutions' and instead put all of their focus and money into community-led adaptation and mitigation, sustainable renewables, and a rights-based just transition. Every dollar invested in false solutions and so-called 'transition fuels' like fossil gas is delaying the necessary shift to transformative, modern, sustainable renewable energy systems. However, investments in renewables and other aspects of the 'green transition' (e.g. transition minerals) need to balance the scales with community access and rights, participation, and environmental impacts.

Put public climate and development goals back at the centre

MDBs should finally heed the decades-long calls from civil society to embrace a development paradigm that puts people and communities in the driving seat of their own development pathways and priorities, and is centred on states' obligations to people's economic, social and human rights. The MDBs' approach to Paris alignment must not become a vessel for a new wave of green conditionality that constricts countries' policy and fiscal space and imposes a 'private finance first' approach to climate action.

Protect human rights, gender equality, Indigenous peoples and communities

No MDB currently has a standalone human rights policy, with varying levels of commitments through safeguards. MDBs must ensure that all projects require comprehensive and context specific due diligence and mitigation strategies for human rights, gender and environmental impacts (including for retaliation risks and civic space restrictions), as well as proper FPIC for Indigenous peoples and processes that ensure communities receive information, are consulted and have a say in decisions over MDB-financed projects. All projects should have gender action plans, gender indicators, and budget lines for gender commitments. Macroeconomic policy tools, as well as the joint Paris alignment and climate finance methodologies, must encompass a structural gender lens to identify, address and prevent policies that undermine gender equality through austerity, privatisation, and the exploitation of women's care work.

Strengthen accountability

MDBs' independent accountability mechanisms need to be empowered through mandates and resources to effectively demand MDBs remedy harms to affected communities, and to self-initiate complaints in cases of harm. Given the increasing role of conditionality-based lending coupled with even lower informed democratic participation in their design, the governance around these instruments in particular needs to be reformed.

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