

Just Transition Conceptual Framework and Action Plan 2023-2025

- Country-driven
- Just, inclusive, and fair
- Low emissions, climate resilient development
- Leave no-one behind



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Acronyms

ADB	Asian Development Bank
AfDB	African Development Bank
BB	Building Blocks (MDB Paris Alignment)
CCAP	Climate Change Action Plan 2020-2025
CCE	Climate Change and Environment Division
CCP	Climate Change Policy
COP	Conference of Parties
CRMf	Climate Risk Management Framework
EBRD	European Bank for Reconstruction and Development
EIB	European Investment Bank
ESG	Environment, Social and Governance
ESID	Economic and Social Infrastructure Department
ESS	Environmental and Social Safeguards
ETAF	Energy Transition Accelerator Financing Platform
GHG	Greenhouse Gas
GPP	Global Practices and Partnerships
IADB	Inter-American Development Bank
IEA	International Energy Agency
ILO	International Labor Organization
IMF	International Monetary Fund
IPCC	Intergovernmental Panel on Climate Change
IsDB	Islamic Development Bank
IsDBI	Islamic Development Bank Institute
JETP	Just Energy Transition Partnership
JT	Just Transition
LDC	Least Developed Country

LTS	Long-Term Strategy
MC	Member Country
MCPS	Member Country Partnership Strategy
MDB	Multilateral Development Bank
MENA	Middle East and North Africa
MGI	Middle East Green Initiative
NDC	Nationally Determined Contribution
OTL	Operations Team Leader
RCA	Resilience and Climate Action Department
SDG	Sustainable Development Goals
SGI	Saudi Green Initiative
SIDS	Small Island Developing States
UNFCCC	United Nations Framework Convention on Climate Change
WBG	World Bank Group
WEF	World Economic Forum

Acknowledgements

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Executive Summary

1. Climate change is arguably the biggest threat to the global development agenda in the 21st century, threatening to undermine the Sustainable Development Goals (SDGs). The World Economic Forum (WEF) Global Risk Report (2023) ranks “*Failure to mitigate climate-change*”, “*Failure of climate-change adaptation*”, and “*Natural disasters and extreme weather events*” as the top three global risks ranked by severity over the coming ten years¹. In response to such risks, climate mitigation and adaptation actions are required to help keep global average temperature increases to below 2 C and to help communities adapt to climate impacts that are already inevitable. To achieve this, the most recent Intergovernmental Panel on Climate Change (IPCC) Assessment Report² calls for immediate and widespread actions to *transition* to low-carbon climate resilient development pathways.
2. The imperatives of such a transition, or specifically, “Just Transition”, are cited in the preamble of the Paris Agreement and defined by the Intergovernmental Panel on Climate Change (IPCC) as “*a set of principles, processes and practices that aim to ensure that no people, workers, places, sectors, countries or regions are left behind in the transition from a high-carbon to a low-carbon economy*”³. Beyond concept interpretation for different stakeholders (see Appendix A), multilateral development banks (MDBs), including the Islamic Development Bank (IsDB), published a High-Level Statement on Just Transition at the UN Secretary General’s Climate Action Summit in September 2019, and subsequently released MDB Just Transition High-Level Principles at the 26th United Nations Climate Conference in 2021 (Appendix B). In 2022, it is estimated that over 70 MDB activities supported Just Transition explicitly. This collective momentum from MDBs (Appendix C), is complemented by increasing prominence given to Just Transition by IsDB Member Countries (MCs), as expressed via Nationally Determined Contributions (NDCs), Long Term Strategies (LTS), and other relevant national policy/documentation. Such external drivers are aligned with IsDB’s current organizational strategy 2023-2025 (built around green, resilient and sustainable infrastructure and inclusive human capital development) and relevant sector and thematic policies (e.g. Climate Change Policy 2019, Climate Action Plan 2020-2025, Energy Policy 2018, Women’s Empowerment 2019, and others – see Appendix D). IsDB’s Member Country Partnership Strategy (MCPS) guidelines also underscore the importance of structural transformation “*in ways that promote long-*

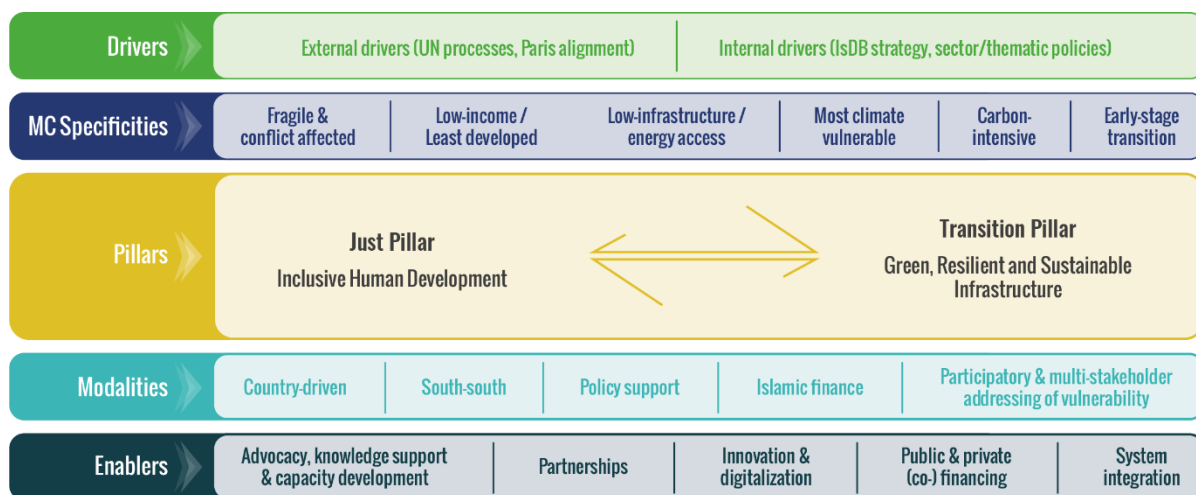
¹ World Economic Forum. 2023. The Global Risks Report 2023 (18th Edition), Insights Report.

² Intergovernmental Panel on Climate Change, 2022, Sixth Assessment Report, <https://www.ipcc.ch/assessment-report/ar6/>.

³ IPCC, 2022: Annex I: Glossary [van Diemen, R., J.B.R. Matthews, V. Möller, J.S. Fuglestedt, V. Masson-Delmotte, C. Méndez, A. Reisinger, S. Semenov (eds)]. In IPCC, 2022: Climate Change 2022: Mitigation of Climate Change. Contribution of Working Group III to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change [P.R. Shukla, J. Skea, R. Slade, A. Al Khourdajie, R. van Diemen, D. McCollum, M. Pathak, S. Some, P. Vyas, R. Fradera, M. Belkacemi, A. Hasija, G. Lisboa, S. Luz, J. Malley, (eds.)]. Cambridge University Press, Cambridge, UK and New York, NY, USA. doi: 10.1017/9781009157926.020.

term, sustainable, and inclusive economic growth”. Furthermore, IsDB’s role as a leading south-south institution and advocate for the global south increases the imperative for leadership support for its 57 MCs.

3. As such, this document outlines an IsDB Just Transition Conceptual Framework (JT Framework) and Action Plan 2023-2025 to support activities that help IsDB’s 57 MCs in reaching their own JT ambitions, and to support IsDB internal processes to that effect. The recent IsDB support for the set-up and establishment of the Middle East Green Initiative (MGI) is a testament to such efforts.
4. The JT Conceptual Framework is aligned with external and internal drivers (including the Energy Policy, Environment and Social Safeguards Policy, Women’s Empowerment Policy, and MCPS Guidelines) and is considered an advocacy paper (externally) that presents a Conceptual Framework and Action Plan under the umbrella of IsDB’s existing Climate Change Policy (2019) and the Climate Action Plan (2020-2025).
5. The objective of the Conceptual Framework is to support IsDB and IsDB Member Countries transition in a fair and inclusive manner towards low emission, climate resilient development pathways, in a just, fair, and inclusive manner. The Framework is built around the principles of transparency and fairness and aims to cater for the wide variety of IsDB MCs – and their unique starting points and ambitions related to JT – centered around two pillars, which are closely aligned with IsDB’s organizational strategy 2023-2025. The Framework is supported by specific modalities and enablers (see illustration below).



6. The Framework builds upon IsDB’s already strong support for the principles of JT, as evidenced by various strategic and operational activities. The Framework seeks to help formalize existing internal and external efforts and expand support for MCs, where requested.

7. IsDB's JT Framework caters to its unique strengths and constituency, including:
 - a. Adherence to Islamic financing principles and instruments which inherently emphasize justice;
 - b. Its status as a Global South institution with a strong reputation among south-south partners and relief and resilience building support; and
 - c. Wide engagement of internal and external stakeholders (Appendix E).
8. In addition, there is scope for the Conceptual Framework to support, and to be informed by, IsDB Group entity efforts on Just Transition as well. There are several initiatives that the entities are embarking upon that would benefit from taking this approach as the basis to guide their activities as they see fit.
9. Looking forward, the Framework provides the foundation for a JT Action Plan 2023-2025 across knowledge, collaboration, operational approaches, policy support, and financing activities (see Appendix F).

IsDB Just Transition Conceptual Framework & Action Plan 2023-2025

I. Background and Drivers for IsDB's Engagement on Just Transition

10. The 17th United Nations Framework Convention on Climate Change (UNFCCC) Conference of Parties (COP17), held in Durban, South Africa in 2011, adopted a work program on the impact of the implementation of response measures, identifying key areas of work, one of which was JT⁴. Further to this introduction, the 2015 Paris Agreement, in its preamble, clearly states that Parties to the Agreement consider the imperatives of JT, in accordance with nationally defined development priorities⁵.
11. The Intergovernmental Panel on Climate Change (IPCC), the world's foremost scientific body on climate change, defines JTs as *"a set of principles, processes and practices that aim to ensure that no people, workers, places, sectors, countries or regions are left behind in the transition from a high-carbon to a low-carbon economy"*⁶. The IPCC stresses the need for targeted and proactive measures from governments, agencies, and authorities to ensure that any negative social, environmental, or economic impacts of economywide transitions are minimized, whilst benefits are maximized for those disproportionately affected. Key principles of JTs include: respect and dignity for vulnerable groups; fairness in energy access and use, social dialogue and democratic consultation with relevant stakeholders; the creation of decent jobs; social protection; and rights at work. JTs could include fairness in energy, land use and climate planning and decision-making processes; economic diversification based on low-carbon investments; realistic training/retraining programs that lead to decent work; gender specific policies that promote equitable outcomes; the fostering of international cooperation and coordinated multilateral actions; and the eradication of poverty⁷. Finally, the IPCC emphasizes that JTs may embody the redressing of past harms and perceived injustices⁷.
12. Beyond the IPCC definition, Appendix A outlines a range of JT interpretations, including the International Labor Organization (ILO) definition of JT as *"greening the economy in a way that is as fair and inclusive as possible to everyone concerned, creating decent work opportunities and leaving no one behind"*. Given the multiple definitions outlined

⁴ Annex to decision 1/CP.21, preamble, paragraph 10.

⁵ Just Transition is in Article 9 and Article 2.1 in the Paris Agreement. The preamble also includes explicit reference to the separate but related issues of environmental integrity and climate justice.

⁶ IPCC, 2022: Annex I: Glossary [van Diemen, R., J.B.R. Matthews, V. Möller, J.S. Fuglestedt, V. Masson-Delmotte, C. Méndez, A. Reisinger, S. Semenov (eds)]. In IPCC, 2022: Climate Change 2022: Mitigation of Climate Change. Contribution of Working Group III to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change [P.R. Shukla, J. Skea, R. Slade, A. Al Khourdajie, R. van Diemen, D. McCollum, M. Pathak, S. Some, P. Vyas, R. Fradera, M. Belkacemi, A. Hasija, G. Lisboa, S. Luz, J. Malley, (eds.)]. Cambridge University Press, Cambridge, UK and New York, NY, USA. doi: 10.1017/9781009157926.020.

⁷ ILO, 2015: Guidelines for a just transition towards environmentally sustainable economies and societies for all. International Labour Organization (ILO), Switzerland; & UNFCCC, 2016: Just transition of the workforce, and the creation of decent work and quality jobs.

in Appendix A, there is scope for actors, such as the IsDB, to interpret a JT approach relevant to its Member Country constituency.

13. The rationale for IsDB to develop a JT conceptual approach relates to both managing organizational risk and seizing emerging opportunities to support MCs reach their climate ambitions in a just and fair manner, including:
 - a. Fostering a robust enabling environment; generating opportunities; strengthening and diversifying livelihoods; and supporting low carbon, inclusive and climate resilient development pathways in MCs;
 - b. Leaving no one behind while seizing such opportunities, under existing women and youth growing population and related jobs and skills gaps, fragility, emerging economies, low energy access contexts, among others;
 - c. Managing organization reputational risk, given that IsDB is a signatory to multiple related joint agreements and principles (see Section II);
 - d. Managing operational risk in delivering JT and the broader climate and development agenda;
 - e. Aligning with future transition risks management approaches to be integrated in the Bank's Climate Risk Management Framework;
 - f. Supporting tailored JT modalities as relevant to MC low emission and resilient development pathways;
 - g. Operationalizing IsDB commitment to the MDB JT High-Level Principles (via an Action Plan); and
 - h. Integrating a JT framework into IsDB operational and transition risk management.

14. A series of specific external and internal drivers and imperatives warrant IsDB support for JT. Key external drivers include:
 - a. **United Nations Framework Convention on Climate Change (UNFCCC) processes, including the Conference of Parties (COPs)**
 The UNFCCC has near universal global membership (198 Parties) and is the parent treaty of the 2015 Paris Agreement, the main aim of which is to keep the global average temperature rise this century as close as possible to 1.5 degrees Celsius above pre-industrial levels. The UNFCCC provides technical guidance on JT and oversees the annual COP gatherings, where parties to the Convention issue formal guidance on global climate action and informal parties (observers), such as the MDBs, often make joint (or individual) announcements. For example, the MDBs announced the JT High-Level Principles (Appendix B) at COP26 in Glasgow, UK and reinforced the principles at COP27, in Sharm El Sheikh, Egypt. At COP28, in Dubai, UAE, the COP28 Presidency has pledged 4.5 billion US dollars to support JT via clean energy projects, and IsDB proposes to launch its JT Framework (this document). All 57 of IsDB's MCs are party to the UNFCCC.

b. MDB Paris Alignment and Building Block Approach

54 IsDB MCs have ratified the Paris Agreement⁸. In 2017, multilateral development banks (MDBs) committed to align their new financial flows with the objectives of the Paris Agreement. Further, the MDBs agreed a Paris Alignment Building Block (BB) approach, where Building Block 4 (BB4) supports MDB commitment to supporting countries via Strategy, Engagement and Policy Development, including on NDC implementation; NDC enhancement; LTS development; and JT. There is a growing track record of MDB Support for Paris Agreement, including on JT – in 2022, an estimated 71 MDB activities supported JT explicitly. IsDB is a signatory to the MDB alignment approach for the Paris Agreement, is a member of Working Group on BB4, and has committed to have its sovereign operations Paris-aligned by the end of 2023.

c. MDB JT High-Level Statement & Joint JT High-Level Principles

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

The High-Level Principles are:

- Principle 1: MDB support for a JT aims to deliver climate objectives while enabling socio-economic outcomes, accelerating progress towards both the Paris Agreement and the SDGs.
- Principle 2: MDB support for a JT focuses on moving away from GHG emissions intensive economic activities through financing, policy engagement, technical advice and knowledge sharing, in line with MDB mandates and strategies, and country priorities including NDCs and long-term strategies.
- Principle 3: MDBs will encourage support for a JT by building on existing MDB policies and activities, mobilizing other sources of public and private finance, and enhancing coordination through strategic plans that aim to deliver long-

⁸ Only Iran, Libya and Yemen have not ratified the Agreement.

term, structural economic transformation. Given their long-term approach, MDBs have a unique role to

- Principle 4: MDB support for a JT seeks to mitigate negative socio-economic impacts and increase opportunities associated with the transition to a net zero economy, supporting affected workers and communities, and enhancing access to sustainable, inclusive and resilient livelihoods for all.
- Principle 5: MDB support for a JT encourages transparent and inclusive planning, implementation and monitoring processes that involve all relevant stakeholders and affected groups, and that further inclusion and gender equality.

MDBs have agreed to adhere to these high-level principles (Appendix B) when operationalizing their individual implementation approaches.

d. MDB Working Group on JT & Progress on JT by other MDBs

An MDB Working Group on JT has been formed, of which IsDB is a participating member. Many fellow MDBs have developed, or are developing, JT approaches (see Appendix C for examples of progress on JT at other MDBs).

e. Member Country climate commitments, as expressed via NDCs, LTS and other national climate documentation, including Just Energy Transition Partnerships (JETPs)

Countries are increasingly integrating JT principles into their national development and climate change policy and planning. For example, of the 170 countries globally that have enhanced their short-term climate plans (Nationally Determined Contributions), 38% refer to JT. Further, of the 52 countries globally with long-term strategies (LTS), over half (55%) refer to JT⁹. These figures are increasing as countries generally embrace stronger climate action and transition their economies towards low-emissions, climate resilient development pathways. Examples of specific efforts being pursued by some countries (including IsDB MCs Indonesia and Senegal) are Just Energy Transition Partnerships, or JETPs, which are new funding models to support transitions away from fossil energy towards clean energy in a manner that addresses social issues associated with such an energy transition. JETPs may leverage parallel investments in the energy systems of the JETP countries. A distinguishing feature of JETPs is their emphasis on the centrality of a JT in the structuring of the investment plan and financing package. Recent momentum from MCs at forums such as the Africa Climate Summit and MENA Climate Week reinforce the increasing country and regional drive for JT.

⁹ United Nations Development Program (UNDP, 2023. <https://climatepromise.undp.org/research-and-reports/how-just-transition-can-help-deliver-paris-agreement>.

Finally, there is strong recognition that, whilst most MCs are signatories of the Paris Agreement, the on-ground progress in each country is highly variable and hence consultation and dialogue with Member Country representatives will be extremely important to ensure ownership and commitment to JT concepts and approaches.

15. Key internal drivers for development of a JT Framework include:

a. **IsDB Organizational Strategy 2023-2025**

IsDB’s current organizational strategy (2023-2025) is strongly aligned with the JT agenda. The strategic objectives include driving green economic growth; tackling poverty and building resilience; and boosting recovery. The two pillars of the strategy include green, resilient and sustainable infrastructure and inclusive human capital development. Climate change, Islamic finance, women and youth, and capacity development are key cross-cutting themes. Key enablers are people, institutions, culture, and governance (Figure 1).

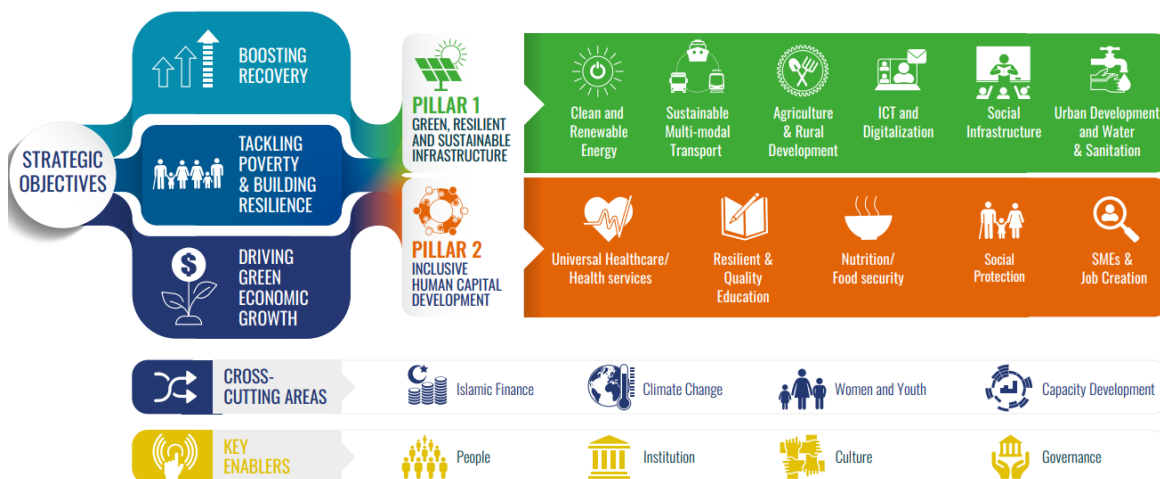


Figure 1 – IsDB organizational strategy, 2023-2025, strongly aligned with JT principles

b. **Climate Change Policy (2019) and Climate Action Plan (2020-2025)**

IsDB’s Climate Change Policy (2019) has an overarching goal of “deepening sustainable development imperatives for a better and safer planet” (Figure 2). Pillar 3 of the CCP supports “Green growth and supporting the transition to a green economy”, including efforts to help create the right enabling environment for low-carbon, green investment, country-level investment, and technical assistance for the transition to a green economy, and supporting MCs to translate NDCs and/or sector-level strategies into actionable, ‘bankable’ pipeline of investments. The CCP notes both potential trade-offs for MCs between supporting overall economic growth and green growth, as well as major opportunities for MCs to revitalize via new and better employment conditions and opportunities for skills development as part of a broader transition to low-carbon, green economic growth.

IsDB's Climate Action Plan (2020-2025) (CCAP) supports operationalization of the CCP. The CCAP includes a goal for sovereign operations to be Paris-aligned by 2023 and a climate finance target of a minimum of 35 per cent of total financial commitment by 2025. The CCAP supports "...transition to green economy in MCs.." for "...IsDB to play a more active role in supporting its MCs to transition to a more resilient, green and sustainable development...", and for "Country dialogue with MCs to promote climate resilience and support the transition to green economy". The CCAP also references related terms, such as "rights perspective", "equity", and "social justice".

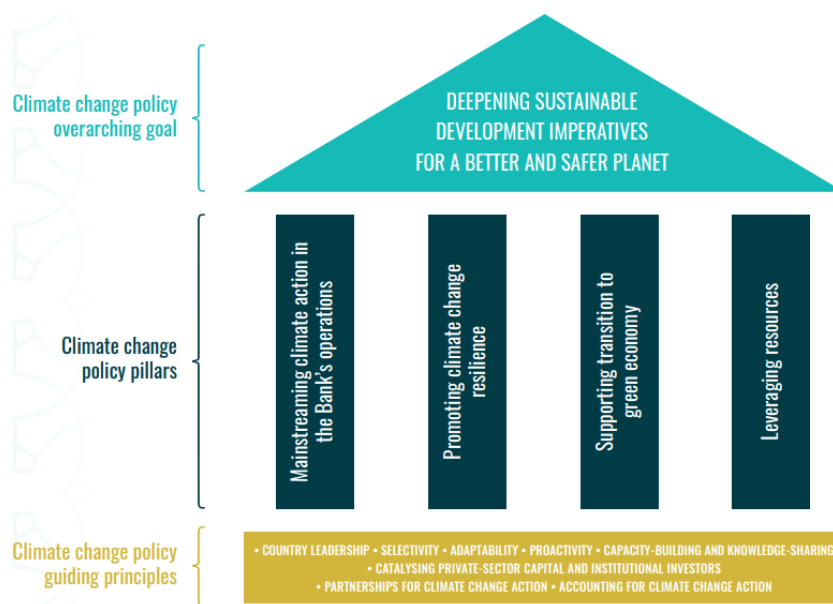


Figure 2 – Climate Change Policy (2019)

c. Relevant sector and thematic policies, strategies, guidance notes

JT is a cross-cutting topic with relevance to multiple IsDB sector and thematic areas (see Appendix D). Some of the more prominent linkages to JT relate to the:

- Energy Policy (2018), which has pillars built around topics including energy access and renewable energy, and references "*Member Countries needs and fair treatment to least developed countries to develop their economy in line with the Paris Agreement*";
- Women's Empowerment Policy (2019), which references "*equity, social justice and well-being*", "*inclusion and equality*", and "*leaving no one behind*";
- Environmental and Social Safeguards Policy (2020), which includes guiding principles derived from the "Islamic principles of Maqasid Al-Shari'ah, namely "*trust (thiqa); well-being (falah); justice (Adl); fairness (Insaf); and equality (musawat), aimed at ensuring social and economic wellbeing of humankind*".

Youth Development Strategy (2020-2025), which references *“injustice” and “green growth”*;

- Fragility and Resiliency Policy (2019), which is centered *“transition between relief and development, supporting recovery and resilience, and mobilizing resources for resilience”* and includes a *“Transition Management and Mitigation Strategy (TMMS)¹⁰”*;
- Disaster Risk Management and Resilience Policy (2019), which centers around resilience building and strengthening;
- Agriculture and Rural Development Policy (2018), which centers around *“growing inclusive rural economies”* and concepts such as climate-smart agriculture;
- Transport Sector Policy (2018), which includes *“sustainable transport for inclusion and prosperity”* and a pillar on *“green transport”*, which supports *“...Member Countries to transition to clean and low-carbon types of transport with a view to building economic prosperity that is environmentally sustainable”*;
- Water Sector Policy (2020), which references *“green infrastructure”*; and
- Urban Sector Policy (2020), which references *“green jobs”*.

Furthermore, IsDB’s Member Country Partnership Strategy (MCPS) guidelines underscore the *“contribution to the structural transformation of MCs by guiding IsDB’s support “in ways that promote long-term, sustainable, and inclusive economic growth”*.

The above-outlined policies and strategies illustrate that IsDB can build from a strong basis of strategic and operational support on JT elements already.

d. Alignment of south-south and Islamic financing principles with the JT agenda and channeling financial support from global north

IsDB is the world’s largest south-south institution and leading Islamic finance institution. IsDB occupies a unique position to amplify voices from the south to feed into the shaping and evolution of the JT agenda and to ensure that it is fit for purpose for MCs. For example, terms such as *“Just and Affordable Transition”*, *“Just and Inclusive Transition”* and *“Just and Fair Transition”*¹¹ have been used in various public forums, often by representatives of the global south. IsDB can leverage its strong relationship and reputation as a South-South institution via avenues such as its bespoke knowledge and capacity building exchange

¹⁰ TMMS draws on a fragility and resilience risk analysis to design transitional assistance in the form of early social and economic development interventions in close partnership with humanitarian agencies, to allow for the effective bridging of relief and development. A TMMS is meant to give strategic support to a transition from conflict to sustainable development in countries emerging from conflict, and to initiate a plan to build and or strengthen resilience in the short to medium term.

¹¹ Including H.E. President of IsDB at MENA Climate Week, 2023.

mechanism – the Reverse Linkage Program. Additionally, the principles of Islamic financing align strongly with the principles of JT. IsDB Islamic finance modalities, such as green and sustainability sukuk, Social Islamic finance, takaful, waqf, and others, may be applicable for JT support and many of which are already supporting JT-related endeavors. These can be further leveraged to support Member Country ambitions.

Additionally, there may be opportunity to leverage north-south relationships and financial innovations to support MC JT agendas, beyond the sphere of Islamic finance. IsDB can play a role in supporting JT finance mobilization for MCs.

16. As evidenced above, IsDB already integrates elements and drivers of JT into existing business processes and support for MCs. A proposed Framework will be aligned with both external and internal drivers, and will aim to accelerate, focus, and extend the efforts being undertaken by IsDB and its MCs in this space already.

II. Methodology & Internal Development

17. Building upon the external and internal drivers (Section II), and under the guidance of the Climate Change Policy (2019) and Climate Change Action Plan (2020-2025), the Climate Change and Environment Division (CCE), in the Resilience and Climate Action Department (RCA), and the Global Practices and Partnerships (GPP), has engaged in a strategic and comprehensive (internal and external) consultation process in 2023 to develop a JT Framework (see Appendix E for more details).
18. On 28th February 2023, CCE-RCA hosted a 1-day hybrid JT workshop with the International Labor Organization (ILO) and the International Energy Agency (IEA). The workshop, titled *“What is the Just Transition and What Does it Mean for IsDB Operations”* comprised technical presentations and discussions and a brainstorming discussion on a potential IsDB approach to the JT. An estimated forty IsDB attendees participated in the workshop.
19. After the workshop, a draft *“IsDB Just Transition Approach Paper”* was circulated internally to sector and thematic colleagues for technical feedback. Inputs from colleagues were incorporated into a revised document, which was circulated to the International Labor Organization (ILO) for further feedback. Aggregated feedback was incorporated into the design of a second workshop, held on 28th September, 2023.
20. The second JT workshop titled *“Just Transition – A Framework for IsDB”* built upon the foundational first workshop and included CCE presenting a draft IsDB framework figure/schematic for internal discussion and feedback. ILO colleagues joined the workshop and shared examples of JT frameworks from other organizations and also

provided feedback on IsDB's proposed approach. The workshop concluded with CCE outlining next steps including refinement of the Framework prior to launching at COP28 in Dubai, UAE.

21. In parallel to the development and internal consultation of the proposed IsDB JT Framework, CCE has also been working with ILO and Cambridge Econometrics during 2023 to quantitative modeling of various transition scenarios for MENA countries, and the resultant potential national policy implications for industrial, labor and social welfare policies. The development of this joint report has helped to shape the thinking around the IsDB JT Framework, including a joint session at MENA Climate Week in Riyadh, October 2023¹². The joint report is planned for launch at COP28.
22. During 2023, CCE representatives have been engaged in the MDB JT Working Group, which is currently chaired by the Asian Development Bank (ADB). The Working Group serves as an information and experience exchange forum between MDBs and helps to promote consistency, comparability, and transparency in each MDB's individual operationalization of the Joint MDB JT High-Level Principles. IsDB has played an active role in the Working Group, including presenting and coordinating meetings.
23. In parallel to the processes outlined above, the following broader IsDB processes have been occurring in parallel, building momentum on the JT agenda:
 - a. CCE is developing a Climate Risk Management Framework (CRMF), which will support physical and transition climate risks for IsDB operations and support for MCs. CCE is also developing a Greenhouse (GHG) Gas Accounting System to measure and track the GHG emissions (and potential reductions) associated with IsDB investments and operations. Both these systems support Paris alignment commitments, which relates to JT.
 - b. CCE has also engaged in external JT activities, including the 2023 UNFCCC Forum of the Standing Committee on Finance: Financing Just Transitions¹³.
 - c. The Islamic Development Bank Institute (IsDBI) is also engaging in JT, and hosted an event on 23rd October 2023, titled "*Webinar on Structural Transformation and Just Transition in Africa*".
 - d. The Economic and Social Infrastructure Department (ESID), in partnership with the International Renewable Energy Agency (IRENA) and other external partners, has submitted a Just Energy Transition program proposal, for IsDB partnership consideration. Additionally, a multi-country Renewable Energy Cooperation Program to Power Africa (RECPA) is due for Board consideration in Q4 2023.

¹² https://www.ilo.org/beirut/media-centre/news/WCMS_899571/lang-en/index.htm.

¹³ <https://unfccc.int/event/2023-forum-of-the-standing-committee-on-finance-financing-just-transitions>.

- e. Updated IsDB procurement guidelines (updated 2023) include sustainable procurement features, to cater for "economic, environmental, and social" aspects. Guidance note on procurement planning and strategy (June 2020) also includes PESTLE (political, economic, social, technological, legislative and environment) analysis. Evaluation criteria include foci on topics such as climate change, carbon footprint, gender, labor and other JT-related topics.

III. Objective of the Just Transition Framework

- 24. The main objective of this document is to outline a JT Conceptual Framework for IsDB, building on work already being undertaken by sector and thematic teams.
- 25. As a guiding principle, IsDB's JT Conceptual Framework will focus on maximizing the social and economic opportunities of climate actions, while minimizing and carefully managing any challenges – including through effective social dialogue among all groups impacted, and respect for fundamental labor principles and rights. Specifically, the Framework aims to support IsDB and IsDB Member Countries transition towards low emissions, climate resilient development pathways, in a just, fair, and inclusive manner.
- 26. The JT Conceptual Framework is aligned with external and internal drivers (including Energy Policy, Environment and Social Safeguards Policy, Women's Empowerment Policy and MCPS guideline) and is considered an advocacy paper (externally) that presents a Conceptual Framework and Action Plan 2023-2025, under the umbrella of IsDB's existing Climate Change Policy (2019) and the Climate Action Plan (2020-2025).
- 27. Key IsDB strengths, including south-south institutional capabilities, Islamic financing modalities and the promotion of transparency and fairness, are central to the Framework. The JT Action Plan 2023-2025 – aligned with the period of the current IsDB organizational strategy and IsDB's Climate Action Plan – is outlined around knowledge, collaboration, operational approaches, policy support, and financing.

IV. Proposed Just Transition Framework

- 28. As outlined above, the objective of the conceptual Framework is to support IsDB and IsDB Member Countries transition towards low emissions, climate resilient development pathways, in a just, fair, and inclusive manner. Integrating key external and internal drivers (Section II), IsDB's unique 57 Member Country constituency, and its status as the world's leading Islamic finance institution and largest south-south institution, a bespoke IsDB JT Framework is proposed below (Figure 3). The key

elements of the Framework are: (i) Drivers, (ii) MC Specificities, (iii) Pillars, (iv) Modalities, and (v) Enablers.

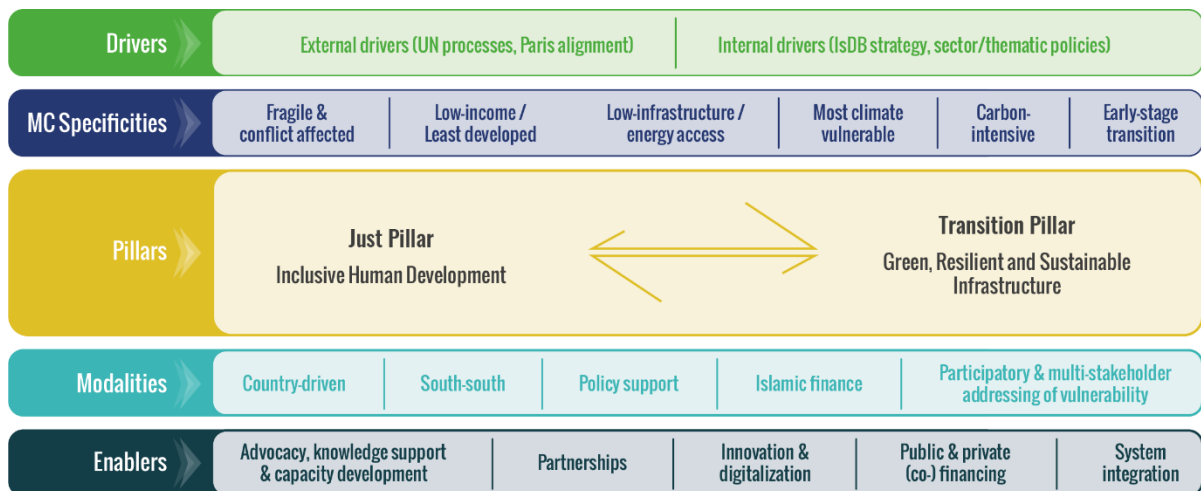


Figure 3 – IsDB Just Transition Framework

29. The drivers for the Framework justification and design are outlined in Section II. Key external drivers are: UNFCCC processes (including COPs), MDB Paris Alignment and Building Block Approach; MDB JT High-Level Statement and & Joint JT High-Level Principles; MDB Working Group on JT & Progress on JT by other MDBs; and Member Country climate commitments, as expressed via NDCs, LTS and other national climate documentation, including Just Energy Transition Partnerships (JETPs). Key internal drivers are: IsDB Organizational Strategy 2023-2025; Climate Change Policy (2019) and Climate Action Plan (2020-2025); Relevant sector and thematic policies, strategies, guidance notes; and Alignment of south-south and Islamic financing principles with the JT agenda.
30. The framework is designed to cater for the wide variety of IsDB MCs – and their unique starting points and ambitions related to JT. For example, IsDB acknowledges that NDCs vary significantly among MCs and ambitions such as clean energy transition and net zero targets (where existent) and timeframes also vary widely. Given that MCs are at different baselines in terms of capacities, ambitions and implementation, and also with different end goals, these bespoke situations require different support modalities, financing and time frames. Critically, the Framework integrates flexibility and recognizes the plurality of JTs, each of which will be unique for each IsDB Member Country. MC Specificities explicitly considered in the Framework include:

- a. Fragile or conflict-affected states – As of 2023, 31 of 57 IsDB MCs are categorized as fragile or conflict-affected¹⁴. Priority for these MCs may, understandably, not initially be on low-emissions development but may resonate with resilience building and adaptation measures. Borrowing from IsDB’s Fragility and Resiliency Policy (2019), their interpretation of JT may be between relief and development and recovery and resilience. As such countries transition away from fragile or conflict-affected states, they may consider a balance of low-emissions, climate resilient development pathways.
- b. Low-income/Least developed countries – As of 2023, 21 of 57 MCs are classified as Least Developed Countries (LDCs) by the United Nations and 27 of 57 MCs belong to the International Monetary Fund (IMF) category of Low-Income Developing Countries. Whilst JT may present opportunities for such MCs to benefit from new socioeconomic opportunities, external capacity building and financial support will be key to achieving such ambitions.
- c. Low-infrastructure/energy access – Basic infrastructure and services, such as energy, water, sanitation, transport, and housing are essential to achieving the Sustainable Development Goals (SDGs). Where communities have low access to such infrastructure and services, JT support may be bundled with basic sector infrastructure and service provision and help to leapfrog redundant technologies and approaches. For example, MCs with low energy access, particularly in rural areas, may have the opportunity to transition from biomass fuels to decentralized low-carbon energy options, avoiding fossil fuel lock-in. In urban areas, communities may have the opportunity to access low-carbon centralized or decentralized systems, renewable energy technologies, increasing access to clean cooking solutions and manage such systems cooperatively.
- d. Most climate vulnerable – Some IsDB MCs are member of the Vulnerable 20¹⁵, comprising nations most affected by the catastrophes rooted in climate change. Such countries, including Small Island Developing States (SIDS), face various climate change problems, ranging from heatwaves, storms and droughts with oft-related food and water shortages and rising sea level. Such countries require explicit adaptation and resilience building support.
- e. Carbon-intensive – Some MCs (such as some MENA, Central Asian, and South/Southeast Asian countries), have high per capita GHG emissions. Whilst most emissions in these countries often come from the energy sector, specific sectors, such as agriculture/land use change, industry, building sector and transport may also be large emissions sources on a case-by-case basis. Transition pathways for such countries may involve large-scale investments in low-carbon

¹⁴ In accordance with the OECD definition, as used by IsDB Fragility and Resilience, RCA Department.

¹⁵ Afghanistan, Bangladesh, Benin, Burkina Faso, Chad, Comoros, Côte d'Ivoire, the Democratic Republic of the Congo, Ethiopia, The Gambia, Guinea, Guyana, Kyrgyzstan, Lebanon, Liberia, Malawi, Maldives, Morocco, Niger, Palestine, Senegal, South Sudan, the Sudan, Tanzania, Tunisia, Uganda, Yemen.

technologies and transition to a net-zero economy, including through a circular carbon economy approach.

- f. Early-stage transition – Some MCs have begun a JT, across energy and other sectors, as expressed in NDCs or other national climate policies. It must be recognized that a transition away from fossil fuels will impact economies and industries both in producing and importing countries. As such, this category can cater for both fossil fuel producing and fossil fuel importing economies. Such MCs can be supported to scale and accelerate their transition including, as a first step, through a phased approach from high to lower emission energy sources.
31. In addition to recognizing differing national circumstances, there may be the possibility to identify regional commonalities and assisting countries collectively to integrate JT principles into national development (and climate) plans. Where countries have similarly structured economies around key natural resources (e.g. fossil fuel dominant economies or agriculture dominant economies), some JT challenges and opportunities may be similar and collective approaches could be considered. IsDB's Reverse Linkage Program could be utilized to share knowledge and expertise between countries.
 32. Whilst Figure 3 shows both a "Just" and a "Transition" pillar, in practice these concepts are connected, and elements of each pillar are strongly embedded in the other. These pillars are closely aligned with IsDB's organizational strategy 2023-2025:
 - a. "Just" Pillar – This pillar is centered around inclusive human development. It emphasizes the people-centered principles of JT, with special focus on the most vulnerable. This pillar highlights JT components of thematic and sector IsDB policies, such as Women and Youth, Fragility and Resilience, Civil Society, Education, and Health. This pillar includes a focus on social protection, worker rights, and inclusion of marginalized and affected communities. This pillar has direct application to all sectors. For example, access to energy, as to any other infrastructure and service, will be dependent on aspects such as inclusivity and fairness.
 - b. "Transition" Pillar – This pillar is centered around green, resilient and sustainable infrastructure and services. It emphasizes the importance of JT principles supporting the shift towards low emissions and climate resilient development pathways and extending beyond the energy sector to include all sectors, such as agriculture, transport, water, urban and others.

Linking the two pillars together, it is clear at the global scale that significantly higher numbers of workers will experience transition in sectors such as agriculture, rather than energy. This is likely also true across many IsDB MCs. Hence, the IsDB JT Framework pillars cater for multi-sectoral and human-centered transition.

33. The Conceptual Framework supports specific modalities:

- a. Country-driven – IsDB MCs express their climate ambitions via their NDCs, LTS, JETPs and other national climate policy. These documents should reflect the outcomes of national policy dialogue, and increasingly will include JT. IsDB JT support, via MCPS dialogue, project investment and knowledge/technical assistance, will be country driven.
- b. South-South – IsDB is a world-leading south-south institution. As such, IsDB has well-established bespoke support mechanisms, such as the Reverse Linkage Program¹⁶, which can support MCs in knowledge and capacity building exchanges. These existing modalities can be leveraged to support specific JT requests from MCs.
- c. Policy support – IsDB can provide policy support to MCs on topics related to JT, including social protection, employment, economic diversification and job creation, upskilling & re-training, labor transition and rights, green economy, climate action, and industrial policy. IsDB modalities for policy support include MCPS dialogue and diagnostics, support to Country Sector Platforms, and partnerships with organizations, such as ILO and others.
- d. Islamic finance – IsDB is the world’s leading Islamic finance and Sharia compliant lending institution. As such, IsDB is unique among MDBs and can provide tailored support to MCs via a range of conventional, innovative, and social Islamic financing modalities to support JT.
- e. Participatory & multi-stakeholder addressing of vulnerability – IsDB has a sound record of engagement with MC country governments and communities. IsDB supports a participatory and inclusive engagement on topics such as JT, including via thematic policies, such as Women, Youth and Civil Society, and targeting the marginalized and vulnerable. Furthermore, IsDB leverages a wide range of public and private sector actors to promote action and mobilize financial and other resources to support MCs.

34. The Conceptual Framework supports specific enablers:

- a. Advocacy, knowledge support and capacity development – To support MCs embed JT into their development policies and strategies, there is a role for IsDB as an advocate, knowledge generator/facilitator, and capacity developer (for both internal and external stakeholders) to help MCs achieve their JT ambitions. Emerging concepts such as JT may benefit from advocacy and require knowledge generation and exchange to support evidence-based actions. Capacity development of both IsDB and MCs, which is built upon a strong knowledge foundation, will be required to enable effective JT engagement, action, and investment. Examples include the ongoing work with ILO and Cambridge Econometrics on quantitative modeling of

¹⁶ <https://www.isdb.org/reverse-linkage>.

various transition scenarios for MENA countries. Further capacity building of IsDB operational staff (e.g. regional hub staff, Operations Team Leaders (OTLs), thematic and sector staff) and MC stakeholders can be undertaken.

- b. Partnerships – The broad spectrum of JT, effecting sectors and themes, will benefit from multiple partnerships (both existing and new) with public and private, international and domestic organizations. Partnerships will enable IsDB to draw upon specialized skills and experiences and to achieve effectiveness and efficiency in JT activities. Such partnerships include ILO, IEA, and the MDB JT Working Group. The Bank is also engaged with the Saudi Oil Sustainability Programme on a Clean Cooking Initiative, among others.
- c. Innovation and digitalization – JT will necessitate enterprise and economic diversification, which may be supported by digitalization of processes and systems. IsDB may be able to enable such elements of JT by supporting MC ambitions on green economy transformation and the potential for leapfrogging traditional processes via digital innovation.
- d. Public and private (co-)financing – IsDB utilizes Islamic financing modalities to mobilize public and private financing and co-financing. IsDB can mobilize finance in response to MC demands, and crowd-in support for JT from both the public and private sources. The MDB LTS Program, the NDC Partnership, International Climate Initiative (IKI), the Green Climate Fund (GCF), Oil Sustainable Programme, Middle East and Saudi Green Initiatives (MGI/SGI) are potential sources of financing and co-financing to be explored.
- e. System integration – It is important for IsDB to integrate/mainstream JT into existing business processes and systems (rather than creating new systems), build upon existing efforts to support JT, and focus, accelerate, and scale JT-related efforts to support MCs. This will include support for regional hubs, OTLs, and relevant sector and thematic staff.

35. IsDB's JT Framework has the scope to support the variety of MCs and their unique JT ambitions, via a robust set of modalities and enablers to support knowledge, collaboration, operational approaches, policy support, and ultimately financing of MC JT agendas.

36. There is scope for the Conceptual Framework to support, and to be informed by, IsDB Group entity¹⁷ efforts on Just Transition. For example, IsDB and ICIEC propose collaboration on the Energy Transition Accelerator Financing Platform (ETAF), which can be aligned with the Conceptual Framework and Action Plan 2023-2025.

¹⁷ ICD, ICIEC, IsDBI, ISFD, ITFC.

V. IsDB Just Transition Action Plan 2023-2025

37. To complement the JT Framework, a JT Action Plan 2023-2025 provides an initial outline of tangible IsDB external MC support and internal operationalization for the JT concept.
38. The JT Action Plan 2023-2025 borrows from a framing presented by MDBs at COP27, which presents five categories of activities to operationalize the MDB Joint JT High-Level Principles (Figure 4). These categories include knowledge, collaboration, operational approaches, policy support, and technical assistance (financing).

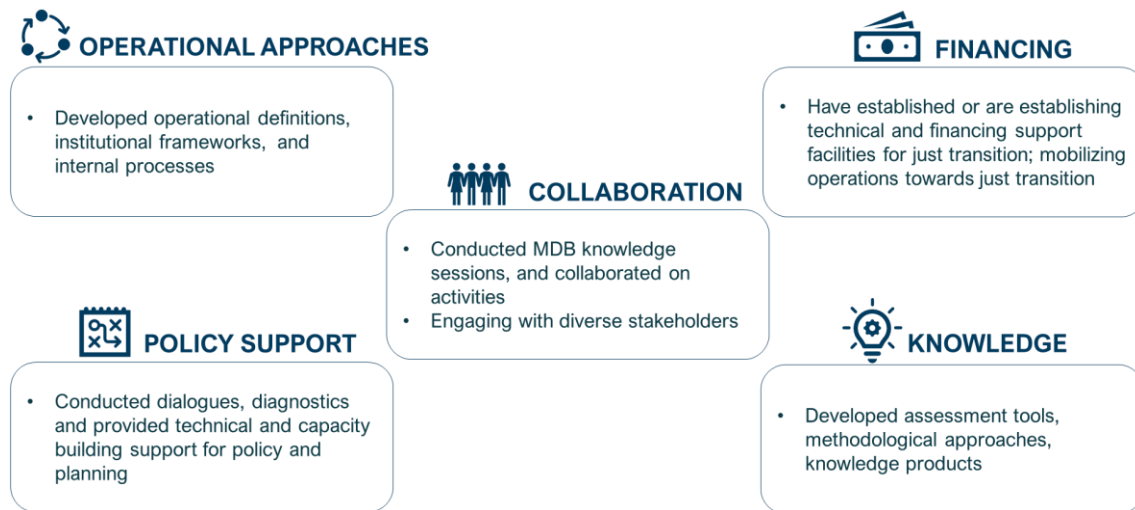


Figure 4 – Categories of MDB JT Activities (as presented at COP27)

39. The JT Action Plan is aligned with the timelines of the current IsDB organizational framework and Climate Change Action Plan – the proposed activities extend to the end of 2025 only. Preliminary activities across the five categories, are outlined below and summarized in Appendix F.
40. To date, IsDB has engaged in two of the five categories of MDB JT activities (Figure 4), namely knowledge and collaboration activities. The process associated with this proposed Framework and Action Plan comprises IsDB's first engagement as an operational approach. The Action Plan activities below outline preliminary engagement across the categories.
41. For knowledge, IsDB activities may include: (i) completion of the current analytical Knowledge Product on MENA with ILO in 2023; and (ii) launching of one additional analytical Knowledge Product for IsDB Sub-Saharan and West African MCs, or Central Asian MCs in 2024 (Appendix F). Such analytical products may help to formulate

national and regional profiles on JT, to help identify the most effective support modalities for specific MCs.

42. For collaboration, IsDB activities may include: (i) Remain an active participant of the MDB Working Group on JT (including consideration of chairing Working Group); (ii) Engage in JT activities in forums, such as COPs (including launch of this Framework and of the MENA analytical knowledge product at COP28), regional climate weeks, and UNFCCC Forum of the Standing Committee on Finance: Financing JTs; and (iii) Strengthening ongoing external partnerships (e.g. ILO, IEA, OSP, MDBs) and exploring new partnerships, including with MC CSOs to help ensure that IsDB's approach to JT is inclusive, representative, fair and supportive (Appendix F).
43. For operational approaches, IsDB activities may include: (i) Workshops (x2) on Introduction of JT concept and proposed IsDB approach; (ii) Approval of IsDB JT Framework and Action Plan 2023-2025; (iii) Continue work on a comprehensive Climate Risk management Framework which would include transition and ESG risks management; (iv) Workshop/training module on socialization and implementation of JT Framework and Action Plan (including Regional Hubs) in IsDB sovereign operations. May include training for operational teams (including regional hub staff, OTLs, and relevant sector and thematic staff) to integrate JT into MCPS planning and development. May also include a guidance note/brochure to help integrate JT into sector, thematic and project interventions; (v) Integrate JT concept into planned IsDB sector and thematic policy updates; (vi) Explore development of a results framework to measure IsDB progress and impact on JT support to derive key indicators applicable for IsDB and its MCs; (vii) Explore a set of metrics for the screening and monitoring of JT at IsDB portfolio and sector levels. Include in dialogue with MCs; and (viii) Explore baseline of JT activities in current IsDB portfolio, tracking of components in IsDB projects/pipelines. Include in dialogue with MCs (Appendix F).
44. The integral role of regional hubs in responding to Member Country JT ambitions, and JT concepts being embedded into updated sector and thematic policies, will be essential to IsDB's operational support (as captured in Appendix F).
45. For policy support, IsDB activities may include: (i) to integrate JT into Member Country Partnership Strategy (MCPS) diagnostics and dialogue with MCs; and (ii) Supporting MC NDC updates and LTS to integrate JT, through TA grants from internal and external sources (e.g. NDCP, LTS Program, IKI, GCF) (Appendix F).
46. For technical assistance (leading to potential financial support), IsDB activities may include: (i) Identification of streamlined avenues for external resource mobilization for technical and financial support for MC JT; and (ii) Independent or Joint TA proposal

with an external partner (e.g. MDB) for development of at least one JT investment for an IsDB Member Country (Appendix F)¹⁸.

47. For all the above, proposed activities will be subject to internal approvals and budget allocation. For the period of the Action Plan (2023-2025), human and financial resource allocation will be mobilized from RCA. Progress on results achieved will be reported under the proposed action plan in accordance with corporate reporting requirements.

¹⁸ Regarding the potential applications above, it is acknowledged that IsDB may face challenges to finance actions related to Just Transition, given limited Bank involvement in financing social safety nets.

Appendices

Appendix – A: Interpretations of Just Transition concept

The concept of JT purportedly emerged in the 1980s in relation to trade unions protecting the rights of workers affected by new environmental regulations. More recently, JT is referenced in relation to meeting climate goals whilst ensuring the whole of society – all communities, all workers, all social groups – are brought along in the pivot to a low-emissions, climate resilient future. However, as shown in Table A1, a range of interpretations of the term exist, with stakeholders emphasizing different elements relevant to their stakeholder representations. The examples in Table A1 are not intended to be comprehensive or exhaustive, but rather indicative.

Table A1 – Examples of Different JT Definitions

Definition Source	Definition
Paris Agreement citation	Taking into account the imperatives of a just transition of the workforce and the creation of decent work and quality jobs in accordance with nationally defined development priorities.
Intergovernmental Panel on Climate Change (IPCC)	Just transitions are a set of principles, processes and practices that aim to ensure that no people, workers, places, sectors, countries or regions are left behind in the transition from a high-carbon to a low-carbon economy. It stresses the need for targeted and proactive measures from governments, agencies, and authorities to ensure that any negative social, environmental or economic impacts of economywide transitions are minimised, whilst benefits are maximised for those disproportionately affected. Key principles of just transitions include: respect and dignity for vulnerable groups; fairness in energy access and use, social dialogue and democratic consultation with relevant stakeholders; the creation of decent jobs; social protection; and rights at work. Just transitions could include fairness in energy, land use and climate planning and decision-making processes; economic diversification based on low-carbon investments; realistic training/retraining programmes that lead to decent work; gender specific policies that promote equitable outcomes; the fostering of international cooperation and coordinated multilateral actions; and the eradication of poverty. Lastly, just transitions may embody the redressing of past harms and perceived injustices (ILO 2015; UNFCCC 2016).
International Labor Organization (ILO)	A just transition is greening the economy in a way that is as fair and inclusive as possible to everyone concerned, creating decent work opportunities and leaving no one behind.
United Nations (Committee for Policy Development)	A just transition, broadly defined as ensuring that no one is left behind or pushed behind in the transition to low-carbon and environmentally sustainable economies and societies, can enable more ambitious climate action and provide an impetus to attaining the Sustainable Development Goals.
The Organisation for Economic Co-operation and Development (OECD)	A just transition aims to ensure environmental sustainability as well as decent work, social inclusion and poverty eradication.
African Development Bank (AfDB)	The Just Transition concept is defined as a framework for facilitating equitable access to the benefits and sharing of the costs of sustainable development such that livelihoods of all people, including the most vulnerable, are supported and enhanced as societies make the transition to low carbon and resilient economies. A Just Transition affirms Africa's right to development and industrialization based on the Paris Agreement negotiated language of equity and the principle of common but differentiated responsibilities and respective capabilities, in the light of different national circumstances.

Definition Source	Definition
European Bank for Reconstruction and Development (EBRD)	A just transition seeks to ensure that the substantial benefits of a green economy transition are shared widely, while also supporting those who stand to lose economically – be they countries, regions, industries, communities, workers or consumers.
World Bank (WBG)	The WB's Just Transition for All initiative puts people and communities at the center of the transition. The initiative works with stakeholders to create the plans, policies, and reforms needed to mitigate environmental impacts, support impacted people, and build a new clean energy future.
Asian Development Bank (ADB)	The ADB's Just Transition Support Platform, helps to ensure that the benefits of the shift to low-carbon, resilient economies are shared equally and no individual, community, or region is left behind.
European Union (EU)	The EU's Just Transition Mechanism aims to address the socioeconomic impact of the transition to a low-carbon economy and environmental legacy problems to harness new sustainable economic development opportunities for the most affected places and communities.

Sources

https://www.ilo.org/global/topics/green-jobs/WCMS_824102/lang-en/index.htm

<https://www.un.org/development/desa/dpad/wp-content/uploads/sites/45/CDP-excerpt-2023-1.pdf>

https://www.ipcc.ch/report/ar6/wg3/downloads/report/IPCC_AR6_WGIII_Annex-I.pdf

<https://www.oecd.org/environment/cc/g20-climate/collapsecontents/Just-Transition-Centre-report-just-transition.pdf>

<https://www.ebrd.com/what-we-do/just-transition>

https://www.afdb.org/sites/default/files/afdb_cif_annual_report_2022_-_special_focus_just_transition.pdf

<https://www.worldbank.org/en/topic/extractiveindustries/justtransition>

<https://www.eib.org/en/publications/supporting-the-just-transition-mechanism>

Appendix – B: MDB Just Transition High-Level Principles

The MDB Just Transition High-Level Principles provide high-level direction on the aims, approach, scope, scale, outcomes and processes associated with a just transition. They also maintain flexibility for MDBs to tailor their operational definitions and strategies to reflect their mandates, geographies and skillsets, and the context-specific nature of just transition challenges and opportunities. The principles aim to provide a common understanding of MDB support for a just transition and guide MDB policies and activities relating to it, optimising development assistance and supporting consistency in country engagement, including efforts to integrate just transition considerations into nationally determined contributions (NDCs) and long-term low GHG emissions and climate resilient strategies. They also provide clear signals and a consistent framework for engagement with other stakeholders and sources of finance, including national and regional development banks, donors and financial institutions.



– MDB Just Transition High-Level Principles¹ –

The Multilateral Development Banks (MDBs) have jointly committed to supporting a just transition.

Figure B1 – MDB Just Transition High-Level Principles press release

The five MDB Just Transition High-Level Principles are:

Principle 1: MDB support for a just transition aims to deliver climate objectives while enabling socio-economic outcomes, accelerating progress towards both the Paris Agreement and the SDGs. The MDBs are approaching just transition in the context of Paris Alignment, and with the objective of supporting the delivery of NDCs, long-term low GHG emissions and climate resilient strategies. Support for a just transition also delivers several SDGs, notably those relating to affordable and clean energy (SD7), gender equality (SDG5), decent work and economic growth (SDG8), reduced inequalities (SDG10), responsible production and consumption (SDG12) and climate action (SDG13). The climate outcomes associated with MDB support for a just transition are clear, and include higher NDC and long-term strategy ambition, supporting the goals of the Paris Agreement. The socio-economic outcomes will be broader, including support for affected communities and regions, and enhanced access to sustainable, inclusive and resilient livelihoods and services. As an approach, MDB support for a just transition intends to deliver climate and socio-economic outcomes, thereby accelerating delivery of the Paris Agreement and SDGs.

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

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

Principle 3: MDBs will encourage support for a just transition by building on existing MDB policies and activities, mobilising other sources of public and private finance, and enhancing coordination through strategic plans that aim to deliver long-term, structural economic transformation. Given their long-term approach, MDBs have a unique role to play in scaling support for a just transition. Delivering effective support for a just transition will require coordination within and among MDBs, engaging multiple areas such as climate change, energy and extractives, social development, gender and economic inclusion, health, sustainable infrastructure and macroeconomic planning, among others. It will also require enhanced coordination with other stakeholders – including national and regional development banks, donors and the private sector – and the mobilisation of other sources of finance, in order to scale support for a just transition through co-financing, and collaboration on policy approaches and technical assistance. In doing so, the MDBs recognise the long-term challenge of a just transition, and the potential for support – including integrated place-based planning, infrastructure investment, labour market and social development policy, SME and social finance, skills and training – to remove political and socio-economic barriers to transition, and contribute to structural economic transformations at local, regional and national levels.

Principle 4: MDB support for a just transition seeks to mitigate negative socio-economic impacts and increase opportunities associated with the transition to a net zero economy, supporting affected workers and communities, and enhancing access to sustainable, inclusive and resilient livelihoods for all. MDB support for a just transition will be informed by the distribution of the costs and benefits associated with the transition to a net zero economy. It seeks to mitigate negative impacts on the people and communities affected by shifts in climate policy, and in the competitiveness and resilience of GHG-intensive economic activity, and support equal access to the new opportunities, jobs and markets associated with transition. Using a gender-lens and integrated territorial development approaches, this approach may support the economic regeneration of communities that are dependent on fossil fuels and GHG emissions-intensive activities, and provide alternative pathways to sustainable, inclusive, resilient development. The entry points available to MDBs range from integrating distributional considerations in existing tools such as safeguards, social protections and country diagnostics, to developing new approaches including just transition plans and projects. The relative emphasis of MDBs – between mitigating impacts and enhancing opportunities – will reflect their operating contexts.

Principle 5: MDB support for a just transition encourages transparent and inclusive planning, implementation and monitoring processes that involve all relevant stakeholders and affected groups, and that further inclusion and gender equality. MDB support for a just transition encourages 'just' processes, as well as outcomes. Genuinely inclusive, transparent and accountable processes are central to successful support for a just transition. The challenges and opportunities associated with a just transition are inherently context-specific, reflecting the place and people affected, and requiring their engagement and ownership at local, regional and country level. It is therefore important that MDB support for a just transition is developed and delivered in consultation with affected groups, in line with MDB standards and international best practice, and in ways that advance inclusion and equality of opportunity for women and other groups. MDBs may also use their influence and investments to encourage and support other stakeholders, including government and business, in delivering transparent, inclusive processes.

Appendix – C: Progress Updates on Just Transition from other MDBs

At COP27, some MDBs presented updates on internal progress on JT efforts. A summary is provided below:

- African Development Bank: AfDB established a JT initiative in December 2021. There is emphasis on JT challenges specific for the African context, such as financial challenges and maximizing development and prosperity opportunities from transformation actions. The approach takes into account many non-fossil fuel dependent countries and the need for JT to address sectors beyond energy (e.g. agriculture). The approach notes that non-fossil fuel dependent countries may have potential to leapfrog to novel, sustainable economic systems. JT must also include limited social safeguards/protection, large informal workforce, existing governance and gender challenges in many countries.
- Asian Development Bank (ADB): The ADB institutional approach on JT focuses on 4 key areas to provide a strong enabling environment, create opportunities, improve livelihoods and drive growth in its developing member countries (DMCs); and for ADB to adequately respond and manage reputational and operational risks in delivering JT and the broader climate and development agenda. This includes: (a) Development of an operational framework; (b) Employing a OneADB approach; (c) Mobilization of resources to enable technical and financing support; and (d) Continuing/enhancing external engagement.
- European Bank for Reconstruction and Development (EBRD): – EBRD JT Initiative (JTI) aims to ensure the benefits of a green economy transition are shared, while protecting vulnerable countries, regions and people from falling behind. Established areas of support include: (a) JT diagnostics and action plans and broader policy support; and (b) Financing for JT projects across the three key themes with technical assistance on due diligence (incl. land repurposing); re/upskilling of workers; and corporate climate governance. Growth areas include bonds targeting JT (transition bonds, SLBs, sustainability bonds etc); corporate & financial transition plans (integration of JT considerations via strategic workforce management); and comprehensive transition packages with JT component and going beyond coal.
- European Investment Bank (EIB): – The EIB supports the European Commission JT Mechanism and understands JT in the European Union as a set of policies and investments directed at the territories most affected by decarbonisation and the end of fossil mining with the aim of: (a) addressing the socio-economic and environmental impacts of the transition; and (b) harnessing new sustainable economic development opportunities (incl. through decarbonisation). JT projects in the EU tackle vulnerability (targeting the most affected regions), supports local intent (manifested in Territorial JT Plans) and are relevant (by focusing on a set of eligible sectors). Globally, the EIB JT approach is comprehensive and includes a JT focusing on addressing the socioeconomic impact of mitigation-related policies, including through Just Energy Transition Partnerships (JETP); and Just resilience focusing on addressing the socioeconomic impact of climate change and adaptation-related policies and responses.
- Inter-American Development Bank (IADB): – The IADB approach focuses on impacts on: employment and skills; households and poverty; regions and communities; fiscal; and political

economy. IADB supports implementation of instruments via Policy Based Loans, Investment Loans, and non-reimbursable Technical Cooperation in countries. They are currently working with multiple countries on projects, such as (a) working with a public employment service to implement specialized services to support green sectors, including a green jobs promotion strategy and creation of a Green Jobs Coordination Committee; (b) developing talent pipelines for green sectors, specifically Energy and Water sectors; and multiple other projects.

- World Bank Group (WBG): – The World Bank Group JT approach focuses on several key areas, namely: technical assistance for coal regions; financing transition projects and programs; knowledge-sharing platform meetings; country/region twinning; and coal Regions Learning Academy. WBG do this by focusing on institutional governance; people and communities; environmental reclamation and re-purposing of land and assets; bankability of transition projects; shielding measures for local communities; and recultivation and protection of health and environment.

Appendix – D: Key IsDB Organizational Policies Relevant to Just Transition

IsDB Strategy Realignment 2023-25

https://www.isdb.org/sites/default/files/media/documents/2023-03/IsDB_SR23-25_English_WEB_Single.pdf

IsDB Climate Change Policy

<https://www.isdb.org/sites/default/files/media/documents/2022-02/IsDB%20Climate%20Change%20Policy.pdf>

IsDB Climate Action Plan 2020-2025

https://www.isdb.org/sites/default/files/media/documents/2022-02/IsDB_Climate_Action_Plan_2020%20-%202025%5B12%5D.pdf

Women's Empowerment Policy

<https://www.isdb.org/sites/default/files/media/documents/2022-02/Women%26%23039%3Bs%20Empowerment%20Policy.pdf>

Youth Development Strategy 2020-2025

<https://www.isdb.org/sites/default/files/media/documents/2020-02/The%20IsDB%20Youth%20Development%20Strategy.pdf>

Fragility and Resilience Policy

<https://www.isdb.org/sites/default/files/media/documents/2022-02/Fragility%20and%20Resilience%20Policy.pdf>

Disaster Risk Management and Resilience Policy

https://www.isdb.org/sites/default/files/media/documents/2022-02/DRMR_Policy.pdf

Civil Society Engagement Policy

https://www.isdb.org/sites/default/files/media/documents/2020-02/IsDB_CS0%20Policy.pdf

Energy Sector Policy

https://www.isdb.org/sites/default/files/media/documents/2019-04/IsDB_Energy%20Sector%20Policy.pdf

Agriculture and Rural Development Sector Policy

https://www.isdb.org/sites/default/files/media/documents/2019-04/IsDB_Agriculture%20Sector%20Policy.pdf

Transport Sector Policy

https://www.isdb.org/sites/default/files/media/documents/2019-04/IsDB_Transport%20Sector%20Policy.pdf

Urban Sector Policy

https://www.isdb.org/sites/default/files/media/documents/2021-03/IsDB_Urban%20Sector%20Policy_Final_high%20resolution%20cover%20page%20%282%29-compressed.pdf

Water Sector Policy

<https://www.isdb.org/sites/default/files/media/documents/2021-03/Water%20Sector%20Policy%208.0.pdf>

Appendix – E: Stakeholders consulted during Framework development

Stakeholder consultation during development of the Framework was centered around two internal workshops and a concept note:

- 28th February, 2023, “What is the Just Transition and What Does it Mean for IsDB Operations” (invitation circulated to 50+ internal and external colleagues);
- Concept note titled “IsDB Just Transition Approach Paper”; and
- 28th September, 2023, “Just Transition – A Framework for IsDB” (invitation circulated to 50+ internal and external colleagues).

Internal stakeholders consulted during the development of the Framework included:

- Economic and Social Infrastructure Department (ESID) (Energy, Transport, Urban, Water, Agriculture);
- IsDBI;
- Corporate Governance;
- Resilience and Climate Action Department (RCA) (Women and Youth, NGOs, Fragility, Disaster Risk, Climate Change and Environment).

External stakeholders consulted during the development of the Framework include:

- International Labor Organization (ILO);
- International Energy Agency (IEA).

IsDB’s proposed approach to JT was socialized at several forums including:

- MDB JT Working Group;
- 2023 UNFCCC Forum of the Standing Committee on Finance: Financing Just Transitions, Bangkok, June 2023;
- MENA Climate Week, Riyadh, 2023 (on a panel with ILO, UNFCCC, Cambridge Econometrics, Ministry of Energy KSA);
- Islamic Development Bank Institute (IsDBI) event on 23rd October 2023, titled “Webinar on Structural Transformation and Just Transition in Africa”.

Appendix – F: Indicative Action Plan for Just Transition Activities at IsDB 2023-2025

Table E1 includes potential activities (knowledge, collaboration, operational approaches, policy support, technical assistance/financing) under the umbrella of the JT Framework, for deployment across IsDB sovereign operations between 2023 and 2025 (inclusive).

Table E1 – Indicative Action Plan for JT Activities at IsDB 2023-2025

No.	Proposed Activity	Timeline	Dept. / Div. Involved	External Partner/s	Status
<i>Knowledge Activities</i>					
1	Analytical Knowledge Product on JT Opportunities for IsDB Middle East and North Africa MCs	2023-2024	RCA	ILO	Complete Dec 2023
2	Analytical Knowledge Product on JT Opportunities for (i) IsDB Sub-Saharan and West Africa MCs and/or (ii) IsDB Central Asia MCs ¹⁹	2024	RCA, Relevant RH/s	ILO	Proposed
<i>Collaboration Activities</i>					
1	Ongoing participation in MDB JT Working Group. Consider chairing Working Group.	2023-2025	RCA	Other MDBs	Ongoing
2	Engaging in JT Activities at UNFCCC and other relevant forums (e.g. COP28, COP29, COP30, Regional Climate Weeks (e.g. MENA, Africa, Asia, Latin America), UNFCCC Forum of the Standing Committee on Finance: Financing JTs)	2023-2025	RCA	UNFCCC, Other MDBs	Ongoing
3	Strengthening ongoing external partnerships (e.g. ILO, IEA, OSP, MDBs) and exploring new partnerships, including with MC CSOs to help ensure that IsDB's approach to JT is inclusive, representative, fair and supportive	2024-2025	RCA & Others	ILO, Others	Ongoing & Expansion
<i>Operational Approach Activities</i>					
1	Workshops (x2) on Introduction of JT concept and proposed IsDB approach.	2023	RCA	ILO, IEA	Completed
2	Approval of IsDB JT Framework and Action Plan 2023-2025.	2023	RCA	ILO	Completion Nov. 2023
3	Continue work on a comprehensive Climate Risk management Framework which would include transition and ESG risks management.	2023-2025	RCA, RMD	N/A	Ongoing
4	Workshop/training module on socialization and implementation of JT Framework and Action Plan (including Regional Hubs) in IsDB sovereign operations. May include training for	2024	RCA, Others	TBC	Proposed

¹⁹ Including scope to identify critical skills gaps and adequate methodology, design and related implementation policies which go beyond the formal labor markets approach.

No.	Proposed Activity	Timeline	Dept. / Div. Involved	External Partner/s	Status
	operational teams (including regional hub staff, OTLs, and relevant sector and thematic staff) to integrate JT into MCPS planning and development. May also include a guidance note/brochure to help integrate JT into sector, thematic and project interventions ²⁰ .				
5	Integrate JT concept into planned IsDB sector and thematic policy updates.	2024-2025	ESID, RCA	N/A	Proposed
6	Explore development of a results framework to measure IsDB progress and impact on JT support to derive key indicators applicable for IsDB and its MCs;	2024-2025	RCA, SBCP, Others	TBC	Proposed
7	Explore a set of metrics for the screening and monitoring of JT at IsDB portfolio and sector levels. Include in dialogue with MCs.	2024-2025	RCA, Others	TBC	Proposed
8	Explore baseline of JT activities in current IsDB portfolio, tracking of components in IsDB projects/pipelines ²¹ . Include in dialogue with MCs.	2024 or 2025	RCA, others	N/A	Proposed
<i>Policy Support Activities</i>					
1	Integration of JT into Member Country Partnership Strategy (MCPS) diagnostics and dialogue with MCs.	2024-2025	All	MC Govts.	Commence 2024
2	Supporting MC NDC updates and LTS to integrate JT, through TA grants from internal and external sources (e.g. NDC-P, LTS Program, IKI, GCF).	2023-2025	RCA	MDBs, MC. Govts.	Commence 2024
<i>Technical Assistance (Financing) Activities</i>					
1	Identification of streamlined avenues for external resource mobilization for technical and financial support for MC JT.	2024	RCA lead, Other Depts.	TBC	Proposed
2	Joint TA proposal with an external partner (e.g. MDB) for development of a JT investment for an IsDB Member Country.	2025	RCA lead, RH/s, Other Depts.	TBC	Proposed

²⁰ May include training and capacity development on the integration of sustainable procurement in projects and country system discussions. This shall support full alignment with the Paris Agreement.

²¹ Operationalization of JT principles into IsDB business processes must be compatible with Islamic financing modalities and Sharia-compliant. JT activities may be generally compatible with, and may leverage, IsDB's sustainable procurement principles throughout the project lifecycle.