



– MDB Just Transition High-Level Principles¹ –

The Multilateral Development Banks (MDBs) have jointly committed to supporting a just transition. At the UN Secretary General’s Climate Action Summit in September 2019, the MDBs published a [High-Level Statement](#), which set out their strategic priorities as they relate to climate change and the actions they would take to address them. This included a commitment to ‘help clients move away from the use of fossil fuels’ by supporting the development of long-term low greenhouse gas (GHG) emissions and climate resilient strategies, and by working ‘with national development banks and other financial institutions, to develop, by COP26, financing and policy strategies supporting a just transition that promotes economic diversification and inclusion’. Following an initial stocktake of MDB activities relating to just transition, the MDBs have agreed to develop a set of high-level principles to help guide MDB support for a just transition, and to ensure consistency, credibility, and transparency in their efforts.

The need for a just transition is set out in the Paris Agreement. Its preamble cites ‘the imperatives of a just transition of the workforce and the creation of decent work and quality jobs in accordance with nationally defined development priorities’, alongside the separate but related issues of environmental integrity and climate justice. Delivering the long-term goals of the Paris Agreement and the Sustainable Development Goals (SDGs) will require an economy-wide transformation. Support for a just transition, to ensure that the costs and benefits of the transition are fairly distributed, is integral to this. Efforts to address the negative impacts of job losses and industrial transition on workers and communities and to enhance access to the opportunities associated with transition – including decent, sustainable jobs and the growth of green sectors – have risen rapidly on the international agenda since 2015. With the social and economic impacts of the Covid-19 pandemic now becoming clear, many are calling for a green and ‘just’ recovery from the crisis.

In this context, it is important that the MDBs articulate how they will support a just transition. The principles provide high-level direction on the aims, approach, scope, scale, outcomes and processes associated with a just transition. They also maintain flexibility for MDBs to tailor their operational definitions and strategies to reflect their mandates, geographies and skillsets, and the context-specific nature of just transition challenges and opportunities. The principles aim to provide a common understanding of MDB support for a just transition and guide MDB policies and activities relating to it, optimising development assistance and supporting consistency in country engagement, including efforts to integrate just transition considerations into nationally determined contributions (NDCs) and long-term low GHG emissions and climate resilient strategies. They also provide clear signals and a

¹ These principles were prepared by the MDB group, which includes inputs from the Council of Europe Development Bank (CEB) and World Bank Group (WBG).

consistent framework for engagement with other stakeholders and sources of finance, including national and regional development banks, donors and financial institutions.

Principle 1: MDB support for a just transition aims to deliver climate objectives while enabling socio-economic outcomes, accelerating progress towards both the Paris Agreement and the SDGs.

The MDBs are approaching just transition in the context of Paris Alignment, and with the objective of supporting the delivery of NDCs, long-term low GHG emissions and climate resilient strategies. Support for a just transition also delivers several SDGs, notably those relating to affordable and clean energy (SD7), gender equality (SDG5), decent work and economic growth (SDG8), reduced inequalities (SDG10), responsible production and consumption (SDG12) and climate action (SDG13). The climate outcomes associated with MDB support for a just transition are clear, and include higher NDC and long-term strategy ambition, supporting the goals of the Paris Agreement. The socio-economic outcomes will be broader, including support for affected communities and regions, and enhanced access to sustainable, inclusive and resilient livelihoods and services. As an approach, MDB support for a just transition intends to deliver climate and socio-economic outcomes, thereby accelerating delivery of the Paris Agreement and SDGs.

Principle 2: MDB support for a just transition focuses on moving away from GHG emissions-intensive economic activities through financing, policy engagement, technical advice and knowledge sharing, in line with MDB mandates and strategies, and country priorities including NDCs and long-term strategies.

The need to help clients move away from fossil fuels and GHG emissions-intensive economic activities, and towards a diversified, inclusive, resilient economy, provided the framing for a just transition in the 2019 High Level MDB Statement. Where MDBs operate in GHG-intensive contexts, support for a just transition may focus on fossil fuel production, thermal power and other GHG emissions-intensive activities. Those operating in less GHG-emissions-intensive contexts may focus on alternative pathways for sustainable, inclusive and resilient development that avoid exposure to unnecessary transition costs. In all contexts, support for education and skills may help accelerate transition and enhance access to sustainable livelihoods. Support for a just transition may also support the equitable and sustainable use of land, forest and water resources. There are numerous entry points, from mainstreaming support for a just transition within existing policies and activities, to developing additional, targeted interventions. In each case, MDB mandates and operating models, and country priorities including NDCs and long-term strategies, will guide institutional approaches to supporting a just transition.

Principle 3: MDBs will encourage support for a just transition by building on existing MDB policies and activities, mobilising other sources of public and private finance, and enhancing coordination through strategic plans that aim to deliver long-term, structural economic transformation.

Given their long-term approach, MDBs have a unique role to play in scaling support for a just transition. Delivering effective support for a just transition will require coordination within and among MDBs, engaging multiple areas such as climate change, energy and extractives, social development, gender and economic inclusion, health, sustainable infrastructure and macroeconomic planning, among others. It will also require enhanced coordination with other stakeholders – including national and regional development banks, donors and the private sector – and the mobilisation of other sources of finance, in order to scale support for a just transition through co-financing, and collaboration on policy approaches and technical assistance. In doing so, the MDBs recognise the long-term challenge of a just transition, and the potential for support – including integrated place-based planning, infrastructure investment, labour market and social development policy, SME and social finance, skills and training – to remove political and socio-economic barriers to transition, and contribute to structural economic transformations at local, regional and national levels.

Principle 4: MDB support for a just transition seeks to mitigate negative socio-economic impacts and increase opportunities associated with the transition to a net zero economy, supporting affected workers and communities, and enhancing access to sustainable, inclusive and resilient livelihoods for all.

MDB support for a just transition will be informed by the distribution of the costs and benefits associated with the transition to a net zero economy. It seeks to mitigate negative impacts on the people and communities affected by shifts in climate policy, and in the competitiveness and resilience of GHG-intensive economic activity, and support equal access to the new opportunities, jobs and markets associated with transition. Using a gender-lens and integrated territorial development approaches, this approach may support the economic regeneration of communities that are dependent on fossil fuels and GHG emissions-intensive activities, and provide alternative pathways to sustainable, inclusive, resilient development. The entry points available to MDBs range from integrating distributional considerations in existing tools such as safeguards, social protections and country diagnostics, to developing new approaches including just transition plans and projects. The relative emphasis of MDBs – between mitigating impacts and enhancing opportunities – will reflect their operating contexts.

Principle 5: MDB support for a just transition encourages transparent and inclusive planning, implementation and monitoring processes that involve all relevant stakeholders and affected groups, and that further inclusion and gender equality.

MDB support for a just transition encourages ‘just’ processes, as well as outcomes. Genuinely inclusive, transparent and accountable processes are central to successful support for a just transition. The challenges and opportunities associated with a just transition are inherently context-specific, reflecting the place and people affected, and requiring their engagement and ownership at local, regional and country level. It is therefore important that MDB support for a just transition is developed and delivered in consultation with affected groups, in line with MDB standards and international best practice, and in ways that advance inclusion and equality of opportunity for women and other groups. MDBs may also use their influence and investments to encourage and support other stakeholders, including government and business, in delivering transparent, inclusive processes.

The High-Level Principles for MDB Support for a Just Transition have been guiding the joint work of the MDBs ahead of COP26. They will inform the development of practical MDB just transition resources, including approaches, tools and instruments that can support a just transition, as well as partnerships with finance, business, civil society and others that can help scale their support for a just transition. In the context of the Covid-19 crisis, the principles may also provide guidance on MDB support for the development of ‘green recovery’ measures that generate decent, sustainable jobs in an inclusive manner, while accelerating decarbonisation and the transition to a sustainable economy.