

# Multilateral development banks' use of green, social and sustainability (GSS) bonds: lessons for private investors

## Emerging Best Practice for Just Transition Finance: Paper 2

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# List of abbreviations

<b>ADB</b> Asian Development Bank	<b>IFC</b> International Finance Corporation
<b>AfDB</b> African Development Bank	<b>IFOAM</b> International Federation of Organic Agriculture Movements
<b>AIIB</b> Asian Infrastructure Investment Bank	<b>JTI</b> Just Transition Initiative
<b>ASCOR</b> Assessing Sovereign Climate-related Opportunities and Risks	<b>KII</b> Key informant interview
<b>CA100+</b> Climate Action 100+	<b>KPI</b> Key performance indicator
<b>CBI</b> Climate Bonds Initiative	<b>MDB</b> Multilateral development bank
<b>CO<sub>2</sub>e</b> Carbon dioxide equivalent	<b>MSME</b> Micro, small and medium enterprises
<b>COP</b> Conference of the Parties	<b>NDC</b> Nationally Determined Contribution
<b>EBRD</b> European Bank for Reconstruction and Development	<b>NGFS</b> Network of Central Banks and Supervisors for Greening the Financial System
<b>EIB</b> European Investment Bank	<b>NO<sub>x</sub></b> Nitrogen oxide
<b>ESG</b> Environmental, social and governance	<b>ODI</b> Overseas Development Institute
<b>ESS</b> Environmental and social standards	<b>PEFC</b> Programme for Endorsement of Forest Certification
<b>ETM</b> Energy Transition Mechanism	<b>PRI</b> Principles for Responsible Investment
<b>EU</b> European Union	<b>RQ</b> Research question
<b>EU JTM</b> European Union Just Transition Mechanism	<b>SDG</b> Sustainable Development Goal
<b>FAO</b> Food and Agriculture Organization	<b>SFM</b> Sustainable Forest Management
<b>FMCBG</b> Finance Ministers and Central Bank Governors	<b>SME</b> Small and medium enterprises
<b>FSC</b> Forest Stewardship Council	<b>SO<sub>2</sub></b> Sulphur dioxide
<b>GAP</b> Good Agricultural Practices	<b>SPO</b> Second Party Opinion
<b>GSS</b> Green, social and sustainability	<b>tCO<sub>2</sub>e</b> Tonnes of carbon dioxide equivalent
<b>IBRD</b> International Bank for Reconstruction and Development	<b>UNFCCC</b> United Nations Framework Convention on Climate Change
<b>ICMA</b> International Capital Market Association	<b>UoP</b> Use of Proceeds
<b>IDA</b> International Development Association	<b>UTZ</b> UTZ Certified (sustainable farming certification)
<b>IDB</b> Inter-American Development Bank	<b>WB11</b> World Bank directive on vulnerable groups
	<b>WBG</b> World Bank Group

# Summary

Efforts by multilateral development banks (MDBs) to embed just transition principles in their financing serve as emerging best practice and offer valuable insights for other financial actors. This report examines how MDBs are embedding just transition principles into their green, social and sustainability (GSS) bonds and what lessons this provides for private investors.

## MDBs have made high-level commitments to the just transition

In committing to align their financing with the objectives of the Paris Agreement, MDBs acknowledge that sustainable development, climate change and nature loss are interconnected challenges. Climate finance is therefore connected with MDBs' longstanding goals to reduce poverty, promote social inclusion and support economic transformation. MDBs also recognise that managing the social risks of the transition to a net zero and climate-resilient economy is critical for building 'social licence' for climate action and for ensuring that vulnerable and marginalised groups are not left behind. These values align closely with the just transition agenda.

Although their overarching commitments are aligned, MDBs differ in how they define the just transition. Some have adopted broad approaches that cut across their entire portfolio, while others focus more narrowly on specific sectors or outcomes. This often reflects their operational priorities and regional contexts. MDBs' definitions also vary in their underlying concepts of justice, and emphasise a range of distributional, procedural and restorative elements.

## MDBs are operationalising their just transition financing commitments

MDBs are developing strategies to operationalise their just transition commitments. These are additional to existing compliance-driven environmental and social risk-screening measures and include 'roadmaps', theories of change, sectoral strategies and regional pilots. MDBs have also developed 'tools' to operationalise the just transition, including taxonomies, impact reporting, country diagnostics and other technical assistance for developing member countries.

These efforts highlight various challenges for operationalising MDB just transition finance commitments, including navigating competing internal priorities, implementing a just transition as a new cross-cutting financing priority across organisational 'silos', and establishing clear just transition taxonomies and metrics.

## MDB GSS bond frameworks incorporate just transition principles

Our analysis finds MDBs are embedding just transition principles and priorities into their GSS bond framework use of proceeds (UoP) and impact reporting.

**Support for livelihoods is the most common just transition theme in MDB GSS bond frameworks.** This goes beyond the decommissioning of high emission-intensity sectors and extends to providing support for sustainable agriculture, fisheries and forestry and for micro, small and medium enterprises (MSMEs). Indicators in this category typically focus on the number of beneficiaries, loans or jobs resulting from a given bond application of proceeds. Less well measured are the long-term benefits to the recipients of these programmes and the substantive nature of the impact on sustainable agriculture (such as long-term agricultural incomes and food security) and informal businesses.

MDB GSS bond frameworks also prioritise support for targeted stakeholders such as women and low-income households. The number of beneficiaries is a common corresponding progress indicator for this theme. However, there is more limited content on engagement with Indigenous people and ethnic groups and limited guidance on qualitative assessment of community stakeholder engagement in key performance indicators (KPIs).

MDB GSS bonds also prioritise finance for resources (including infrastructure, land use, water and other nature-based services) to align with a just transition. Key areas include energy, public transport, water conservation and management, land, forest and marine conservation and regeneration. In this category, indicators go beyond greenhouse gas emissions to include, for example, the number of beneficiaries and size of land area upgraded, rehabilitated or protected. While the quantity of beneficiaries is important, additional efforts are needed to measure the quality of outcomes (e.g. affordability and access to services as well as conservation and regeneration impact).

## **MDB GSS bonds and operating frameworks illustrate emerging best practice for private investors**

MDB GSS bond frameworks provide demonstration effects, showing how just transition finance can be structured, reported on, and communicated to different actors. However, MDBs' just transition finance strategies are dynamic, in varying stages of development, and responsive to internal and external interests. While existing MDB just transition finance efforts demonstrate progress, there is an ongoing need for best practice development in various areas. This includes the adoption of indicators that can better capture sectoral shifts and the broader economic transformation required for a just transition.

### **Insights and examples of emerging best practice include:**

- **MDBs demonstrate that just transition finance needs to reflect context and transition priorities.** Treating the just transition as a simple 'add-on' to generic finance risks ignoring its critical role in the structural transformations needed to address climate change fairly and effectively.
- **MDBs recognise the importance of ensuring a 'social licence' for successful climate action.** This includes — but goes beyond — managing social risks when delivering climate finance and impact and demonstrates the importance of these issues for investment cases.
- **There is a need for credible third-party analysis** to determine the alignment of financing with just transition principles. These analyses can draw insights from MDBs' just transition strategies and tools but must also recognise ongoing limitations and areas for development.
- **GSS bond issuers** should adopt holistic and context-specific approaches that integrate environmental, social and economic dimensions. Integrating climate mitigation, adaptation and resilience UoP under single bond frameworks can ensure financing flexibility and support for holistic projects. Adopting the 'just transition' as a framework can help organise these efforts.
- **Private investors** assessing bonds for potential just transition impact should look beyond the formal elements of GSS bond frameworks, Second Party Opinions (SPOs) and impact reporting to consider the issuer's context, overall strategy and institutional commitment towards a just transition.

# 1. Introduction

This report explores approaches taken by multilateral development banks (MDBs) to the just transition and details how private investors seeking to engage in just transition principles and impact can embed the concept within green, social and sustainability (GSS) bonds and other private financial investments.

## MDBs provide critical climate finance

Climate and the environment have become increasingly important policy objectives, with MDBs expected to play a pivotal role in mobilising finance for mitigation and adaptation while also ensuring that the needs of vulnerable and marginalised populations are addressed and no one is 'left behind' (FMCBG, 2024: 2). MDBs are banks which are capitalised by multilateral donors with mandates relating to poverty alleviation and economic development.

This strong interplay between MDBs' institutional mandates and capabilities and the just transition has led to ambitious targets for MDB climate finance. In its 2024 fiscal year, the World Bank Group (WBG) delivered US\$42.6 billion in climate finance, 44% of its total financing (World Bank, 2024).

## The just transition is a priority for MDBs

A working group of the largest MDBs has collectively set goals for climate finance and Paris Agreement alignment that integrate just transition as a priority (MDBs, 2019; 2021a). At the 28th (COP28) and 29th (COP29) meetings of the Conference of the Parties in 2023 and 2024, MDBs agreed joint statements on the just transition (MDBs, 2023; 2024). The statements support the adoption of a broad understanding and definition of the just transition and contain high-level principles to guide MDBs in operationalising the just transition in their financing and support for member countries. The goals of a just transition are expressed as being to "mitigate negative impacts on the people and communities affected by shifts in climate policy" (MDBs, 2021a: 3) and to realise transition opportunities, such as green job creation. The statements also note the Paris Agreement's acknowledgement that ensuring the fair distribution of the costs and benefits of the low-carbon transition is integral to attaining a just transition, as is being supportive of equal access to new opportunities, jobs and markets (MDBs, 2021a).

The statements also provide for 'just' processes, at local, regional and country levels, such as consultation with affected groups (MDBs, 2021a), a commitment to "socially inclusive, gender responsive and nature positive climate and development action" (MDBs, 2023: 1) and a responsibility to engage in 'wide social consideration' such as in relation to social development, conflict and migration, health, and economic inclusion (MDBs, 2021a; 2021b; 2023; 2024). This provision is accompanied by a commitment to an increased focus on measuring results and outcomes for both mitigation and adaptation and the development of a common approach for reporting climate analytics, results and impacts (MDBs, 2023; 2024).

In addition to upholding Paris Agreement commitments, in their statements the MDBs also reference other multilateral initiatives in relation to the just transition. These include the United Nations Sustainable Development Goals (SDGs), the Kunming-Montreal Global Biodiversity Framework, and the Sendai Framework for Disaster Risk Reduction (MDBs, 2021a; 2023).

## MDB just transition finance offers lessons for other actors

How MDBs operationalise these mandates and principles in relation to just transition finance could provide valuable lessons for private finance. This report focuses on their GSS bonds, for which proceeds are exclusively applied to eligible environmental and social projects, or a combination of both (ICMA, 2021c). Not only have MDBs been prolific issuers of GSS bonds to directly mobilise finance with measurable environmental and social goals, but they also aim to deliver market-building impact through the demonstration effects of their bond issuances and financing (FMCBG, 2024).

All MDBs have well-established safeguards that are universally applicable to their activities and are reiterated in relation to the just transition. MDBs can also integrate the just transition as a broad priority to guide their financing activities, or as a focused priority related to specific sectors, regions or communities. MDBs can leverage the range of financing mechanisms available, including core MDB funds, bond issuances (including GSS bonds), and donor or trust funds for just transition finance.

Given that one of the aims of the Just Transition Finance Lab ('the Lab') is to help mobilise finance through debt capital markets, this report focuses on GSS bonds. However, the analysis is also relevant for other financial instruments and private capital markets. The report builds on the Lab's previous research findings (Scheer et al., 2025) that the quality of just transition content in a GSS bond needs to be assessed in the context of the issuing entity, as well as the Grantham Research Institute's earlier work supporting the MDB Paris Alignment Working Group on Just Transition and its stocktake of just transition-related activities undertaken by MDBs (Robins and Ward, 2020).

## Structure of the report

**Section 2** describes the methodology developed to understand how MDBs are approaching the just transition in their operations and GSS bond frameworks.

**Section 3** explores MDB rationales for adopting just transition commitments and how these commitments are operationalised in MDB just transition definitions and organisational strategy. This identifies mechanisms through which MDBs' organisational strategies influences their GSS bonds.

**Section 4** discusses the MDB GSS bond market, presents findings from analysis of MDB GSS bond frameworks, and discusses demonstration effects for the just transition.

**Section 5** draws conclusions on what private investors can learn from MDBs about how to embed the just transition into GSS bonds and other private financial investments.



## 2. Methodology

This section presents a methodology for identifying emerging best practice within MDB approaches to the just transition which can be leveraged by private finance.

### Research questions

Under the overarching research question (RQ) ‘What are the emerging best practices from MDBs’ approaches that can be leveraged by private finance?’ we set the following further RQs:

- **RQ1:** What rationale and principles are being adopted by MDBs in relation to the just transition? How do these vary across different MDBs?
- **RQ2:** How have MDBs operationalised their just transition principles?
- **RQ3:** How are these factors relating to the just transition being integrated into GSS bonds?

### Study sample and scope

The sample for the report consists of global and regional MDBs that issue GSS bonds, where MDBs are defined as a public bank with an economic development or poverty alleviation mandate, capitalised by two or more countries and with regional or global operations.

The MDBs meeting these criteria are the Asian Development Bank (ADB), African Development Bank (AfDB), Asian Infrastructure Investment Bank (AIIB), European Bank for Reconstruction and Development (EBRD), European Investment Bank (EIB), Inter-American Development Bank (IDB), International Bank for Reconstruction and Development (IBRD), International Development Association (IDA) and International Finance Corporation (IFC). IBRD, IDA and IFC are subsidiaries of the World Bank Group (WBG).

### Literature review

The literature review focused on MDBs’ public information about the just transition as it related to the RQs, including the joint MDB statements and individual MDB information as well as related academic research.

### Bond framework analysis

An analytic framework was developed to define just transition themes as conceptualised in the bond frameworks of MDBs. The framework took as a starting point the Environmental and Social Standard (ESS) categories from the World Bank Environmental and Social Framework (World Bank, 2017),<sup>1</sup> plus an additional category based on the World Bank directive on vulnerable groups (World Bank, 2021).

These standards and the directive were applied to MDB bond frameworks given that they are the core components for alignment with the International Capital Market Association (ICMA) GSS bond principles (ICMA, 2021a; 2021b). All MDB GSS bonds issued as of May 2025 were analysed: this encompasses 1,749 bonds and 18 associated bond frameworks. The analysis was applied to the UoP eligible expenditures and impact reporting to assess and detail the just transition principles contained in MDB GSS bonds using the following questions:

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<sup>1</sup> The following were excluded: (i) ESS1 Environmental and Social Risks and Impacts because of its overlap with entity-level safeguards and engagement with Nationally Determined Contributions (NDCs) or national adaptation and resilience planning which are typically of less or no relevance to private GSS bonds; and (ii) ESS8 Cultural Heritage as none of the sample of MDB bonds had UoP or impact reporting assessments of relevance.

- **Do eligible expenditures include projects with just transition objectives?** Bond frameworks were assessed as to whether they include a relevant UoP with a just transition theme with a causal link to climate mitigation and/or adaptation.
- **Do the impact reporting assessments include just transition outcomes?** Impact reporting commitments in the bond frameworks (or, if absent, the most recent impact report) were reviewed as to whether they include a relevant key performance indicator (KPI) or other metric with a just transition theme with a causal link to climate mitigation and/or adaptation. Where impact reports were reviewed, the most recent reports were used, and where impact reporting had not yet started, the latter were excluded from the sample.

The analysis we developed is described in Section 4 with further details given in the Appendix.

## **Key informant interviews**

Key informant interviews (KIIs) were conducted with sample MDBs and other stakeholders to elicit qualitative research information about the RQs. All MDBs in the sample were invited to KIIs; eight out of nine accepted. Interviews were conducted across different functions to give a '360' review and included just transition-dedicated teams, investor relations, and treasury. In addition, several non-MDB stakeholders were interviewed. All spoke in a personal, not an institutional, capacity and the interviews were conducted under the 'Chatham House' rule with no comments being assigned.

### 3. MDB approaches to the just transition

This section applies a comparative approach to review MDB just transition mandates and definitions and determine how they are operationalised at an entity level in order to discuss the context of MDB approaches to the just transition and how it is embedded in financing, with a focus on GSS bonds.

#### MDB mandates for the just transition

MDBs' overarching interest in just transition finance stems from their role in supporting delivery of climate finance to achieve the goals of the Paris Agreement as part of their broader mandates and objectives (MDBs, 2019). In this context, MDBs position just transition as a means of achieving the Paris Agreement goals while also simultaneously advancing progress towards the SDGs (MDBs, 2021a). As such, just transition helps connect climate and socioeconomic outcomes, which was also noted by MDB staff interviewed for this research.

MDBs are collaborating on the just transition including by issuing joint public statements at United Nations Framework Convention on Climate Change (UNFCCC) COP meetings (MDBs 2021b; 2023; 2024). In 2021, MDBs adopted joint just transition high-level principles to guide their collective "aims, approaches, scope, scale, outcomes, and processes" (MDBs, 2021a: 1). The principles establish that a just transition involves delivering climate objectives while enabling socioeconomic outcomes, framed in response to the Paris Agreement and the SDGs. The principles clarify that this means moving away from greenhouse gas-intensive economic activities, while mitigating negative socioeconomic impacts and pursuing sustainable, resilient and inclusive livelihoods.

The principles represent a shared commitment to specific approaches for supporting the just transition: namely, building on existing MDB policies and activities, and encouraging transparent and inclusive planning, implementation and monitoring processes. The principles recognise the importance of ensuring MDBs have the flexibility to adopt region-, context-, and mandate-specific just transition definitions and strategies, and call on MDBs to "articulate how they will support a just transition" (MDBs, 2021a: 1).

At COP28, MDBs released a further joint statement reaffirming their commitment to a just transition and outlining how they will support it (MDBs, 2023). This includes by integrating distributional considerations into existing tools such as safeguarding, social protections and country diagnostics. At COP29, the MDBs further committed to development of just transition plans as part of their work with national and subnational entities (MDBs, 2024). The commitments are now being implemented by individual MDBs, which are interpreting the high-level concepts and goals for the varied contexts in which they operate.

MDBs provide three additional rationales to justify adopting just transition commitments in their operations:

- **Firstly, MDBs relate the concept of the just transition to their more detailed entity-level objectives**, with such formal alignment serving as a source of licence and legitimacy for just transition objectives. For example, the AfDB links just transition to achieving its 'High 5' sustainable development objectives, which include "light up and power Africa", "feed Africa", "industrialize Africa", "integrate Africa" and "improve the quality of life for the people of Africa" (AfDB, 2023: 21). These objectives serve as overarching performance indicators for the AfDB. The EBRD, on the other hand, relates the just transition to its mandate to support "competitive, well-governed, green, inclusive, resilient, and integrated economies" (EBRD, 2020: 4). While the ADB is still in the process of developing its definition for the just transition, it will connect to its core mandate of reducing poverty in the Asia Pacific region, align with its 2030 strategic framework to advance commitments to financing the transition to net zero and be linked it to its broad climate mandate that states that "failure to address the social and economic dimensions of the transition will pose a major risk to the region's climate actions" (ADB, 2022: 2).

- Secondly, MDBs adopt a just transition approach to ensure a ‘social licence’ for climate action and addressing transition risks. For example, the ADB states that “failure to address the social and economic dimensions of the transition will pose a major risk to the region’s climate actions” (ADB, 2022: 2). Similarly, the EIB Global just transition framework recognises “there can be no sustainable transition unless efforts to decarbonise and make our economies climate resilient are just and socially fair” (EIB 2023: v).
- Thirdly, some MDBs adopt the just transition as part of a mandate delivered by a supranational authority. For example, the EIB has been mandated to help implement the EU’s Just Transition Mechanism (EU JTM), which is delivering €55 billion and advisory services to the member states most affected by the transition (EIB, 2020). This is relatively unique among the MDBs.<sup>2</sup>

## MDB just transition definitions.

Beyond their broad mandates, there are significant differences in how MDBs define the just transition, including differences in scope, objectives and underlying theoretical grounding. Differences in scope can arise from variations in MDBs’ overarching missions, strategies and contexts.

**Some definitions adopt a broad scope across MDB financing activities.** For example, the EBRD lists goals that include development of the green economy, reskilling and enhancing entrepreneurship and regional economic development and diversification in its just transition strategy, with expected linkages to energy, industrial decarbonisation and urban and environmental infrastructure (EBRD, 2020). The AfDB’s just transition approach is derived from its overarching strategic ‘High 5’ objectives (noted above) and places weight on the strategic prioritisation of sustainable development with differentiated approaches between fossil fuel-dependent and non-fossil fuel dependent countries, and that reflect member countries’ priorities relating to mitigation, adaptation and resilience (AfDB, 2023). The AfDB also distinguishes between ‘subtractive’ and ‘additive’ definitions of the just transition, with the former focused on minimising the negative impacts of climate actions, while the latter aims to maximise development and prosperity (AfDB, 2023). Both definitions are considered relevant to the AfDB’s operations. Similar consideration of prioritisation across policy objectives, including, most notably, economic development and poverty alleviation, is also anticipated in the forthcoming approach by the ADB (Interview material).

**Other MDBs have just transition approaches that focus exclusively on specific sectors or outcomes.** For example, the WBG has a just transition taxonomy which integrates key just transition principles, but these are limited to the coal sector (World Bank Treasury et al., 2024); although it has been reported that further broadening of the scope is expected in the future (World Bank Treasury et al., 2024: 30; Interview material). Similarly, the AIIB’s just transition commitments, outlined in the bank’s Energy Sector Strategy, is applied in relation to the exclusive scope of the AIIB’s mandate on infrastructure (AIIB, 2022). The EIB’s definition is unique in distinguishing between ‘just transition’ and ‘just resilience’. For the EIB, ‘just transition’ is defined as providing new jobs and opportunities to people and communities that are affected the most by climate policies and ‘just resilience’ is defined as the scaling up of activities in response to the already inevitable climate change effects being experienced in countries and in support of the people who bear the brunt of climate change impacts due to their geographical location or socioeconomic status (EIB, 2023).

**MDBs adopt varying conceptual frameworks and theories of justice in their definitions of the just transition.**<sup>3</sup> All MDBs integrate distributive justice in their just transition frameworks. As well as it being central to the joint statements discussed above, it has been committed to by individual MDBs. For example, the IDB defines a just transition as seeking to “maximize the net benefits of decarbonization and distribute them equitably, while recogniz[ing], anticipat[ing], minimiz[ing], and offset[ing] the

<sup>2</sup> It has also led to the EIB distinguishing between just transition and just resilience.

<sup>3</sup> Such frameworks typically identify three types of justice: distributive justice, which concerns the fair distribution of risks and opportunities; procedural justice, which concerns the agency of those affected by the economic and industrial transitions to affect decisions; and restorative justice, which concerns redressing historical damages. See Chan et al. (2024) for a full discussion of these concepts in relation to climate justice.

costs of the transition” (IDB, 2023: 10) and the EBRD defines a just transition as seeking to “ensure that the substantial benefits of a green economy transition are shared widely while also supporting those who stand to lose economically” (EBRD, 2020: 4).

**The AfDB, IDB and the WBG also recognise the importance of procedural justice, committing to fair processes when envisioning and planning transitions.** The AfDB recognises the importance of context in shaping appropriate processes and ensuring communities can advocate for their own needs (AfDB, 2023: 18). The IDB emphasises the inclusion of all stakeholders in “continuous dialogue in both the planning and implementation of the transformation” (IDB, 2023: 15). The WBG refers to the need for “meaningful and inclusive stakeholder and community dialogue throughout the transition” (World Bank Treasury et al., 2024: 31). The forthcoming ADB definition of just transition is also expected to embrace this concept (Interview material).

**However, only the AfDB explicitly includes restorative justice as a pillar of its just transition definition.** It references the Paris Agreement’s “common but differentiated responsibilities” in relation to the issue of historical emissions and developed countries’ responsibility to provide support to developing countries (AfDB, 2023) while “affirm[ing] Africa’s right to development and industrialization” on the same basis (AfDB, 2022: 6).

**MDBs face constraints when operationalising their definitions of justice.** For example, while the majority of MDBs have poverty alleviation as a key aspect of their mandates, which provides a rationale for intervention, they also typically have a ‘political prohibition’ clause in their founding documents. Given that the just transition can be seen as a political topic, MDBs are seeking to act apolitically in relation to it; for example, by focusing on serving country priorities linked to their self-determined NDCs (Interview material).

## **MDB approaches to operationalising the just transition**

**MDBs adopt various approaches to operationalising the just transition:** in terms of mobilising institutional processes and resources to achieve stated intentions. These variations reflect both the commonalities and differences highlighted above in relation to their mandates and definitions.

### **Just transition frameworks**

**Adopting an entity-wide definition of the just transition is an important operational step.** Given their size and organisational complexity, adopting a just transition definition can help MDBs to establish a concrete internal mandate or priority for just transition finance, orient the MDB in a particular direction, and build alignment across MDB teams and functions (Interview material).

**MDBs are at varying stages of developing and operationalising their entity-level just transition frameworks.** For example, the EBRD just transition initiative was established in 2020 (EBRD, 2020), while the ADB is currently piloting its approach in phases with different groups of developing member countries, with the goal of developing technical guidance to operationalise commitments (ADB, 2022).<sup>4</sup> These pilots will contribute towards an overarching just transition approach.

**Sector-specific initiatives can also serve as an entry point for broader just transition financing frameworks.** For example, the WBG has developed a framework for just transitions in the coal sector and is currently in the process of developing a broader just transition definition and operating framework (WBG, 2024: 30; Interview material). Other MDB initiatives, such as the Amazonia bond framework (IDB, 2025b), or adaptation and resilience initiatives, could provide similar entry points for developing broader just transition financing frameworks.

**Theories of change are also being developed to define clear pathways for actions to achieve intended impacts.** For example, the AfDB operationalises the MDB high-level principles through an entity-level theory of change (AfDB, 2023: 94). The AfDB is also now developing an internal framework to

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<sup>4</sup> Developing member countries are the group of countries that receive ADB financing.

supplement this with a detailed project categorisation and ‘traffic lighting’ on alignment with their high-level just transition principles (Interview material).

### **MDB just transition strategies**

**Some MDBs have adopted formal operational strategies to link just transition principles and mandates to execution.** These include ‘roadmaps’, coordinated policy instruments, technical assistance for national strategies and sectoral strategies.

For example, the EIB’s just transition approach is outlined in the EIB Group Climate Bank Roadmap. It highlights that the EIB is central to executing the EU’s Just Transition Mechanism and identifies specific instruments including acting as a financing partner for the public sector loan facility and structural programme loans, mobilisation of private finance through its private sector window, InvestEU, and through advisory services, all of which are required to consider the just transition principles (EIB, 2020). The EBRD has a similar approach for executing its Green Economy Transition Strategy. Instruments take various forms and include direct financing and advice, blended finance, and market-building support for green finance (EBRD, 2020).

**MDBs are assisting sovereign clients in developing national just transition initiatives.** For example, IDB Invest provided technical support for the development of social finance taxonomies in Guatemala for MSME finance to support social objectives. Support included providing segmented target populations, design of financial instruments such as social bonds, and standardised impact reports (IDB, 2025a). Other collaborations between MDBs and national governments include providing technical assistance for designing tailored national strategies, embedding the just transition in country diagnostics, and piloting co-design between national governments and their citizens. Similarly, country platforms are also being used strategically to coordinate and mobilise just transition financing, with most interviewees reporting that this has been effective in balancing tailoring and fragmentation in operationalising the just transition (Interview material).

**Sectoral strategies support MDB just transition commitments in a more flexible way than taxonomies do.** The AIIB operationalises the just transition in its Energy Sector Strategy, which focuses on mitigating the social risks and harms of energy infrastructure investment (AIIB, 2022). Rather than an approach that defines a strict taxonomy of prohibited financing activities or recipients, it opts for a more flexible approach that varies by member country and aligns with the Paris Agreement principle of “common but differentiated responsibility” (ibid., 19). The notable exception to this approach is thermal coal where the strategy states, “AIIB will not finance thermal coal mining, coal-fired power and heating plants, or projects that are functionally related to coal” (ibid., 19). Oil and natural gas project financing is permitted under specific circumstances, such as in cases where renewables are not feasible or the investments are part of a transition strategy (ibid., 19–21). The AIIB’s Energy Sector Strategy also recognises important roles for traditional energy conglomerates and state-owned enterprises.

**The ADB is piloting sectoral and regional approaches.** These build on the Accelerating Coal Transition Investment Program of the Climate Investment Fund in India, Indonesia, and the Philippines, and the ADB’s Energy Transition Mechanism (ETM) which funds early retirement of coal power plants (ADB, 2024). This includes a specific approach to monitoring just transition impacts in ETM transactions across three expanding scopes: (i) direct (on the workforce), (ii) indirect (e.g. along the supply chain due to transition), and (iii) induced (the wider impacts on communities due to transition) (ADB, 2024). Pilots have been staged across three regions and are proving valuable in developing ADB operations for a just transition (Interview material).

### **Toolkits for operationalising the just transition**

**MDBs have developed various ‘toolkits’ for operationalising the just transition, including taxonomies, ESS criteria and tailored impact reporting.**

**Taxonomies categorise activities and projects and their alignment with MDBs’ just transition principles.** For example, the EIB taxonomy focuses on transitions in Europe for hard-to-abate sectors and related arising issues (such as formal worker redeployment into high-skill work and restoration of brownfield



sites), and support for the emergence of a 'green economy' including green technologies, the circular economy, and public infrastructure to support economic growth and regional diversification (EIB, 2024).

The World Bank Group Just Transition Taxonomy categorises activities that contribute to a just transition, focusing on the coal sector. The taxonomy has three pillars — governance, people and communities, and repurposing of land and assets — and identifies activities that align with them, building on the EU taxonomy and ICMA bond principles (World Bank Treasury et al., 2024).

**Monitoring the implementation of just transition finance is also placed on metrics and impact reporting for both MDBs and their clients.** MDB joint statements have committed to standardising metrics. The EIB has established an annual reporting cycle to its governing bodies on the implementation of the Climate Bank Roadmap which includes social impact indicators (EIB, 2020). Whereas the EBRD Just Transition Initiative (JTI) is being monitored and evaluated as part of the bank's transition impact monitoring systems using a subset of existing indicators (EBRD, 2020: 32).

**MDBs also operationalise their just transition commitments through the implementation of their ESS policies.** This assessment is extended to MDBs' partners and clients. For example, the EIB requires counterparties to assess social factors (EIB, 2020) and the EBRD has a commitment that "every project (will) be systematically assessed in relation to its mitigation and adaptation impact" (EBRD, 2020: 16) and that all investments are to be screened for alignment with the Paris Agreement and national climate-related action plans including just transition considerations (EBRD, 2020).

Interview responses suggest leveraging existing ESS policies can also serve as a strong motivator for investors and clients and increase MDBs' capacity to operationalise the just transition. However, given these are compliance mechanisms, they may not be sufficient in relation to the positive impact envisaged in best practice for a just transition (Interview material).

### Challenges for MDBs

Challenges arising for MDBs include competing policy priorities, barriers due to organisational 'silos', a lack of clarity (particularly at the investment level), underdevelopment of taxonomies and metrics and a need for policy support for just transition costs.

**As with other financing priorities, the just transition competes for institutional resources and attention within MDBs.** MDBs have faced increasing demands, particularly in relation to climate, and for reform of their capital structures and donor alliances (FMCBG, 2024). Interviewees report that this has led to competition for prioritisation and resources in relation to the just transition and weaknesses in the internal capacity available to advise on the integration of just transition principles (Interview material).

Given its cross-cutting nature, the implementation of just transition finance as an operational priority requires horizontal collaboration across the internal functions of MDBs, including sector-, theme-, and region-oriented teams, as well as treasury departments. 'Siloing' within these teams can create barriers for the successful implementation of just transition finance (Interview material).

**In response to these challenges, MDBs have adopted a range of organisational structures to advance their just transition initiatives,** including embedding staff in existing teams, or adding new advisory functions to build internal capacity. MDBs also use a combination of explicit directives (such as from the board level) and workshops and training resources to embed the just transition as a priority in existing teams (Interview material).

**Identifying shared interests across MDB teams and partners and intentional collaboration can support successful cross-cutting approaches to just transition finance.** For example, the WBG Taxonomy was developed through a cross-unit partnership between the WBG Treasury's Sustainable Finance and ESG Advisory Services and the WBG Energy and Extractives Global Unit, responding to concrete needs from partners in South Africa (World Bank Treasury et al., 2024). However, other interviewees reported weaker cross-unit teamwork in developing just transition approaches in their MDBs despite high-level commitments to do so (Interview material).

**Some interviewees reported a lack of clarity as to how to apply just transition definitions at this more granular level** and a need for more systematic approaches in defining projects and their relevant just

transition scope. This was especially the case when partnering with the private sector as the scope of the just transition approaches of entities in this sector can be narrower than for MDBs or sovereign states (Interview material).

**Some detailed taxonomies, while addressing green and sustainability aspects, are weaker on social ones** (Interview material). For example, the EU Sustainability Taxonomy for the EU's Green Deal, which is integrated within the EIBs taxonomy, does not have defined just transition or social objectives within its taxonomy and only sets just transition standards at the level of minimum safeguarding (EIB, 2024).

**Some interviewees noted that establishing clear and universal metrics is challenging because of the conceptual nature and context-specificity of the just transition.** As a result, there is a tendency in relation to metrics and impact assessments to fall back on conventional MDB approaches, particularly in relation to gender and stakeholder engagement. However, interviewees commented that conventional approaches were inadequate in relation to the just transition, as they need to go beyond the concerns that existing metrics encapsulate. Instead, just transition impact monitoring could focus either on a more concrete sharing of benefits and the mitigation of negative consequences or, instead, a more flexible approach that embeds just transition principles into existing processes (Interview material).

**A further recurring challenge is who bears the cost of just transition activities.** The majority of MDBs reported reluctance from their clients to pay for the incremental costs of just transition approaches. This is resulting in them looking for other means to finance the inclusion of just transition elements as part of policy lending<sup>5</sup> (Interview material).

## Conclusions

MDBs treat the just transition as an overarching and holistic principle while also being highly context specific. This contrasts with the majority of GSS bonds which place an emphasis on the narrowly defined use and UoP rather than the broader context of the financing, such as the issuing entity or the country or region in which the related investments are being made. Such contextualisation is limited to the preambles of bond frameworks.

However, MDBs also note that this overarching or holistic (pan-entity) approach needs to be balanced by 'interpretation' of just transition principles at the level of an individual operation (e.g. EIB, 2020) and the need for counterparty alignment with the just transition approaches with accompanying levels of due diligence (ibid.).

These holistic approaches by MDBs have also led to the variation discussed in definitions of the just transition and on the emphasis on particular sectors and operational approaches by different MDBs.

However, it should also be noted that the integration of the just transition into MDB operations is still in development and subject to challenges. Significant challenges relate to definitions and scope, particularly at the project level, as well as organisational issues such as competing priorities, organisational structures and basic frameworks such as taxonomies and metrics.

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<sup>5</sup> Common means discussed include leveraging trust funds or grants. The Lab has separately catalogued a spectrum of just transition financing mechanisms. For more, see IHRB and the Lab (2024).



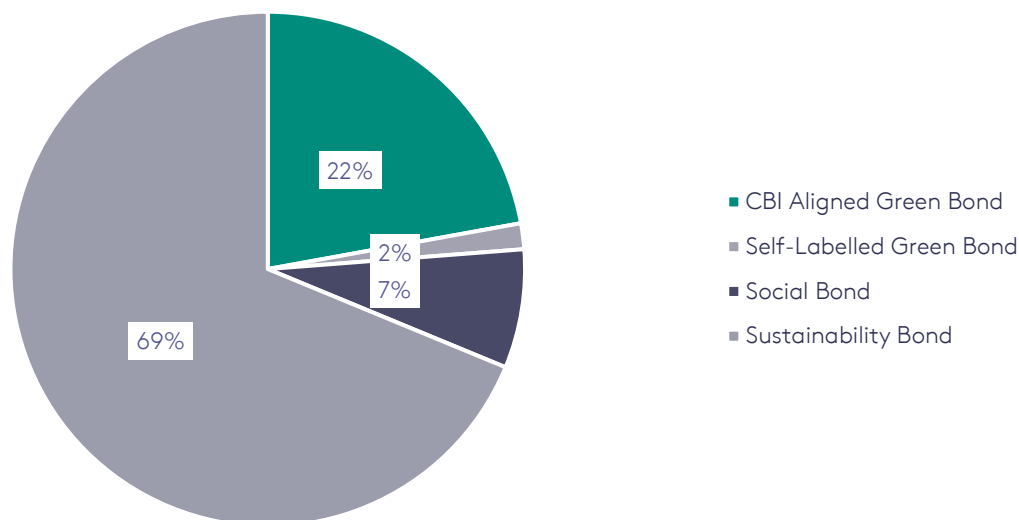
## 4. MDB GSS bonds and the just transition

In this section, we examine how the mandates, definitions and operationalisation of the just transition by MDBs are reflected in their GSS bonds. Bond frameworks only reflect some of these elements, leaving gaps between the frameworks and the aspirations of MDBs in relation to the just transition.

MDBs are prolific issuers of generic (non-GSS) bonds which are their main sources of funding to leverage shareholder capital. These bonds capture the critical advantage of the higher credit ratings of MDBs (typically AAA) to mobilise relatively low-cost financing with yields that are close to par at the risk-free benchmark (i.e. there is almost zero chance of loss). This facilitates concessional finance for developing countries (Gregory, 2023).

MDBs are also active in the GSS bond markets which attract impact and sustainable investors (Gregory, 2023). By 2024, MDB GSS bond issuances reached US\$730 billion. The majority of these (69%) were sustainability bonds — which are the sub-type of GSS bonds with the strongest relationship to just transition principles (Scheer et al., 2025) — followed by green bonds (see Figure 4.1).

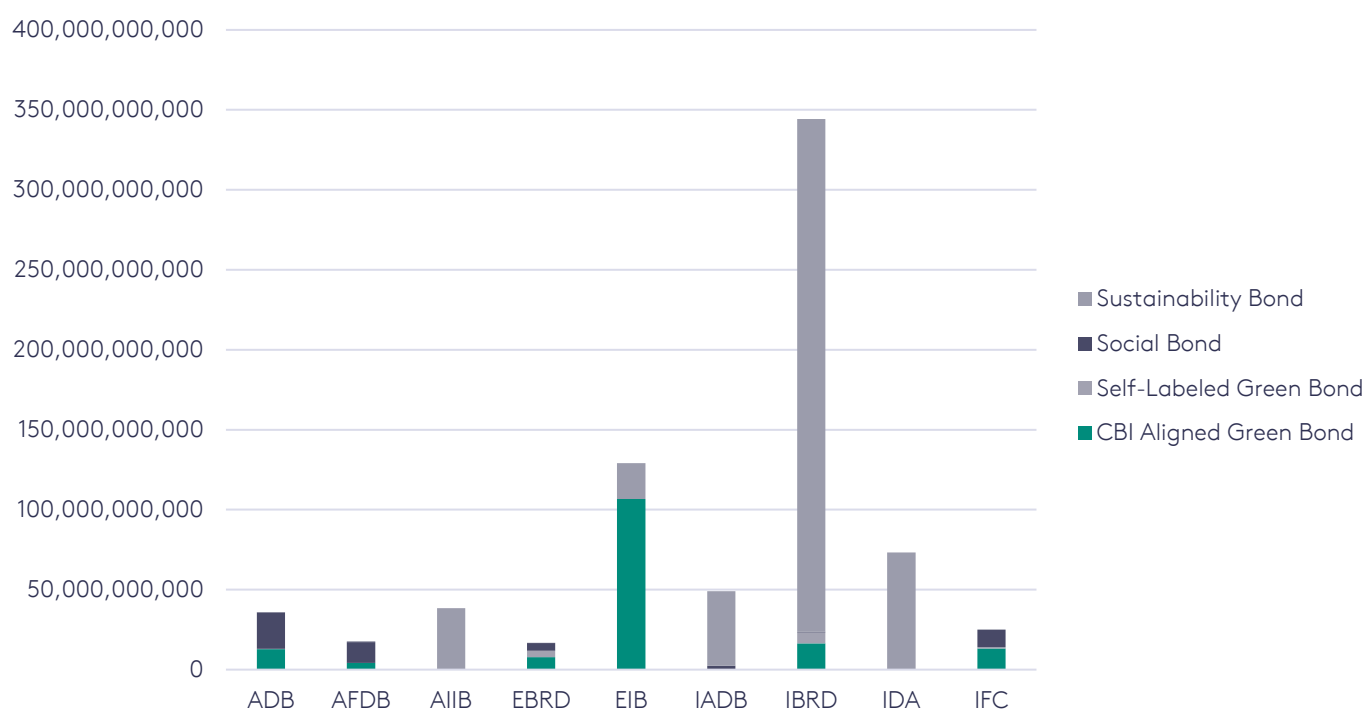
Figure 4.1. MDB GSS bonds by bond type (issued, US\$ billions, 2024)



Source: Authors' analysis based on data from Environmental Finance (n.d.)

The most prolific issuers of GSS bonds are the International Bank for Reconstruction and Development (IBRD), which has issued US\$344 billion of GSS bonds (47% of the global total of MDB GSS bonds), including US\$321 billion of sustainability bonds (93% of IBRD issuances), and the EIB, which has issued US\$129 billion of GSS bonds (18% of the global total) including US\$107 billion of green bonds (83% of EIB issuances) (see Figure 4.2).

Figure 4.2. GSS bonds by issuing MDB (issued, US\$ billions, 2024)



Source: Authors' analysis based on data from Environmental Finance (n.d.)

However, there is little evidence of a 'greenium' (i.e. the reduction in a bond yield hoped for by GSS bond issuers) among MDB GSS bonds (Gregory, 2023). There are several possible interpretations of this. One is that it is due to investors not being exposed to MDBs' underlying assets (Gregory, 2023). It may also be attributable to MDBs already being issuers with limited or no spreads over risk-free rates, leaving little opportunity for further spread compression from enhanced green credentials, or that 'greeniums' reflect the green credentials of the underlying issuer rather than an individual bond, which for MDBs is already close to risk-free rates (e.g. Pietsch and Salakhova, 2023; Kolasa et al., 2024).

While investors do have an appetite for MDB GSS bonds, the just transition is not a significant factor for them and, indeed, many have expressed the view that there is a weak investment case for embedding just transition principles in GSS bonds beyond already established environmental, social and governance (ESG) approaches.

Findings both in this research and in previous research by the Lab (Scheer et al., 2025), identify little or no appetite for a just transition label or just transition themed bonds outside of a few limited use cases (such as specialist issuers with strong just transition aligned mandates). Beyond the investment case, other concerns include excessive market fragmentation and 'labelling fatigue' amongst GSS bond market stakeholders (Interview material).

Consistent with this finding, MDBs report that their investor base can only see a weak investment case for including just transition elements in their GSS bonds or for managing the associated social risks. As discussed in Section 3, this has led to investors being reluctant to bear incremental costs in relation to the just transition (Interview material).

However, this means that investors do not perceive there to be social risks within the transition. Indeed, in addition to well-established ESG practices, there is an increasing focus on assessment of social risks as part of investment risks and, hence, investment cases. For example, the Principles for Responsible Investment (PRI) support addressing social issues and private investors are also flagging such issues (e.g. Derue, 2022). In addition, social risks are considered to be transmission channels for macroprudential and economic stability risks (NGFS, 2022).

However, there are also some exceptions to this lack of attention given to social risks. In emerging economies, in particular, social risks linked to climate change and nature degradation are higher because of the less comprehensive social protections available in these contexts (World Bank, 2025). Consequently, experienced emerging market investors seek to manage project risk in relation to social risks, with many having developed sophisticated analytical frameworks for embedding and assessing just transition elements in their investments. In these instances, interviewees reported that just transition elements are integral to the overall risk management of investments (Interview material).

Nevertheless, MDB GSS bonds can act as ‘demonstration transactions’ in relation to both ESG and management of social risks and, by doing so, contribute to market building.<sup>6</sup> Embedding the just transition in MDB GSS bonds could be an important pathway for embedding the just transition in GSS bonds (FMCBG, 2024).

MDBs use GSS bonds to directly mobilise capital and to target demonstration effects to help build capital markets. This has already helped to promote high standards for ESG and has been significant for establishing market practices for GSS bonds (Gregory, 2023; Kolasa et al., 2024).

Given that MDBs have sought to strongly embed just transition principles in their activities, as discussed in Section 3, replicating these successes for GSS Bonds for the just transition could be the key to mobilising finance that encompasses its goals.

In this section, we endeavour to identify the elements of that demonstration effect that are of use to private investors. We draw on the analysis of bonds issued by MDBs, as described in Section 2, as well as the discussion in Section 3.

## **MDB GSS bonds and just transition demonstration effects**

**A significant concern among private investors is a lack of granular guidance as to how to implement just transition principles through their investments.** In this regard, MDBs’ GSS bonds can provide valuable demonstrations. As detailed in Section 2 and in the Appendix, to support discussion of this point, a detailed analysis of GSS bond frameworks was completed and is summarised here. Just transition elements are grouped under three broad categories: livelihoods, community stakeholders and resources, which are further mapped to the World Bank’s ESS and directives.

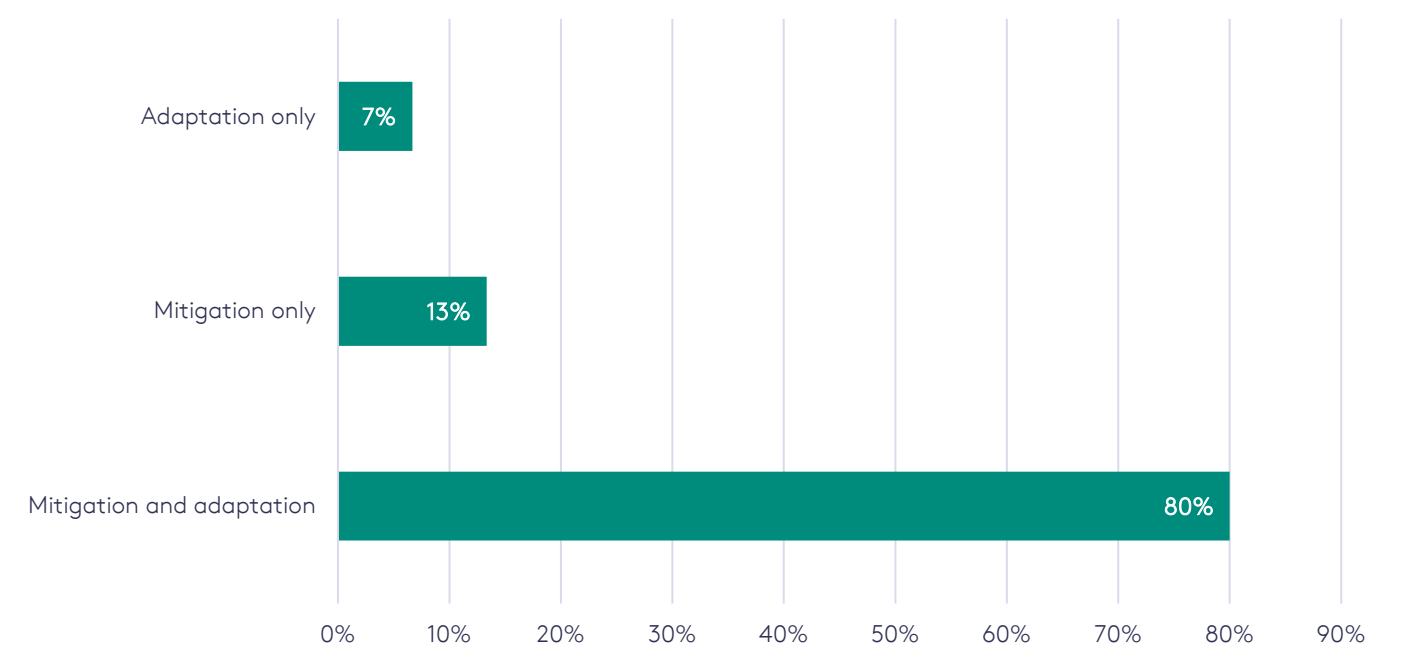
**MDB GSS bonds illustrate that the just transition requires integration of mitigation and adaptation in developing countries.** MDBs are using GSS bonds to finance not only mitigation, which currently dominates private GSS bonds, but also adaptation. Given that the mandates of the majority of MDBs are focused on developing countries, where adaptation is a key concern in addition to mitigation, this UoP is unsurprising. However, of interest to private investors is the high level of integration of both mitigation and adaptation, with 80% of MDB GSS bonds having both mitigation- and adaptation-related UoP, 13% only mitigation-related UoP, and 7% only adaptation-related UoP (see Figure 4.3).

This also reflects the mandates of MDBs, leading to the majority of GSS bonds’ UoP being directed towards inclusive and sustainable development in which mitigation and adaptation goals are inherently integrated and which include the impact goals of sustainable bonds, sustainable development bonds, and blue and green bonds (see Figure 4.4).

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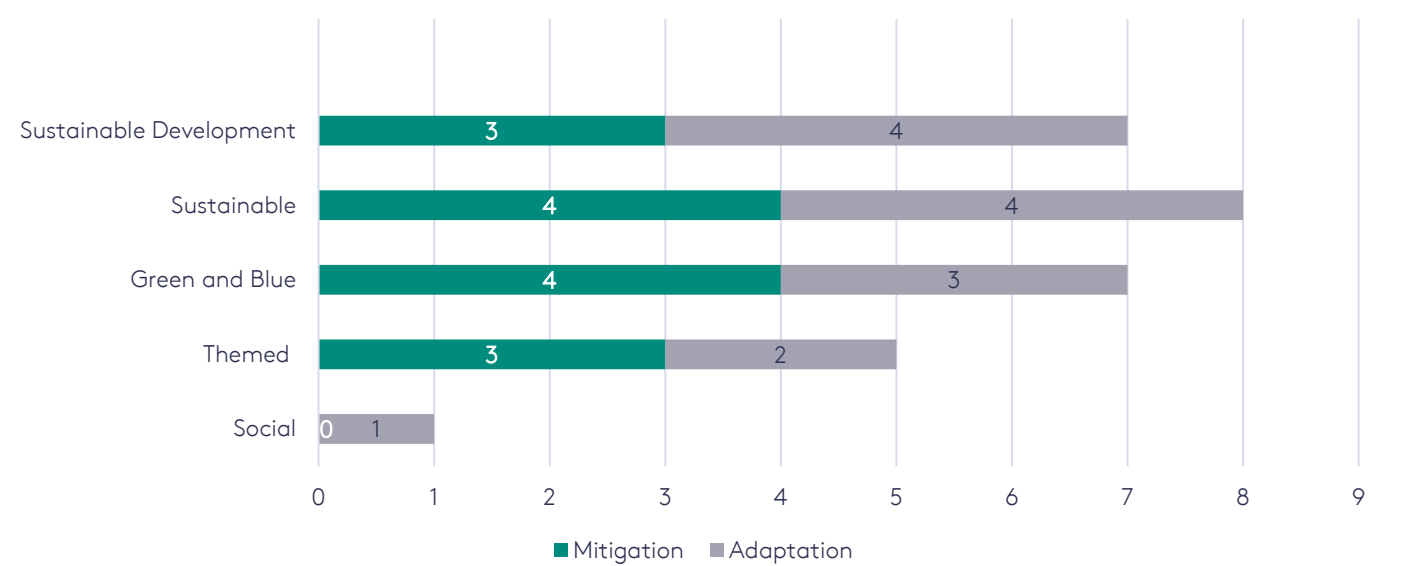
<sup>6</sup> Market-building interventions intend to create the conditions for sustainable private investment in developing countries. Examples of policy interventions include mobilising private capital through blended finance (including guarantees and first-loss protections), technical assistance, including for financial institutional frameworks, and regulation and demonstration effects. However, while there have been successes in specific sectors and regions, the overall impact has been more incremental than transformational (see Gregory, 2023, for a fuller discussion).

Figure 4.3. MDB GSS bond frameworks with mitigation or adaptation UoP (percentage of total bond frameworks as of May 2025)



Source: Authors

Figure 4.4. MDB GSS bond frameworks with mitigation or adaptation UoP (number of bond frameworks by simplified type as of May 2025)



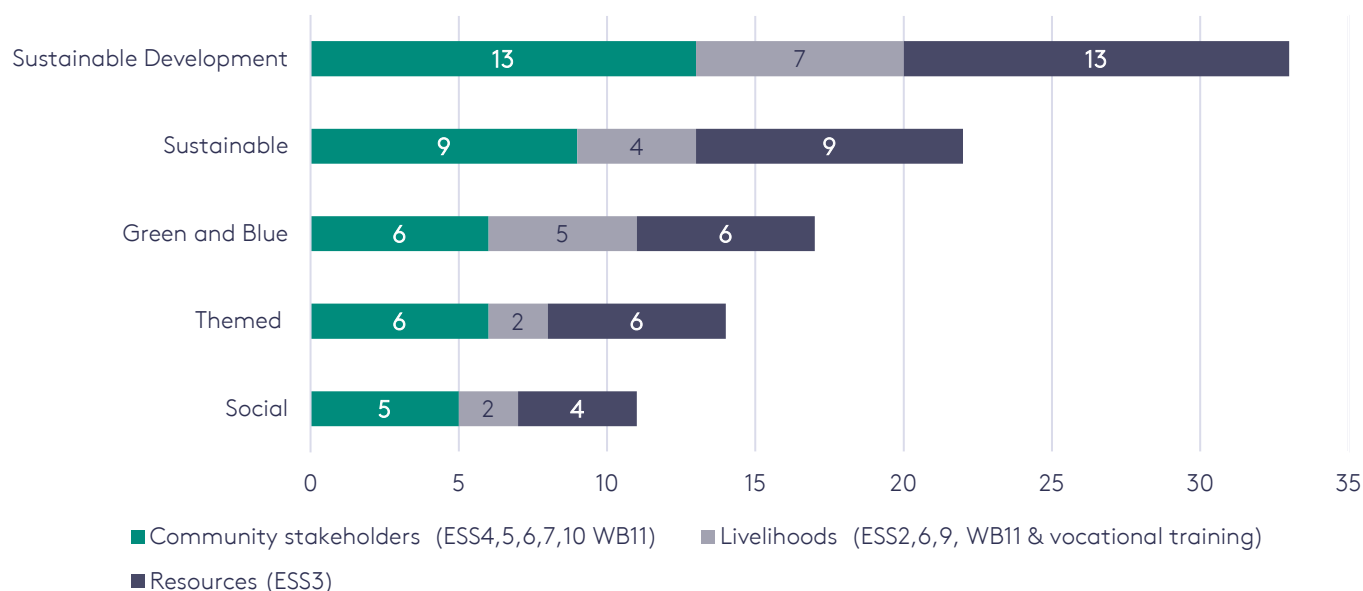
Notes: The total sample of bond frameworks was 18. Themed bonds include biodiversity-, microfinance- and health-themed bonds.

Source: Authors

GSS bonds incorporate multiple just transition themes, again underlining the holistic nature of the just transition and MDB mandates and definitions. MDBs’ sustainable development bonds, sustainable bonds, and green and blue bonds include the most just transition themes, driven by their complex and multidimensional goals. However, and more surprisingly, narrowly defined themed bonds also encompass

multiple just transition themes including, in addition to their ‘headline’ themes, most commonly, community stakeholder elements. Lastly, social bonds have limited mitigation or adaptation elements and relatively few just transition elements, largely because they are typically concentrated in non-climate UoP which are not (by definition) just transition related (see Figure 4.4 and Figure 4.5).

**Figure 4.5. MDB GSS bond frameworks — number of just transition themes (number of bond frameworks by simplified type as of May 2025)**



*Notes: The total sample of bond frameworks was 18. Themed bonds include biodiversity-, microfinance- and health-themed bonds.*

*Source: Authors*

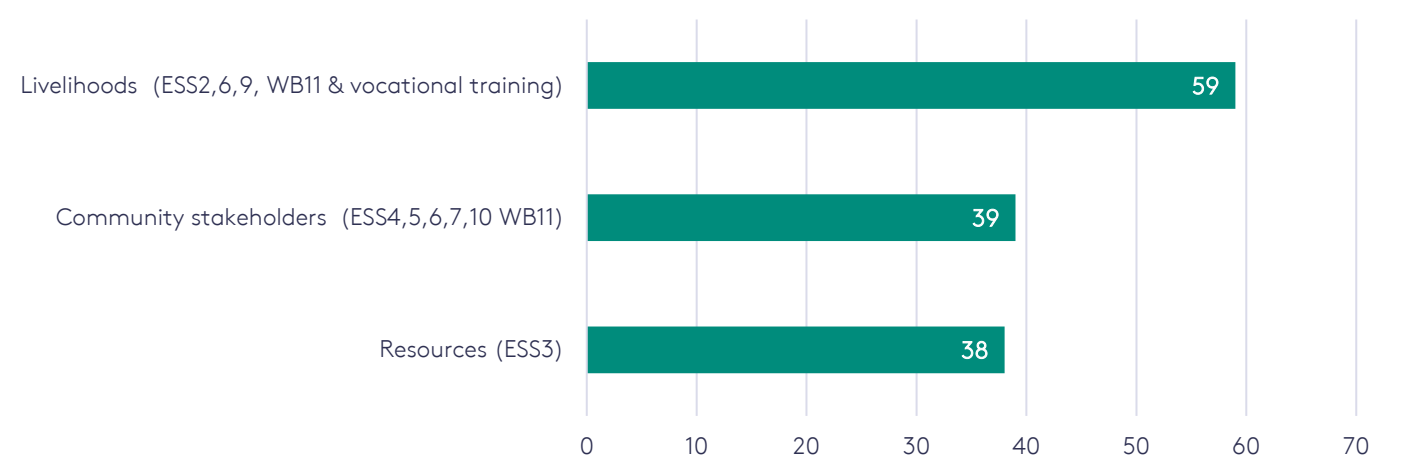
**MDBs’ definitions of the just transition and the developing country context are reflected in their GSS bonds** (see Figure 4.6 and Table 4.1).

**The most common just transition element in MDB GSS bonds relates to livelihoods** (see Figure 4.6). However, this goes beyond long-standing just transition engagement in decommissioning of high-emission greenhouse gas sectors and extends to livelihoods of relevance to developing countries such as sustainable agriculture and micro businesses which are livelihoods which dominate the substantial informal sectors of developing countries. However, use of KPIs for impact reporting remains relatively conventional for livelihoods, with a focus on the number of beneficiaries receiving vocational training and redeployment. Less well measured are the long-term benefits to the recipients of these programmes and the substantive nature of the impact on sustainable agriculture (such as in relation to long-term agricultural incomes and food security) and informal businesses (see Table 4.1).

**MDBs focus on community stakeholders including, and consistently with their broad mandates, on women and low-income households** (see Figure 4.6). Again, KPIs were relatively conventional and in line with MDB definitions of the just transition and were measured by the number of beneficiaries (see Table 4.1). However, there is scarce content about engagement with Indigenous people and marginalised ethnic groups and limited guidance on qualitative assessment of community stakeholder engagement in KPIs. It should be noted though, that there may be compensating factors in relation to these issues through nationally led work and broader MDB frameworks.

MDBs also embed the just transition in their resources — defined in this report to include both natural and manmade resources<sup>7</sup> — but again go beyond established approaches for mitigation in the energy sector, which dominates private GSS bonds, to include public transport and water with combined intended impacts for mitigation and adaptation, resilience and biodiversity. Examples of the latter include land, forest and marine conservation and restoration with sustainable livelihoods or sustainable agriculture and water-related disaster risk management. In this instance, KPIs went beyond the conventional measures that resources typically focus on, such as greenhouse gas emission reductions, and included the number of beneficiaries and size of land area upgraded, rehabilitated or protected. However, although beneficiaries were counted, there was limited measurement of other factors relating to the just transition such as affordability of services (Figure 4.6 and Table 4.1).

Figure 4.6. MDB GSS bond frameworks — number of times just transition themes are included in UoP



Notes: The total sample of bond frameworks was 18. Themed bonds include biodiversity-, microfinance- and health-themed bonds.

Source: Authors

Table 4.1. Just transition themes in MDB GSS bond framework UoP and impact reporting

Just transition UoP themes and elements			KPIs for impact reporting	Specific MDB GSS bonds
Livelihoods (ESS2,6,9, World Bank Directive on vulnerable groups (WB11) & vocational training)	Formal employment	Vocational and transition skilling, training and education  Creation of green jobs	Number of new green jobs directly created  Number of beneficiaries of vocational training	AfDB Sustainable Bond  IDA Sustainable Development Bond  IBRD Sustainable Development Bond  IFC Social Bond
	Sustainable agriculture, forestry and fisheries	Development and diversification  Climate-smart agricultural technologies	Number of vulnerable households benefiting from improved livelihood opportunities including indirectly (such as from irrigation) and typically disaggregated by gender	ADB Green and Blue Bond  AfDB Sustainable Bond  Partial UoP:  EBRD Green Transition Bond (Agriculture)

<sup>7</sup> The report’s definition encompasses ‘infrastructure and productivity’ used, for example, in the COP29 presentation titled ‘Enhancing the quality of climate finance through just transition outcomes: an initial approach’ relating to MDBs (COP29 presentation, dated 18 November 2024: <https://www.adb.org/cop/cop29/quality-climate-finance-just-transition-outcomes>). However, the report goes beyond this to also include natural resources such as land, water, forests and marine environments.

				IBRD Sustainable Development Bond (Forestry) IDA Sustainable Development Bond
	Small- and medium-sized enterprises (SMEs)	SME financing and microfinance	Number of outstanding loans and typically disaggregated by gender	IFC Social Bond EBRD Microfinance Bond
Community stakeholders (ESS1,4,5,6,7,10 WB11)	Community health, safety and security	Community resilience and adaptation Health care, nutrition and childhood development Food security	Number of beneficiaries of improved access to essential health, nutrition and population services including affordable health insurance	ADB Green and Blue Bond EBRD Environmentally Sustainable Bond IBRD Sustainable Development Bond
	Conservation and management of natural resources	Ecosystem management and natural resources restoration among marginal groups	Land area upgraded, rehabilitated or protected	ADB Green and Blue Bond IBRD Sustainable Development Bond
	Targeted impacts	Climate change adaptation and mitigation projects for specific vulnerable populations Livelihoods projects specific to women, the poor, disabled people and youth	Number of targeted groups benefiting from interventions	ADB Green and Blue Bond EBRD Microfinance Bond IBRD Sustainable Development Bond
	Stakeholder engagement	Engagement and community projects	None in bond frameworks	ADB Gender Bond IFC Social Bond
	Land acquisition and involuntary resettlement	Mitigate loss of livelihoods and land expropriation	Number of beneficiaries resettled	IDB Sustainable Bond
Resources (ESS3)	Mitigation infrastructure	Renewable energy and energy efficiency Low-carbon public transportation	Number of households with increased access to services including electricity and water	ADB Green and Blue Bond AIIB Sustainable Development Bond
	Adaptation and resilience	Water management Infrastructure resilience Business and livelihood resilience Marine management and restoration	Number of beneficiaries benefiting from services including access to drinking water and sanitation Number of beneficiaries benefiting from disaster and/or climate resilient projects Land area upgraded, rehabilitated or protected	ADB Green and Blue Bond AfDB Sustainable Bond EBRD Climate Resilient Bond IDA Sustainable Development Bond

Notes: The table includes both climate- and non-climate-aligned bonds. See the Appendix for full details of the contents.

Source: Authors

## Conclusions

At an entity level, MDBs' just transition mandates, definitions and operationalisation are reflected in their GSS bonds.

Firstly, for MDB mandates to incorporate the just transition holistically across their operations it must also be present throughout their GSS bonds.

Secondly, the MDBs' mandates are reflected in the broad nature of their bonds' UoP, particularly the concentration on sustainable development and on both mitigation and adaptation and resilience.

Thirdly, it is seen in impact reporting that focuses on beneficiaries, which are central to MDBs' definition of the just transition, with the number of beneficiaries of an intervention being the KPI in nearly all MDB GSS bonds.

**However, MDB bonds also present challenges for private investors in relation to their demonstration effects.**

Themed investors, such as impact investors, will be attracted to MDB GSS bonds because of their impact. However, for vanilla investors, the lack of an observable 'greenium' may constrain their appetite for the bonds. But, beyond these considerations, MDB GSS bonds also have value as demonstration transactions.

The integration of themes within sustainable development and across mitigation and adaptation may clash with some private investors' preference for crisp classification of bonds that are clearly aligned with their investment mandates.

Furthermore, the fact that MDBs engage with the just transition because it is aligned with their mandates relating to sustainable and inclusive economic development and poverty alleviation, rather than their investment cases, is more clearly aligned with impact investors rather than investors with more commercially oriented investment mandates. One pragmatic implication of this is that it has led to the need for MDB funding of just transition-related costs.

**Lastly, MDBs are also still developing their approaches to the just transition, meaning that best practice is still emerging.** In relation to GSS bonds, this is most notable in their KPIs and impact reporting where, for example, the quality of the impact and the disaggregation of beneficiaries (such as by income, geography, or ethnic group) are not widely assessed.



## 5. Conclusion

MDBs are committed to the just transition and have been developing sophisticated and complex approaches to embedding it throughout their operations. They have made a coordinated commitment but have also tailored their approaches to their regional contexts. This has been reflected in their GSS bonds, including in their bond frameworks and impact reporting. In this section, we discuss how the approaches taken by MDBs are of value to private investors seeking to assess and embed the just transition in their investments and impact.

An important 'lesson' that MDBs deliver is that there is a strong need for holistic and contextual approaches to the just transition that reflect its broad socioeconomic nature and the part it must play in the structural transformation needed to address climate change.

**MDBs are adopting a robust holistic approach to the just transition with the goal of integrating it into all aspects of their operations.** This includes not only the development of entity-wide mandates and definitions but also the integration of impact goals such as sustainable development, poverty alleviation, mitigation, adaptation and resilience. In addition, MDBs have highlighted the need for more concrete sharing of costs and benefits in ways that go beyond conventional ESG approaches and which must be applied to a broad group of stakeholders.

**Reflecting this, to make a proper assessment of the just transition credentials of a GSS bond, private investors need to go beyond bond frameworks and impact reporting.**

As well as examining the bond issuer, including their transition plans, it is important to consider the country or sector context. How this can be done is illustrated by MDBs. For example, investors can draw upon MDBs' use of just transition-related country diagnostics which analyse key aspects of the country context, including narrowly framed issues such as legal and regulatory frameworks, as well as broader issues such as a country's economic structure and political economy (consistent with the findings of Scheer et al., 2025). Such a review can also include scrutiny of significant aspects of a country's climate policy such as its national climate plans and NDCs.

**It is also important to consider the sector's role in the net zero transition as well as the integrity of the individual issuer,** including its transition plan and how just transition principles are embedded in that plan.

This is of particular relevance to fossil fuel and hard-to-abate sectors, where technologically enabled and credible transition pathways are still uncertain and where there are prominent just transition issues in relation to livelihoods. In practice, these issues are often already considered but there can be weaknesses in impact KPIs such as in measuring the number of beneficiaries of training rather than actual re-employment figures, or gaps in assessments such as not assessing the quality of redeployment, or positioning impact in the context of labour markets.

However, such analysis is also of relevance to other sectors including those where Scope 2 and 3 greenhouse gas emissions are high, giving rise to a need to assess supply chains, including worker conditions, and for green bonds where, while mitigation impact may be positive, there needs to be consideration of just transition issues related to access and cost of related services in sectors such as energy and transport.

Such scrutiny creates challenges for investors because they need deeper analytical approaches beyond bond frameworks, certification or Second Party Opinions (SPOs).

**These will lie beyond many investors' current analytical processes but are needed to ensure integrity in relation to the impacts of investments.**

This is of particular concern to bond investors who rely on GSS bond certification and related reporting and auditing processes because such certification is difficult to apply to a just transition given it typically

relies on standardised 'decision tree' approaches with deterministic thresholds or criteria applied to bond frameworks that do not capture the holistic and contextual socioeconomic nature of the just transition.

Other bond-related information such as SPOs and impact reporting, while providing information to supplement bond frameworks, rarely go into sufficient depth to enable an adequate analysis for just transition.

Also of note, is that many GSS bond principles, such as those of the ICMA (ICMA, 2023; ICMA, 2024), currently have either insubstantial or no just transition elements and there is no just transition assessment in the Climate Bonds Initiative (CBI) and other bond certifications.

**MDBs and new third-party providers can provide the needed credible analysis, support emerging best practice for the just transition, and be efficient and cost-effective for investors.**

MDBs are important role models and can lead the development of new analytical approaches. Current 'toolkits' include country diagnostics, theories of change, impact reporting and taxonomies, which are all important examples. However, there are some weaknesses — although MDBs are in the process of addressing them — and it is challenging to establish universal metrics (MDBs, 2024).

MDB impact reporting practices should be further developed to reflect the aspirations of their just transition financing commitments. Impact reporting should go beyond conventional metrics and distinguish just transition finance from current MDB impact goals. For example, stakeholder engagement needs to be extended to co-design and a deeper understanding is required of the costs and benefits of the transition and how these costs and benefits can be shared, and there is a need for more systematic approaches at the investment (i.e. project) level. More practically, taxonomies are at different stages of development and are not harmonised across MDBs.

Given the challenges for investors of replicating these approaches, a key aspect of policy support for the just transition by MDBs includes capacity building and grants and donor funds to cover the costs of just transition actions. Also important is MDBs' continued engagement with the development of market best practice, working with the ICMA and regional and national bodies that set GSS bond principles (MDBs, 2024).<sup>8</sup>

In addition to MDBs, impact investors — who typically have just transition-aligned mandates — and specialist emerging market investors are developing guidance to help investors integrate just transition considerations into investment cases including for GSS bonds (e.g. Impact Investing Institute, 2022). Such approaches are welcome and promise to deliver a pragmatic solution to more qualitative assessments of just transition financing that are also efficient and effective in supporting investment decisions.

Another alternative analytic approach is the use of 'hybrid indices' which are being developed with the goal of combining standardised metrics for investors with more sophisticated qualitative analytics. For example, the TPI Global Climate Transition Centre, also based at the London School of Economics and Political Science, is working with investor networks to develop the ASCOR (Assessing Sovereign Climate-related Opportunities and Risks) framework to assess sovereigns and Climate Action 100+ (CA100+) to assess corporates. Both assess a broad range of climate dimensions using quantitative and qualitative just transition criteria. For example, ASCOR assesses whether a country has an inclusive and institutionalised approach to the just transition or a green jobs strategy and whether it addresses regressive distributional impacts on lower-income citizens (Scheer et al., 2024), among other criteria. CA100+ evaluates at a sectoral level whether companies commit to the principles of a just transition and have disclosed related plans and monitoring (CA100+, 2024).

**MDBs recognise a need for 'social licence' and management of social risks as part of the delivery of climate finance and impact, illustrating to private investors that these issues are integral to investment cases.**

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<sup>8</sup> For example, this includes the 2025 Community of Practice being hosted by the Lab to discuss these issues with core engagement with both MDBs and the ICMA.

Understanding social risks as they relate to climate is nascent and is also an area of active research. Of relevance to this discussion is that social risks fall disproportionately on developing countries and low-income households and they have implications at both a micro- and macroeconomic level that can materialise within investments (Weston, 2025).

Investors are already aware of social risks as they are linked to operational, legal and reputational risk and as ESG issues are incorporated into investment analysis. However, expanding this to the just transition creates challenges due to their qualitative nature and the lack of established investment processes for assessing them (PRI, 2018).

Social risk is also of relevance to emerging markets. Such markets often have weaker institutional environments including regulatory and legislative frameworks, raising the level of social risk. As discussed, this has led to experienced emerging market investors developing in-house analytical frameworks for embedding and assessing just transition elements in their investments (Interview material).

However, MDBs also need to continue to develop and disseminate understanding of social risks in relation to net zero transitions and adaptation, including with sovereign clients and private investors.

Given that climate change is rapidly materialising and that managing the related social risks is a public good, there is also a case to be made for blended finance to share social risks with private investment, further public funding of the cost of a just transition and for the development of new models of public-private co-investment (such as landscape-based finance and carbon credit-based finance).

### Insights and examples of emerging best practice:

- **MDBs demonstrate that just transition finance needs to reflect context and transition priorities.** Treating the just transition as a simple 'add-on' to generic finance risks ignoring its role in enabling the structural transformations needed to address climate change fairly and effectively.
- **MDBs recognise the importance of ensuring a 'social licence' for successful climate action.** This includes — but goes beyond — managing social risks when delivering climate finance and impact and this demonstrates the importance of these issues for investment cases.
- **There is a need for credible third-party analysis** to determine the alignment of financing with just transition principles. These analyses can draw insights from MDBs' just transition strategies and tools but must also recognise ongoing limitations and areas for development.
- **GSS bond issuers** should adopt holistic and context-specific approaches that integrate environmental, social and economic dimensions. Integrating climate mitigation and adaptation UoP under one bond framework can ensure financing flexibility and support for holistic projects. Adopting the 'just transition' as a framework can help organise these efforts.
- **Private investors** assessing bonds for potential just transition impact should look beyond the formal elements of GSS bond frameworks, Second Party Opinions (SPOs) and impact reporting to consider the issuer's context, overall strategy and institutional commitment towards a just transition.

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# Appendix

The analytical work in assessing the just transition elements of GSS bonds in the report is grounded in an analysis of GSS bond frameworks based on Scheer et al. (2025). However, three innovations were made to address the need for further development discussed in that report and to adapt the approach to MDBs:

1. Introduction of a novel taxonomy of three thematic just transition principles to allow exploration of the just transition in different contexts, including across different sectors and countries. This is described in more detail below.
2. A greater emphasis on ex-ante reporting for bonds, including methodology and metrics to assess outcomes and impact, in order to develop a clearer qualitative understanding of MDB approaches that can inform best practice on delivering just transition impact.
3. A de-emphasis of safeguarding given that the sample of MDBs chosen all have strong entity-level safeguard policies and procedures which include enforcement and investment exclusion criteria. These policies, procedures and criteria provide overriding standards that any UoP will be required to comply with for a particular bond; however, in this methodology, bond frameworks are evaluated on a standalone basis.

## Taxonomy themes

The taxonomy was developed to define the thematic just transition principles being applied by MDBs and that might provide guidance for non-MDB approaches.

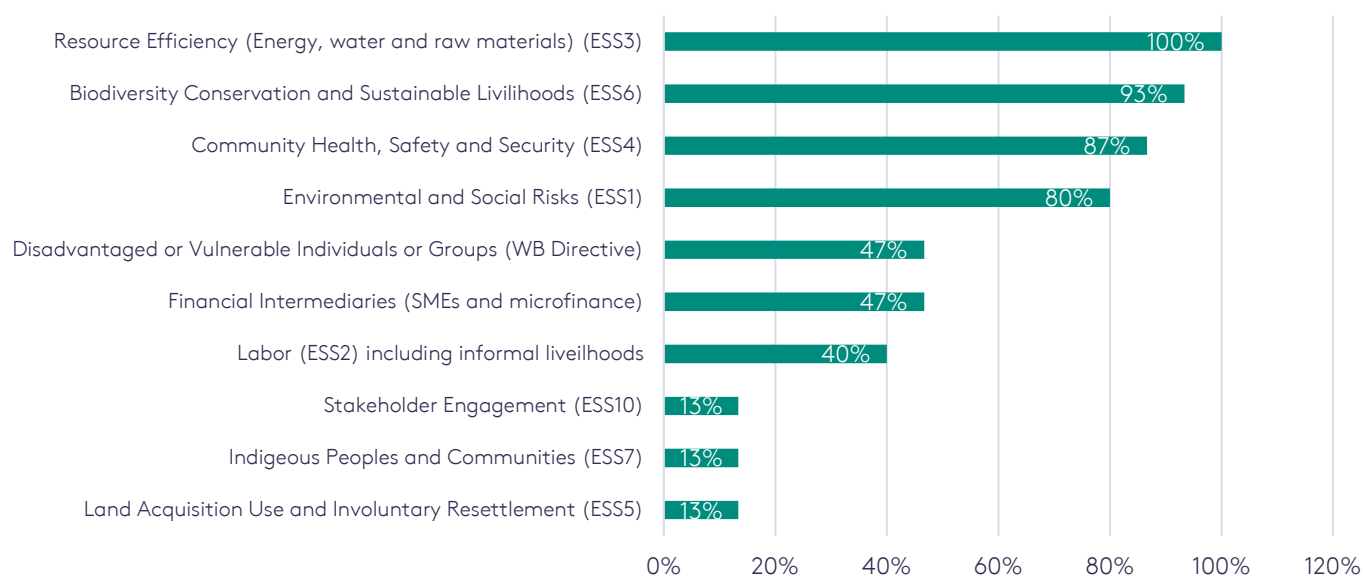
The taxonomy took as a starting point the 11 Environmental and Social Standard (ESS) categories from the World Bank Environmental and Social Framework (World Bank, 2017) plus an additional category based on the World Bank directive on vulnerable groups (World Bank, 2021). In addition, ESS1 Environmental and Social Risks and Impacts was excluded because of its overlap with entity-level safeguards and engagement with NDCs or national adaptation and resilience planning which are typically of less or no relevance to private GSS bonds. ESS8 Cultural Heritage was also excluded as none of the sample of MDB bonds had UoP or impact reporting assessments of relevance.

How these are aligned is summarised in Table A1 and further detailed in Table A2. Table A1 includes indicative examples of each identified theme from the bond sample.

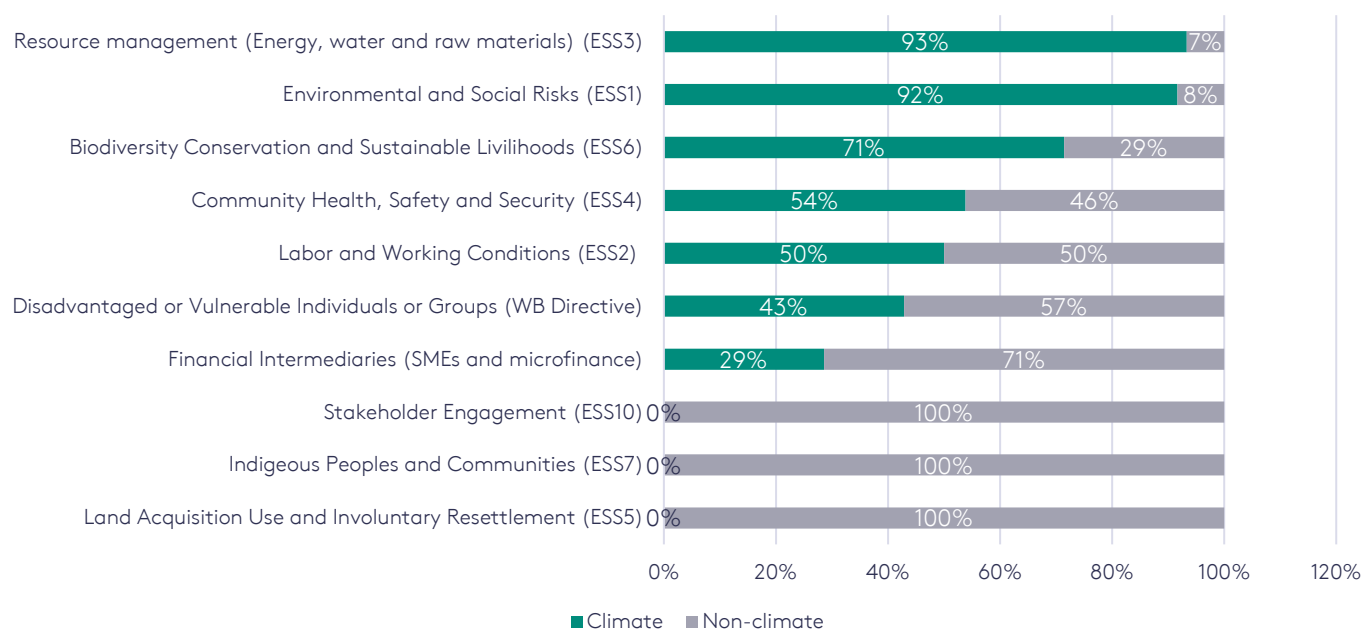
Based on these approaches, potential themes were refined to extract three thematic just transition principles to classify UoP. These are (i) livelihoods (formal and informal), (ii) resources and (iii) community stakeholders. These were then further subdivided as to those where these principles were causally linked to climate mitigation, adaptation or resilience and those that were not causally linked to these factors, with bonds then categorised as mitigation and/or adaptation based on UoP.

The themes are summarised in Table 4.1 and described in detail in Figures A1a and A1b and in Tables A1–A3.

**Figure A1a. MDB GSS bond frameworks just transition themes — UoP based on World Bank’s ESS and directives**



**Figure A1b. MDB GSS bond frameworks — UoP based on World Bank’s ESS and Directives (Percent that is climate and non-climate related UoP)**



Notes: (i) Data is number of bond frameworks as of May 2025. The total sample of bond frameworks was 18. (ii) Given UoPs overlap within the same bond; (iii) See Section 2 for details of the methodology and the Appendix for full details and definitions.

Source: Authors



Table A1. Just transition themes in MDB GSS bond frameworks: resources

Sub-category	Entity	Bond	UoP	Impact reporting	Climate
Development of low-carbon infrastructure & supply chains (ESS3)	ADB	ADB Green and Blue Bond	Renewable energy and energy efficiency projects	'Thailand: Chaiyaphum Wind Farm Company Limited (Subyai Wind Power Project): At least 120,000-megawatt hour (MWh) of wind power delivered to the off taker per annum (2016–2026). At least 65,000 tCO <sub>2</sub> e [tonnes of carbon dioxide equivalent] emissions avoided per annum (2016–2026). More than 250 people (45 FTE [full-time equivalent]) employed during construction.'	Yes
	AIIB	AIIB Sustainable Development Bond	Green infrastructure: 'renewable energy and low-carbon public transportation as well as better water management and sanitation'	'Greenhouse gas emission reduced, tons of CO <sub>2</sub> equivalent per year.' 'Local air pollutants reduced, tons of Nitrogen Oxides (NO <sub>x</sub> ) and Sulphur Dioxide (SO <sub>2</sub> ) per year/micrograms of particulate matter per cubic meter.' 'Renewable generation capacity installed, megawatt (MW).' 'Number of households with increased access to electricity.' 'Number of people benefitting from disaster and/or climate resilient projects.' 'Land protected through flood control infrastructure, hectares.'	Yes
Adaptation and resilience infrastructure (ESS3)	EBRD	EBRD Climate Resilient Bond	'Reducing the vulnerability of businesses and their value chains to extreme weather events such as floods, storms, droughts, heatwaves, etc.' and 'sustainable and stress-resilient agriculture, including investments in water-efficient irrigation'	Increased water and energy availability as climate resilience outcomes	Yes
	IDA	IDA Sustainable Development Bond	Projects that 'manage water holistically for sustained water resource utilization, improved delivery of services and building resilience'	'Area provided with new/improved irrigation or drainage services'	No
	ADB	ADB Green and Blue Bond	Projects that 'improve their energy infrastructure resilience (e.g., designing wind turbines to cope with typhoons)' Blue projects include marine pollution control, resource efficiency and	'27 irrigation and water management systems targeting 15,000 ha (hectares) and 25,000 households (with at least 50,000 women), respectively, rehabilitated and made climate-resilient (Cambodia: Climate-Friendly Agribusiness Value Chains Sector Project) 'Irrigation water use efficiency increased from 35% in 2009 to	Yes

			circular economy 'to reduce marine debris and/or associated impacts to marine life'	56% by 2016 (China, People's Republic of: Qinghai Rural Water Resources Management)' Landfill for safe disposal of WTE air pollution control residues and non-marketable bottom ashes, of at least 500,000 m <sup>3</sup> capacity, with disaster- and climate-resilient measures operational (2020 baseline: 0) (Maldives: Greater Male Waste-to-Energy (WTE) Project)	
	AfDB	AfDB Sustainable Bond	Development of flood defence infrastructure for target populations in 'rural, semi-urban and urban areas with no or limited access to a sanitation service'	No evidence	Yes

Source: Authors

Table A2. Just transition themes in MDB GSS bond frameworks: livelihoods

Sub-category	Entity	Bond	UoP	Impact reporting	Just transition and climate aligned
Formal employment (aligned with ESS2,6) plus vocational and transition employment and training for adults	IDA	IDA Sustainable Development Bond	'Improve the effectiveness of formal technical and vocational training, short-term skills development, and apprenticeship programs. Create more and higher quality jobs and connect disadvantaged people to jobs by eliminating barriers and building skills'	'Beneficiaries in IDA countries of job focused interventions'	No
	IBRD	IBRD's Sustainable Development Bond	'Create more and higher quality jobs and connect disadvantaged people to jobs by eliminating barriers and building skills'	'New renewable energy jobs directly created' (Eskom Just Energy Transition Project)	Yes (impact reporting), No (UoP)
	AfDB	AfDB's Sustainable Bond	'Education and skills development, apprenticeships, internships and on-the-job training including upskilling, reskilling and entrepreneurship, with improved employability and SME development training for displaced workers to support transitioning to different industries'	No evidence	No
	IFC	IFC's Social Bond	Employment generation projects and programmes designed to prevent and/or alleviate unemployment stemming from socioeconomic crises, climate transition projects and/or	No evidence	Yes

			other considerations for a 'just transition'		
Sustainable agriculture, forestry and fisheries (ESS2,6)	ADB	ADB's Green and Blue Bond	Diversification of climate-sensitive livelihood activities in agriculture as a climate adaptation category	Reports on employment and training in renewable energy projects and agriculture	Yes
	AfDB	AfDB's Sustainable Bond	Agricultural projects 'leading to enhanced economic growth and sustainable jobs' Climate smart agriculture practices and farm inputs, sustainable agriculture practices minimising the use of fertilisers, and certified agricultural practices (Good Agricultural Practices [GAP], UTZ, International Federation of Organic Agriculture Movements [IFOAM]) 'Sustainable forestry management, afforestation and reforestation projects based on Food and Agriculture Organisation's (FAO) definition of Sustainable Forest Management (SFM) and other certifications, such as the Forest Stewardship Council (FSC) and the Programme for Endorsement of Forest Certification (PEFC)' Sustainable fishery and aquaculture These green UoP categories are accompanied by separate social categories incentivising employment in agriculture, development and promotion of agricultural SMEs, particularly for youth and women	Hectares of degraded forest rehabilitated or protected	Yes
	EBRD	EBRD's Green Transition Bond	Projects 'promoting sustainable land use' in agriculture	No evidence	Yes
	IBRD	IBRD's Sustainable Development Bond	—	'Vulnerable households benefiting from improved livelihood opportunities' (Climate Resilient Forests Project)	Yes
	IDA	IDA Sustainable Development Bond	'Advance climate-smart agriculture, improve agricultural infrastructure and support services, strengthen food value chains to become more resilient to climate change, and increase market access for smallholder farmers'	No evidence	Yes
SMEs (ESS9, WB11)	IFC	IFC's Social Bond	'Employment generation projects (including SME	'Number of outstanding loans to	Yes

			financing and microfinance) ... designed to prevent and/or alleviate unemployment stemming from socioeconomic crises, climate transition projects and/or other considerations for a “just transition”	women-owned SMEs’, ‘Number of outstanding microfinance loans’	
	EBRD	EBRD Microfinance Bond	Funding for EBRD Small Business Initiative with flexible instruments with integrated SMEs	No evidence	No

Source: Authors

Table A3. Just transition themes in MDB GSS bond frameworks: community stakeholders

Sub-category	Entity	Bond	UoP	Impact reporting	Climate
Community health, safety, and security (ESS4)	ADB	ADB Green and Blue Bond	‘Water Supply and Other Urban Infrastructure and Services: Qualifying climate change adaptation projects include those that improve water security or the livelihoods of vulnerable urban populations. It includes, for example, climate-proofing water supply infrastructures and provision of urban flood protection’	Example: ‘Flood risk in the urban catchment area of Chaoyang River reduced to 1-in-50 years (2017 baseline: 1-in-20 years)’	Yes
	IBRD	IBRD Sustainable Development Bond	Improve healthcare, nutrition, and childhood development Advance food security	‘People with essential health, nutrition, and population services’; ‘farmers and their families with national health insurance coverage (Morocco Climate Operation: Support to the Nationally Determined Contribution)’	No
	EBRD	EBRD Environmentally Sustainable Bond	‘Rehabilitation of municipal water/wastewater infrastructure to improve drinking water quality and wastewater treatment and reduce water consumption and wastewater discharges’	‘Population benefiting from improved access to tap water’ ‘Total population benefiting from improved access to wastewater services (million)’	No
Biodiversity conservation and sustainable management of natural resources (ESS6 partial)	ADB	ADB Green and Blue Bond	‘Ecosystem management and natural resources restoration: To sustainably manage, conserve and/or restore the health and resilience of coastal, marine, and river ecosystems’	‘Rate of loss of mangrove area converted reduced to 0% per annum (2022 baseline: 3% per annum).’ — Cambodia: Sustainable Coastal and Marine Fisheries	Yes
	IBRD	IBRD Sustainable Development Bond	Improved delivery of services and building resilience Carbon reduction through reforestation and prevention of deforestation	‘Hectares of mangrove area rehabilitated and managed (Mangroves for Coastal Resilience Project)’	Yes
Targeted impacts for disadvantaged	ADB	ADB Green and Blue Bond	Climate change adaptation and mitigation projects for	‘About 41,000 households, including	Yes

or vulnerable Individuals or groups (WB11)			specific vulnerable populations, such as improving water security of vulnerable urban populations	8,000 poor households, benefited from improved access to clean energy'	
	IBRD	IBRD Sustainable Development Bond	'World Bank projects aim to protect and empower vulnerable groups, including women and girls, the poor, disabled people, and youth to reduce poverty, improve living standards, and raise income and productivity'	'Women-led enterprises in forest villages supported financially (Climate Resilient Forests Project)'	No
	EBRD	EBRD Microfinance Bond	'Apart from funding MSMEs, the proceeds to financial institutions are mostly earmarked for specific target groups, for example, specific underserved groups, such as women entrepreneurs and those based outside major cities'	No evidence	No
Stakeholder engagement (ESS10)	IFC	IFC Social Bond	'Structured interviews and surveys of staff and stakeholders, and impact evaluations; Guidelines for transparency and disclosure'	No evidence	No
	ADB	ADB Gender Bond	'Participation in decision-making and leadership. Through community groups, local governments, and public and private sector management'	No evidence	No
Land acquisition, restrictions on land use, and involuntary resettlement (ESS5)	IDB	IDB Sustainable Bond	No evidence	Mitigate the loss of livelihoods and land expropriation 'Involuntary Resettlement and Livelihood Restoration Plan to mitigate the loss of livelihoods resulting from the partial expropriation of about 60 parcels and the involuntary resettlement of about 160 households (Chaco-corrientes Connectivity)'; 'resettlement of about 4,000 families from disaster risk areas' (Enhancing Urban Resilience)	No
Indigenous peoples/sub-Saharan African historically underserved traditional local communities (ESS7)		Only appears in safeguards, not in UoP	No evidence	No evidence	

Source: Authors

## Bond frameworks and impact reports

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