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AIIB Climate-Focused Policy-Based Financing: What Needs to Change

FRIEDERIKE STRUB, RECOURSE

In 2024, the Asian Infrastructure Investment Bank (AIIB) unveiled a new lending instrument: Climate-Focused Policy-Based Financing (CPBF). At other MDBs, lending in return for policy reforms has a long history, building on the World Bank's and IMF's infamous structural adjustment programmes. For the AIIB, CPBF is its first permanent policy-based lending tool, and unlike its predecessors, it is exclusively aimed at climate action. To be eligible, countries need to have an IMF-approved macro-policy framework and national climate plans in place that can be translated into so-called 'prior actions' – the conditionalities that have to be met for funds to be released. The AIIB counts these CPBF loans fully as climate finance; once the funds are deposited though, governments can use them for anything.

Now that around \$6.3bn have been lent out already and another \$7.4bn are in the pipeline counting other banks' co-financing (\$9.6bn according to the AIIB), the AIIB has conducted a first internal evaluation of the instrument. Recourse and Latino-america Sustentable have used this opportunity to provide a critical review from civil society, investigating two key CPBF programmes: Bangladesh's \$1.6bn Climate Resilient Inclusive Development Program, the first of its kind and co-financed with

the Asian Development Bank (ADB), and Brazil's \$1bn Value-Enhancing Reforms for Development and Ecological Sustainability, the so-far largest standalone CPBF and the first in Latin America.

Issues with CPBF in practice

Our research published this week shows that the frameworks, methodologies and policies governing CPBF contain major fossil loopholes, safeguarding risks, rights and accountability gaps, as well as serious questions around traceability and additionality of funds, and climate impacts. We looked at:

- Fossil fuel finance: Only coal finance is fully prohibited by the AIIB's policies, not oil or gas. CPBF funds are fungible and some countries' energy plans still contain fossil expansion, such as Bangladesh's Integrated Energy and Power Master Plan. Thus, CPBF money may in fact flow into fossil fuels.
- Paris alignment: CPBF uses the Joint MDB Principles for Paris alignment of policy-based lending, a rudimentary checklist that is not aligned with 1.5°C and still allows for climate-harming activities as long as they are 'mitigated'.



A floating clinic with solar panels in Bangladesh. Photo credit: Jack Taylor / Climate Visuals Countdown, 2019. Licensed under Creative Commons CC BY-NC-ND 4.0.

- Climate finance accounting: CPBF counts as 100% climate finance based on the prior actions but does not track what the money is used for, whether it leads to meaningful climate outcomes, and whether the prior actions are sufficiently transformative and additional to justify the loan size.
- Just transition: The AIIB's policies and CPBF-supported plans in both Bangladesh and Brazil endorse a litany of false solutions like carbon capture, waste-to-energy, biofuels and carbon markets, despite major risks of land grabbing, rights violations, and continued pollution.
- Gender integration: Both programmes claim to effectively mainstream gender and recognise differentiated climate impacts, but outcome indicators are superficial and neither address considerable potential harms. The AIIB's Gender Action Plan remains non-binding.
- Rights, transparency & accountability: Most of the AIIB's Environmental & Social Framework doesn't apply to CPBF. Pre-loan consultations and post-loan risk management are delegated to client countries. In Bangladesh, affected communities can only reach out to the ADB, while in Brazil they can come

to AIIB's independent accountability mechanism, the PPM, but it has such high access hurdles that not a single complaint has been accepted in seven years.

CPBF's focus on countries' national climate plans is an important step change from the top-down, austerity-centred conditionality still prevalent, for example, in IMF programmes. However, many of its current features create space for financing activities that harm the climate and communities, fortify accountability weaknesses, and create alignment with a creditor-driven private finance agenda rather than right-based and climate-resilient development.

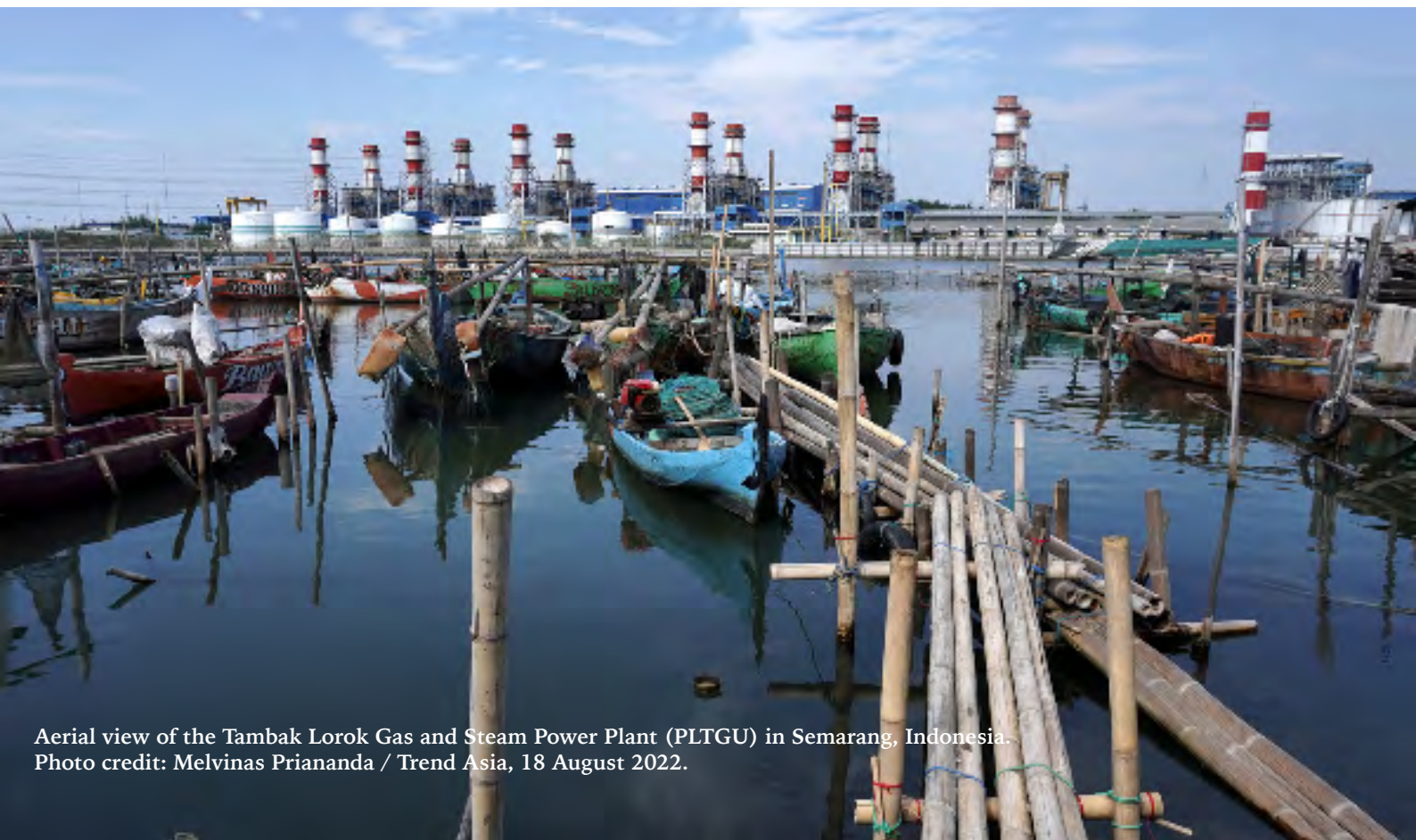
Opportunities for reform

The interim review of CPBF, upcoming update of the Energy Sector Strategy, and 2027 review of the Gender Action Plan provide the AIIB Board with a unique opportunity to push for improvements to the instrument in the next months.

The AIIB should use these reviews to strengthen key frameworks such as its Operational Policy on Financing, Energy Sector Strategy, Environmental & Social Framework, Project-affected Peoples' Mechanism, Gender Action Plan as well as the joint MDB Paris alignment and climate finance tracking methodologies.

If the AIIB is serious about supporting its member countries in the transition to a low-carbon and climate-resilient future, it should set the highest bar to turn CPBF into a tool that delivers demonstrably additional, rights-protecting, Paris-compatible and gender-responsive outcomes, with transparent monitoring and accessible accountability for any downstream harms.

Read the full analysis and recommendations on the Recourse website: www.re-course.org



Aerial view of the Tambak Lorok Gas and Steam Power Plant (PLTGU) in Semarang, Indonesia.
Photo credit: Melvinas Priananda / Trend Asia, 18 August 2022.

PAKISTAN'S SOLAR RUSH:

How citizens built an energy shock absorber the Asian Development Bank's financial intermediaries as fossil fuel back doors

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Few countries have experienced an energy transition led not by the state, donors, or climate policy but by ordinary citizens. Yet Pakistan's solar boom represents exactly that: a bottom-up energy revolution driven by households, small businesses, women and farmers seeking survival amid rising electricity prices, fuel insecurity, and grid unreliability. In just a few years, solar energy moved from the margins of Pakistan's power sector to becoming one of its fastest-growing sources of electricity, with an estimated 30 GW of installed solar capacity emerging in a country whose total installed power capacity stands at around 41 GW.

Several factors have driven this grassroots solar surge. Faced with soaring electricity prices, people turned to solar as a practical alternative. Affordable Chinese solar panels, with prices falling by 50% globally and available with minimal taxation, made the transition even more attractive. As a result, Pakistan's solar PV imports skyrocketed from just 1 GW in 2018 to nearly 51 GW today. The 2022 energy crisis proved to be the turning point, pushing millions of households toward solar as a shield against rising costs and

energy uncertainty. Pakistan's distributed solar boom has unintentionally become the country's largest energy shock absorber against fossil fuel volatility and geopolitical disruption.

Today, this solar boom is doing more than reducing electricity bills, it is also protecting Pakistan from the energy crisis caused by the war in the Middle East. It is a living example of how renewable energy can help maintain a country's energy security. If this adoption had not happened on such a massive scale, Pakistan's power sector would definitely have suffered huge losses today as fuel supplies are being affected by the closure of the Strait of Hormuz.

Pakistan meets a major share of its fuel needs through imports from the Gulf, with nearly 80% of its oil and LNG supplies linked to the region and around 99% of its LNG imports coming from Qatar and the UAE. Any closure of the Strait of Hormuz would therefore disrupt almost the entire LNG supply chain feeding Pakistan's energy system.

The disruption exposed the structural vulnerability of import-dependent fossil fuel systems. Pakistan's rapidly expanding distributed solar capacity helped cushion

the shock by reducing daytime grid demand, lowering fuel consumption, and protecting households and industries from the full impact of supply disruptions and price spikes.

Pakistan began importing LNG in 2015 as domestic gas reserves declined rapidly. Today, imported LNG generates roughly a quarter of the country's electricity, with the power sector its largest consumer. Over the past two years, Pakistan faced an LNG surplus significant enough that discussions were underway with Qatar to defer around 177 cargoes scheduled between 2026 and 2031. The surplus also prompted the government to ease the gas connection moratorium imposed in 2021, reopening domestic RLNG connections that had previously been suspended due to supply concerns.

However, the war in the Middle East and the resulting disruption in the Strait of Hormuz have rapidly turned Pakistan's LNG glut into a looming shortage. The country has now been forced to buy LNG from the spot market, while domestic RLNG connections have again been suspended amid supply fears. At the same time, fuel prices have nearly doubled: petrol and diesel have surged to USD 1.49 per litre, compared to USD 0.93 and USD 0.96 respectively in February 2026. Pakistan's experience challenges the long-standing assumption, promoted by MDBs, that gas expansion is necessary for energy security and development. While international financial institutions kept backing LNG infrastructure as a pathway to stability, Pakistan's real energy resilience emerged from decentralized solar adoption led by households, farmers, and businesses themselves.



View of rooftop solar panels over Islamabad. Photo credit: Zubair Khan

Following the 2022 energy crisis, rising fuel prices and capacity payments linked to underutilized grid infrastructure drove electricity tariffs up by nearly 155% between 2021 and 2024, pushing people toward solar to escape expensive, unreliable power. Households installed rooftop systems, while factories adopted solar to reduce grid dependence. Those with solar were largely protected from the load shedding triggered by the current crisis, and industries running on solar continued operations without major disruption. Farmers, in particular, benefit from solar-powered tube wells, which provide a reliable water supply and protect them from volatile diesel prices. A study by Ember found solar's share in electricity increased fivefold between December 2021 and December 2025. The solar surge effectively created large-scale demand destruction within Pakistan's electricity system, reducing grid consumption and weakening assumptions underpinning future LNG demand projections.

While solar has traditionally been limited to daytime use, many are now looking toward Battery Energy Storage Systems (BESS) to extend solar power into the night as well. With cheaper Chinese lithium-ion batteries entering the Pakistani market, this shift is expected to significantly reduce, and potentially eliminate, dependence on the national grid over time.

Beyond economics and energy security, the transition is also transforming everyday life for women, redistributing social power, mobility, and personal safety at the household level. As one woman described:

'Our washroom is away from the house. At night, we were always afraid of animals and strangers. Now with solar lighting, that fear is gone. We feel safe stepping out after dark.'

While this transition has strengthened energy resilience and reduced dependence on the unreliable national grid, its benefits are not yet evenly shared across society due to financial and access barriers. Bridging this gap through improved financing mechanisms and inclusive energy policies will be essential to ensure that the solar revolution becomes not just fast, but also fair and sustainable for all segments of the population.

At the same time, Pakistan's experience demonstrates that energy transitions do not always begin with national plans or international climate commitments. Instead, Pakistan is emerging as one of the first large-scale examples of an unplanned consumer-led energy transition in the Global South, driven by economic crisis, citizen adaptation, and technological affordability. The lesson for governments and public finance institutions is increasingly clear: distributed renewable energy may prove far more effective at delivering energy security, affordability, and resilience than continued investment in fossil fuel infrastructure.

*** Originally published on Finance Uncovered.

THE AIIB IN LATIN AMERICA

A quiet expansion that deserves more attention

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LATINOAMÉRICA SUSTENTABLE

The Asian Infrastructure Investment Bank (AIIB) is quietly expanding its presence in Latin America. In recent years, the bank has expanded its operations, strengthened partnerships with regional development banks, and begun financing not only infrastructure but also institutional reforms and public policies.

Following a wave of new memberships between 2020 and 2021, when most of the current Latin American members joined the AIIB¹, El Salvador's planned accession in 2024 and the ongoing applications from Bolivia, Colombia, and Venezuela show that regional interest in becoming members and borrowers of the bank remains strong. Since its first loan in the region, the bank has financed 19 projects, including those approved, in preparation, and one that was canceled.² Its regional presence remains limited compared to the Bretton Woods institutions, the Inter-American Development Bank (IDB), or the Development Bank of Latin America (CAF). However, recent trends suggest its influence could increase significantly.

Behind the Funding: The Challenge of Identifying Impacts

A distinctive feature of the Latin

American portfolio is that a large portion of the financing is channeled through various types of financial intermediaries: development banks, private banks, cooperative financial institutions, investment funds, and asset managers. Under this model, the AIIB does not directly finance specific projects or activities but delegates the selection of final investments to the intermediary entities. In most cases, it is not possible to publicly identify which projects receive support from the AIIB, where they are located, or who might be affected. While this model offers speed and flexibility and facilitates the mobilization of private capital, it also reduces visibility and accountability regarding territorial impacts, complicating accountability.

The ISQ Growth Markets Infrastructure Fund II multi-country project, approved in 2026, reflects these challenges.³ When financing is channeled through investment funds, subprojects may be defined at a later stage and become subject to third-party management systems. This type of operation hinders access to public information, weakens the traceability of financing, and makes the path to remediation less clear for potentially affected communities.

Latin American Membership in the AIIB

Asian Infrastructure Investment Bank



Status ● Full member ● Prospective member ● Not a member

Full members: Argentina, Brazil, Chile, Ecuador, El Salvador, Peru, Uruguay. Prospective members: Bolivia, Colombia.

Source: Authors' own elaboration using data from AIIB Corporate Brochure 2025, as of November 2025.

Furthermore, the use of financial vehicles, such as investment funds, allows for investment even in countries that are not members of the AIIB. For example, Mexico and Colombia have been identified as target markets for certain bank-backed funds. As a result, the actual scope of the investments could be broader than what regional membership and countries' official figures suggest. The Global Infrastructure Partners Emerging Markets Fund I project, approved in 2021, is a telling example of this dynamic.⁴

Brazil as the Hub of Regional Expansion

A second trend is the strong concentration of operations in Brazil. Of the 19 projects linked to Latin America—including those approved and in preparation—11 are in Brazil. This centrality makes Brazil the AIIB's primary area of expansion in the region. It offers a unique vantage point from which to observe the evolution of its priorities and financing modalities.

The Brazilian portfolio reflects the convergence between the AIIB's priorities and sectors strategic to Brazil, such as infrastructure, climate finance, and biofuels. Among the most recent projects in Brazil are: the Sicredi Green Loan (USD 100 million, 2025), to finance solar energy through a cooperative bank; the BNDES Green and Sustainable Infrastructure On-Lending (USD 250 million, 2025), currently in preparation, which delegates the selection of funded subprojects to the national bank; and the "5 Guaíba Trade Recovery and Facilitation (2025), classified as high risk and whose safeguard criteria were defined only after its approval;⁶ and FS Biofuel Green Financing, also in preparation, which provides for USD 70 million in financing to support the construction of a new corn ethanol plant in Mato Grosso.⁷

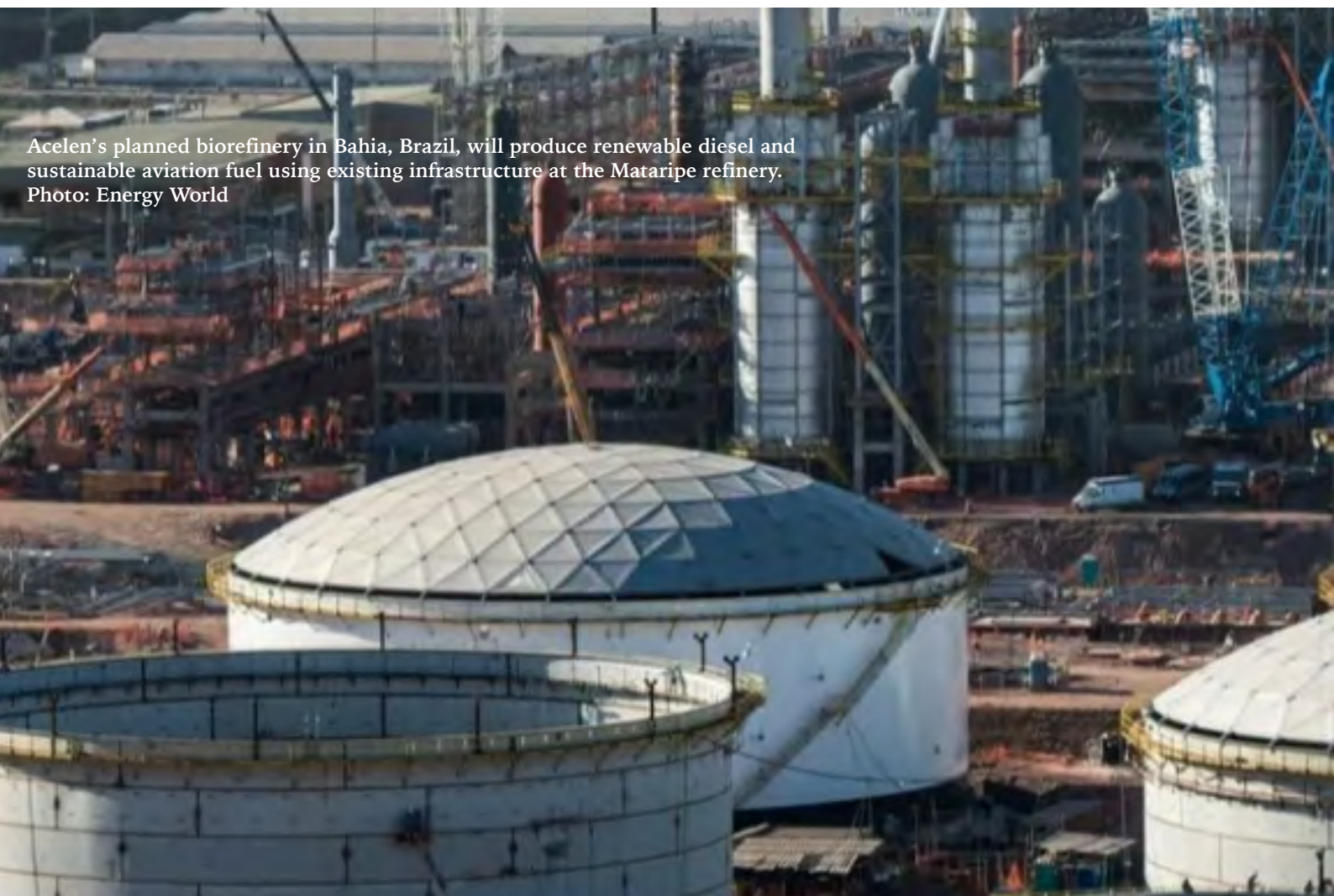
More than just a geographic concentration, the Brazilian experience illustrates how the AIIB is expanding its presence in

Latin America through a combination of climate finance, financial intermediation, and investments linked to the energy transition.

HEFACo and the Challenges of High-Risk Projects

Among these projects, HEFACo offers a particularly useful window into the environmental and social challenges that could accompany the AIIB's expansion in the region. HEFACo was identified in 2026 as one of the few projects classified in the AIIB's high-risk category in Latin America—that is, with "potentially significant, diverse, or irreversible environmental and social impacts," according to the bank's own classification.⁸ The project involves the construction of a biorefinery in São Francisco do Conde, Bahia, operated by Acelen Renewables and located adjacent to the Mataripe fossil fuel refinery.⁹ It is designed to process 20,000 barrels of feedstock per day and produce sustainable aviation fuel and renewable

Acelen's planned biorefinery in Bahia, Brazil, will produce renewable diesel and sustainable aviation fuel using existing infrastructure at the Mataripe refinery.
Photo: Energy World



diesel, with operations scheduled to begin in 2029. However, the project raises important questions.

On the one hand, its co-location with the Mataripe refinery¹⁰ raises doubts about the project's net contribution to decarbonization and the risk of prolonging fossil-fuel-based infrastructure. On the other hand, the use of feedstocks such as soybeans, used cooking oil, and macaúba sparks debates about pressure on land use and biodiversity, as well as impacts on rural communities.

The project also involves territories inhabited by Quilombola communities, including Monte Recôncavo, Bananeiras, and Maracanã. The Stakeholder Engagement Plan itself documents concerns regarding the inadequacy of consultations—two meetings deemed insufficient for a project of this scale,

and allegations of a lack of transparency regarding whether construction would proceed regardless of the outcomes.¹¹

A Growing Footprint

The combination of financial intermediation, geographic concentration in Brazil, and projects with higher environmental and social risks suggests that the AIIB is beginning to expand not so much by the number of projects as by new forms of financing and influence.

Among these, VERDES stands out as the first Climate Policy-Based Financing (CPBF) program approved by the AIIB in Latin America.¹² Unlike traditional loans, this instrument does not finance specific projects; rather, it supports public policy reforms to facilitate future climate investments. The Brazilian case thus illustrates a significant shift: the IBRD no longer finances only infrastructure but is also beginning to influence regulatory and institutional frameworks.



The expansion of the AIIB in Latin America comes at a time when the region faces pressing needs to finance the energy transition, bridge infrastructure gaps, and respond to climate change—all against a backdrop of deep inequality. But the central question is: under what conditions does this financing come, and to whose benefit? And with that question comes the equally urgent need to avoid repeating the mistakes of past development financing.

A bank that expands its use of financial intermediaries, approves operations before its environmental and social management tools are fully developed, and finances projects with significant impacts on local communities risks reproducing the same extractive logic of the past, now repackaged with green labels.

In a region marked by deep inequalities and socio-environmental conflicts, what is at stake is what kind of bank the AIIB is and what role it will play in Latin America: one that strengthens rights, expands community participation, and fosters sustainable and equitable development, or one that reproduces the same extractive logic of the past, now presented under a green transition strategy. Latin American civil society has a voice, and this voice must be heard by the AIIB when defining its priorities, its rules, and the direction of its investments. The true challenge for the AIIB is not to increase its lending to the region, but to ensure that those resources contribute to sustainable, democratic development that respects both people and nature.

Endnotes

- 1 AIIB, “Members and Prospective Members of the AIIB,” www.aiib.org, accessed in June 2026.
- 2 Data compiled from the AIIB project database, www.aiib.org/projects, accessed in June 2026.
- 3 AIIB, “ISQ Growth Markets Infrastructure Fund II,” proposal potentially approved in 2026, www.aiib.org.
- 4 AIIB, “Global Infrastructure Partners Emerging Markets Fund I,” approved in 2021, www.aiib.org.
- 5 AIIB, “Brazil: Sicredi Green Loan,” approved in 2025, \$100 million. AIIB, “Brazil: BNDES Green and Sustainable Infrastructure On-Lending,” in preparation, USD 250 million. The latter two are available at www.aiib.org.
- 6 AIIB, “Brazil: Guaíba Recovery Project,” approved in 2025. Available at www.aiib.org. Category A corresponds to projects with potential significant, adverse, diverse, or unprecedented environmental and social impacts, according to the AIIB’s Environmental and Social Policy.
- 7 AIIB, “Brazil: FS Biofuel Green Financing,” in preparation, USD 70 million. Available at www.aiib.org.
- 8 AIIB, “Brazil: HEFACo – Hydroprocessed Esters and Fatty Acids Co-processing,” approved in 2026. Available at www.aiib.org.
- 9 Acelen Renewables operates the Mataripe refinery (formerly RLAM), acquired from Petrobras in 2021. The HEFACo biorefinery will be built adjacent to this existing fossil fuel infrastructure.
- 10 The Mataripé Refinery, located in Bahia and operated by Acelen since 2021, is Brazil’s second-largest refinery; it processes more than 300,000 barrels of oil per day and supplies more than half of the fuel demand in the Northeast region.
- 11 AIIB, “HEFACo Stakeholder Engagement Plan,” 2025. The Quilombola communities mentioned are Monte Recôncavo, Bananeiras, and Maracanã, located in São Francisco do Conde, Bahia.
- 12 AIIB, “Brazil: VERDES – Verde Emissões Reduzidas e Desenvolvimento Sustentável,” the AIIB first Climate Policy-Based Financing (CPBF) program in Latin America, approved in 2024. Available at www.aiib.org.

THE ASIAN INFRASTRUCTURE INVESTMENT BANK'S INVESTMENT PORTFOLIO IN CENTRAL ASIA: OPPORTUNITIES AND CHALLENGES FOR SUSTAINABLE DEVELOPMENT

CHINARA AITBAEVA, PUBLIC FOUNDATION “NASH VEK”

Over the past decade, the Asian Infrastructure Investment Bank (AIIB) has become one of the leading international financial institutions supporting infrastructure development, sustainable energy, transport connectivity, and climate resilience.

For the countries of Central Asia, cooperation with AIIB is of strategic importance given the pressing need to modernize transport corridors, energy systems, water infrastructure, and municipal services amid constrained national fiscal resources.

An analysis of AIIB's investment portfolio reveals significant differences among countries in the region. While some have developed large and diversified portfolios that include private-sector financing and renewable energy investments, others continue to rely primarily on sovereign lending.

According to the AIIB Project Database, the Bank's total approved financing in four Central Asian countries—Kazakhstan, Uzbekistan, Tajikistan, and the Kyrgyz Republic—amounts to approximately USD 4.5–4.6 billion.

Uzbekistan: AIIB's Largest Portfolio in Central Asia

Uzbekistan is the largest recipient of AIIB financing in Central Asia, with approved investments totaling approximately USD 2.24 billion.

The portfolio primarily supports: water supply and sanitation; transport infrastructure; rural infrastructure development; climate-related projects; renewable energy.

Approximately 90% of financing consists of sovereign operations, while around USD 225 million has been allocated to non-sovereign financing, including wind power generation and energy storage projects.

Uzbekistan's success reflects the availability of well-prepared investment projects, proactive public institutions, and ongoing structural reforms. Nevertheless, the growing volume of external financing underscores the need for greater transparency, stronger environmental oversight, and more rigorous assessment of development effectiveness.

Kazakhstan: Infrastructure Development and Private Capital Mobilization

Kazakhstan ranks second in the region, with AIIB financing totaling approximately USD 1.88 billion.

The portfolio focuses on: transport corridors; railway infrastructure; energy; development of the Middle Corridor; financial sector development.

Around 94% of the portfolio consists of sovereign operations, although Kazakhstan is gradually expanding the use of public-private partnerships (PPPs) and private-sector investment mechanisms.

Kazakhstan's experience demonstrates that multilateral development banks can serve not only as providers of sovereign financing but also as catalysts for private-sector development and institutional reforms.

Tajikistan: Infrastructure Development with a Strong Government Role

AIIB financing in Tajikistan amounts to approximately USD 357.5 million.

The main areas of investment include: hydropower; transport; water supply; energy security.

The portfolio is almost entirely based on sovereign financing. While these investments contribute to critical infrastructure development, they also increase concerns regarding debt sustainability, investment efficiency, and environmental impacts.

A particularly significant initiative is the Rogun Hydropower Plant (Rogun HPP), which is regarded as a strategic project for strengthening national energy security and expanding electricity exports. However, the project's scale also gives rise to substantial environmental and social challenges.

One of the most sensitive issues concerns the involuntary resettlement of communities affected by dam construction and the future reservoir. Effective implementation requires fair compensation, livelihood restoration, adequate housing, and access to social infrastructure for displaced households. From the perspective of international financial institutions, strict compliance with international standards on involuntary resettlement, meaningful stakeholder consultation, and effective grievance redress mechanisms is essential.

Beyond resettlement, the project requires continuous monitoring of its impacts on water resources, biodiversity, river hydrology, climate resilience, and potential transboundary effects across the Amu Darya basin. Consequently,

large hydropower projects require not only substantial financial resources but also high levels of transparency, independent environmental monitoring, and meaningful public participation throughout the project cycle.

The Kyrgyz Republic: A Limited Portfolio with Significant Growth Potential

The Kyrgyz Republic currently has the smallest AIIB investment portfolio among the countries of Central Asia.

Existing projects are concentrated in: financial sector development; water supply and sanitation; support for small and medium-sized enterprises.

All approved projects are sovereign operations, while AIIB has not yet approved any non-sovereign investments in the Kyrgyz Republic.

In 2026, discussions took place regarding AIIB's potential participation in several strategic infrastructure initiatives, including the Kambarata Hydropower Plant-1 and the China–Kyrgyzstan–Uzbekistan Railway. However, at the time of this analysis, these projects had not yet been approved by AIIB.

Expanding cooperation will require not only additional financing but also stronger project preparation capacity, enhanced public-private partnership mechanisms, improved transparency, and comprehensive environmental and social assessments.

Regional Trends and the Evolving Role of AIIB

AIIB's investment strategy in Central Asia is gradually moving beyond traditional infrastructure financing. The Bank's portfolio increasingly includes: renewable energy; climate adaptation; digital transformation; sustainable urban infrastructure; private-sector development. Differences in financing volumes across the region reflect not only economic capacity but also the ability of national institutions to prepare high-quality investment projects that meet international standards.

Kazakhstan is strengthening its railway network to accommodate growing trans-Asian freight traffic. Photo credit: David Gubler / Wikimedia Commons, licensed under CC BY-SA 3.0.





Construction of the Rogun Hydropower Plant in Tajikistan, a major infrastructure project that has raised concerns over environmental and social impacts, including risks to communities and water resources. Photo: Kun.uz.

At the same time, experience from major infrastructure projects demonstrates that environmental and social sustainability has become as important as investment volume itself. Hydropower developments, transport corridors, and urban infrastructure projects increasingly raise issues related to land acquisition, involuntary resettlement, ecosystem protection, access to information, and stakeholder engagement. This highlights the growing importance of effective implementation of AIIB's Environmental and Social Framework and internationally recognized safeguard standards.

Conclusions and Recommendations from Civil Society Organizations (CSOs)

From the perspective of civil society organizations, the effectiveness of AIIB-supported investments should be assessed not only by the volume of financing provided but also by their long-term impact on people, the environment, and sustainable development.

Civil society recommends the following:

1. Strengthen transparency in investment planning. Governments should ensure public access to project documentation, including feasibility studies, environmental and social impact assessments, financing terms, and expected development outcomes.
2. Promote independent public monitoring. Civil society participation should be ensured throughout the project cycle—from project preparation to monitoring implementation and evaluating actual impacts on affected communities.
3. Ensure compliance with international environmental and social standards. Particular attention should be paid to involuntary resettlement, natural resource management, climate impacts, and the protection of the rights of affected people.
4. Improve project preparation quality. The experiences of Kazakhstan and Uzbekistan demonstrate that successful mobilization of development finance depends on strong institutional capacity and well-prepared investment pipelines.
5. Move from project-based financing toward strategic partnerships. Central Asian countries should develop long-term national strategies for engagement with multilateral development banks based on sustainability, transparency, and public accountability.
6. Pay special attention to projects involving population resettlement. Large infrastructure projects, particularly hydropower developments, should be implemented only in full compliance with international standards on involuntary resettlement. Fair compensation, livelihood restoration, access to social services, and meaningful consultation with affected communities must be guaranteed.
7. Strengthen independent environmental and social monitoring. Civil society organizations consider it essential to establish independent monitoring mechanisms for AIIB-financed projects, particularly those with potentially significant impacts on ecosystems, water resources, biodiversity, and local livelihoods. Independent oversight should complement government supervision and contribute to the timely identification and mitigation of environmental and social risks.

The experience of Central Asia demonstrates that sustainable development cannot be achieved solely through increased volumes of international financing. The long-term effectiveness of infrastructure investments depends on the quality of governance, adherence to environmental and social standards, transparency in decision-making, accountability, and meaningful public participation.

Large-scale projects, including the Rogun Hydropower Plant in Tajikistan, illustrate that issues such as involuntary resettlement, livelihood restoration, environmental protection, and stakeholder engagement should be treated as integral components of investment policy rather than secondary considerations.

A balanced combination of economic efficiency, environmental responsibility, and social equity should therefore constitute the foundation of future cooperation between Central Asian countries and the AIIB.

AS AMERICA FIRST CASTS DOUBT ON PLANS TO ROUTE CLIMATE FINANCE THROUGH MULTILATERAL DEVELOPMENT BANKS, CLIMATE FINANCE EFFORTS MUST BE RECENTRED ON DELIVERING CLIMATE JUSTICE

JON SWARD, BRETTON WOODS PROJECT

Last month the World Bank scrapped its institution-wide 45 per cent climate finance target, as part of a last-minute compromise among its executive board members that saw its wider Climate Change Action Plan extended ‘indefinitely’.

The CCAP extension was agreed by the World Bank’s board after months of wrangling. The plan had initially been devised to cover 2021-2025, was hastily extended for 12 months last year, and was due to expire on 30 June.

The negotiations occurred amid the US’s wider war on climate action and slashing of development finance. In his statement to the World Bank’s Development Committee in April, US Treasury Secretary Scott Bessent called the CCAP’s 30 June expiration “long overdue” and criticised the World Bank’s 45 per cent climate finance target as “distortionary”.

In this context, the compromise that extended the CCAP, while a notable watering down of the Bank’s climate commitments, prevented the plan from lapsing altogether.

A key factor in ensuring the plan was extended was a joint letter sent from the G11+ group in May, representing the executive directors

from World Bank borrowing countries, calling for a one-year extension and independent review of the 2021-2025 CCAP by the Bank’s Independent Evaluation Group. The review will now go forward and help shape the future of the CCAP.

Paradise lost? The limits of World Bank climate finance amid a global climate crisis

The mainstream media’s reaction to these developments has been to assume that the World Bank will stop providing climate finance at the volumes seen in recent years. For context, in 2025, according to the Bank’s own reporting, it provided \$50.8 billion in climate finance across its public and private lending arms (see the Bretton Woods Project’s assessment of how well this finance aligns with climate justice, i.e. the ‘polluter pays principle’, [here](#)).

However, the fact that the Bank’s 45 per cent target has been retired does not mean World Bank climate finance will simply disappear: In fact, the Bank’s 29 June statement confirmed that it will continue reporting on ‘climate co-benefits’ (which is Bank-speak for ‘climate finance’).

This is important, as even with the axing of the CCAP’s climate finance target, climate finance goals remain embedded in various World Bank replenishment agreements and capital increase



Photo Credit: Kevin Wolf/Alamy Images.

policy packages which remain in force and are essentially legally binding.

For example, a 45 per cent climate finance target remains in place for the current three-year funding cycle for the Bank's International Development Association (IDA), which began 1 July 2025 and provides grants and concessional finance to low-income countries. Projects that have 'climate co-benefits' in other arms of the Bank will also continue to be tallied as part of its annual climate finance totals.

In short, it's too early to say whether the Bank's climate finance – which has grown substantially over the last five years – will go up or down following the removal of the target. This will depend – among other things – on the extent to which Bank management remains committed to tracking climate finance and the level of demand from the Bank's clients for green projects.

However, the reduced predictability of future World Bank climate finance does have important implications for the global climate finance goal reached at COP29 in 2024

(commonly referred to as the New Collective Quantified Goal, or NCQG), where the Bank and its multilateral development bank (MDB) peers were positioned as a key delivery channel – as I shall discuss below.

What's really missing from most postmortems of the retirement of the Bank's climate finance target, however, is a discussion of the quality and transparency of this finance – which has long been a key concern of civil society.

Serious issues with World Bank climate finance have been extensively documented by civil society over the past decade, including concerns regarding overly generous MDB definitions of what counts as climate finance.

There is a troubling lack of transparency over which projects are counted as climate finance by the Bank's private investment and commercial insurance arms – the International Finance Corporation and the Multilateral Investment Guarantee Agency, respectively – which means that this part of the Bank's climate finance can't be independently verified by civil society.

The vast majority of the Bank's support is also provided as loans that have to be repaid, rather than as grants, with the latter forming just 9 per cent of the climate finance the Bank provided to governments in 2025.

In the case of the World Bank's policy-based lending instrument (i.e. Development Policy Finance) – where budget support is provided to governments in exchange for agreed policy reforms – the Bank is counting neoliberal reforms of countries' energy sectors as climate finance, including privatisation of state-owned utilities and the creation of market-based energy systems supplied by independent producers, on the basis that these are key to promoting green energy projects (see our analysis here). The evidence that this approach will lead to an equitable green transition that benefits workers and frontline communities is very thin indeed, with such changes often leading to higher energy tariffs for most consumers. These reforms are increasingly opposed by trade unions in countries in which the Bank works, in favour of a 'public pathways' approach to the energy transition.

World Bank climate finance and the accounting changes behind the NCQG: Climate justice deferred

It's also important to situate the CCAP row within the fraught politics of climate finance more generally. The climate finance channelled via the World Bank and other MDBs currently forms a core part of climate finance flows, totalling \$50.5 billion in terms of flows attributable to developed countries in 2024, the latest year for which OECD figures are available.

Under the NCQG, MDBs' flows are potentially set to grow further, due to changes in accounting proposed by developed countries. Previously, only MDBs' climate finance that could be attributed to developed countries' paid-in capital was counted towards a \$100 billion per year climate finance target. Under the NCQG, the total amount of MDBs'

climate finance will count towards a target of mobilising \$300 billion of public finance annually by 2035.

This is significant because developing countries also contribute to the capital base of these institutions both via repayment of loans with interest and paid-in capital contributions. This accounting shift effectively grows the MDBs' climate finance pot on the back of developing country contributions (for reference, the amount of MDBs climate finance attributable to developing countries was \$20.8 billion in 2024, per the OECD).

According to an investigative report by Follow the Money published in September 2025, the change in MDBs' climate finance accounting under the NCQG was part of a wider set of accounting changes that allowed rich countries to claim a threefold increase in the global climate finance target, without increasing the amount of public climate finance they would be required to provide in the short term. The report drew on a freedom of information request that detailed hundreds of pages of Dutch officials' communications related to the COP29 negotiations.

With the arrival of America First at the World Bank, and the subsequent scrapping of the CCAP's climate finance target, this approach is now under attack.

This requires us to hold two truths in our minds at the same time: Firstly, that the US's attack on the Bank's climate work is part of a coordinated effort to undermine climate action and climate science globally; and, secondly, that an over-reliance on MDBs' climate finance is part of an NCQG that falls dramatically short of developing countries' financing needs – an outcome which civil society branded a 'betrayal' at the time.



Amid geopolitical upheaval, in the coming years global civil society must redouble its efforts to rebuild government support for the public climate finance needed to avert the worst impacts of the climate crisis, including through the creation of new and additional forms of financing, such as taxes on polluters.

We urgently need a properly resourced climate finance ecosystem beyond the MDBs, including robust funding for the Green Climate Fund and the Fund for Responding to Loss and Damage.

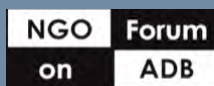
Beyond climate finance, reforms to the international financial architecture remain essential to ensure developing countries have the fiscal and policy space to pursue their climate goals, including unconditional debt relief amid a worsening Global South debt crisis, and the creation of a UN-based sovereign debt workout mechanism – among other changes.

At the World Bank, the question is not only about future levels of financing (while important). It is also about whether its policies and projects are well aligned with climate and economic justice and enable countries' green economic transformation. This requires a step change in how the Bank engages with governments, communities, civil society and trade unions, to ensure its work is truly 'country owned.'

Jon Sward is the Environment Project Manager at the UK-based Bretton Woods Project, a World Bank and IMF watchdog.

World Bank Group headquarters in Washington, D.C. The institution recently retired its 45 per cent climate finance target under its Climate Change Action Plan. Photo credit: Photo: Ifly6 / Wikimedia Commons (CC BY-SA 4.0)

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