Public Development Banks' Climate Commitments 2024

Trends and progress of PDB climate ambition

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CLIMATE POLICY INITIATIVE

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ABOUT CPI

CPI is an analysis and advisory organization with deep expertise in finance and policy. Our mission is to help governments, businesses, and financial institutions drive economic growth while addressing climate change. CPI has seven offices around the world in Brazil, India, Indonesia, South Africa, the United Kingdom, and the United States.

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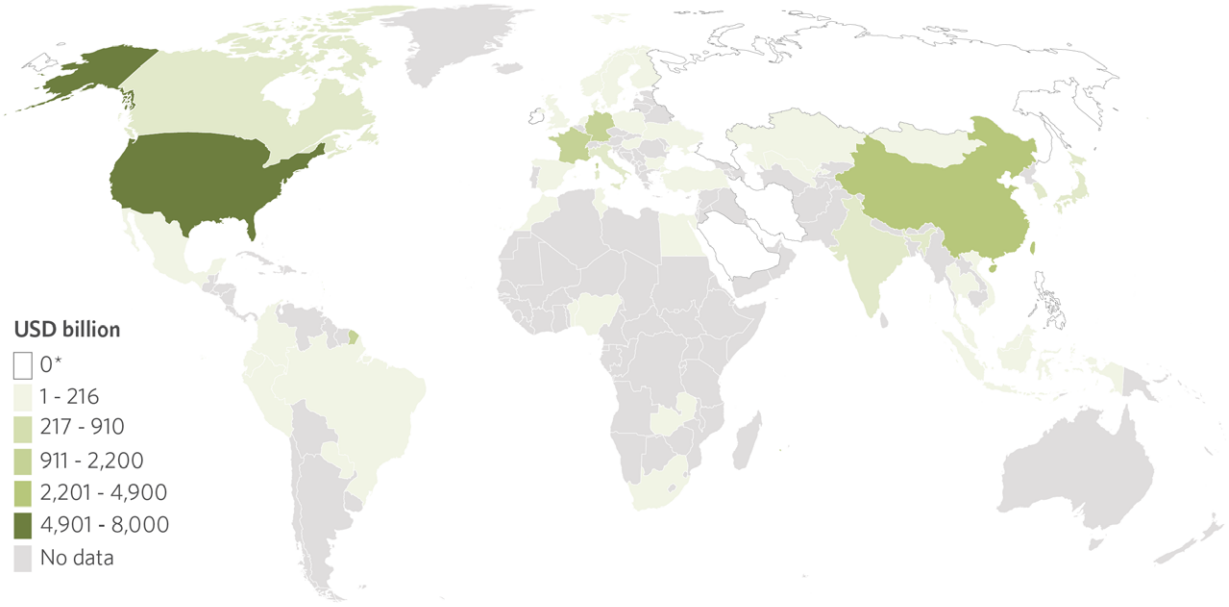
EXECUTIVE SUMMARY

CPI has expanded its tracking of public development banks' (PDBs) climate ambition to cover commitments made by 170 institutions over the period 2015-24. These institutions currently hold USD 21.8 trillion in assets, accounting for over 95% of the global total for PDBs.

Figure ES1: Tracked PDB assets by country (USD)[1]



*Countries where there is a tracked PDB but no assets data is available.
Assets data is missing for 15 of 170 PDBs. An additional USD 2.2 trillion in assets are held by multilateral institutions.

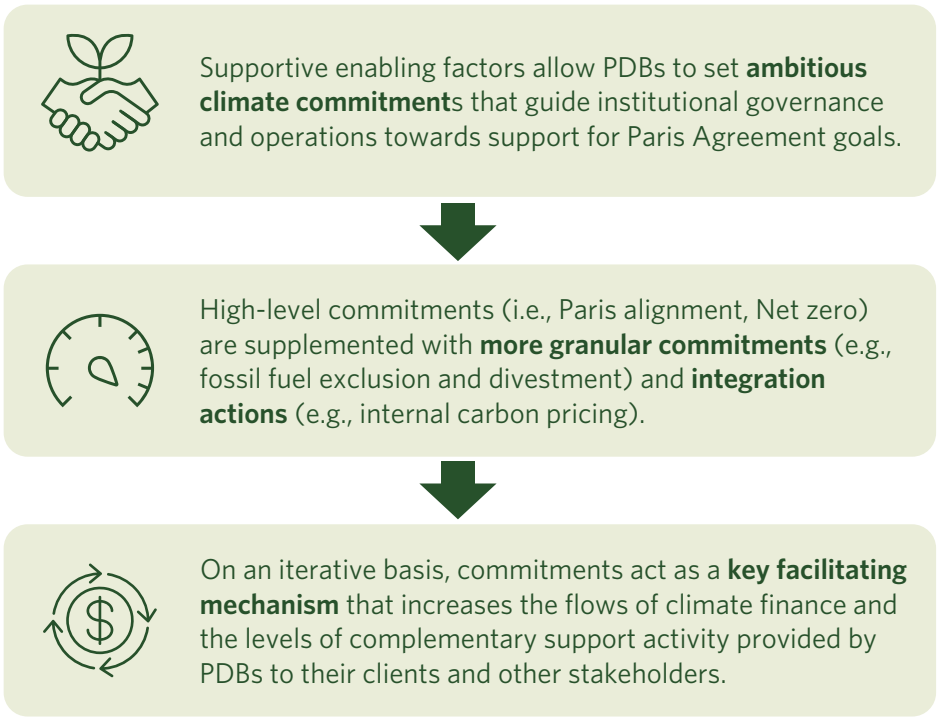
The 2024 tracking sample goes beyond the scope of previous tracking exercises (which covered the 70 largest PDBs) to include 100 additional institutions. This expansion primarily increases coverage of small-to-medium PDBs (by assets managed) operating in emerging markets and developing economies (EMDEs), a subset of PDBs that CPI has identified as key transition facilitators with burgeoning climate engagement (CPI 2024a). Tracking has been further enhanced by newly developed artificial intelligence and machine learning (AI/ML) tools, including multi-lingual web scraping and metadata extraction, to better collect information on PDBs' climate commitments.

Total climate finance (i.e., sum of public and private flows) must increase sixfold over 2022 tracked levels by 2030 to meet average estimates of global climate finance needs (CPI 2024c). The expanded analytical scope and depth of this report aim to provide better insights into the critical role that PDBs play, particularly in EMDEs, in directing investment towards low-emissions climate-resilient development pathways to address this gap. Findings broadly indicate that PDBs have yet to collectively scale climate ambition to a level commensurate with the wholesale effort needed among public and private institutions to close the global climate finance gap.

1 As of the latest reported data (2022), tracked national PDBs manage a total of USD 18.6 trillion in assets, while the assets held by tracked subnational PDBs amount to roughly 1 trillion. A further USD 2.2 trillion in assets are managed by tracked multilateral PDBs.

Charting a path toward raising and achieving PDBs' climate ambition requires an understanding of the contextual factors that PDBs must navigate during that process, outlined as a framework in Figure ES2 below. This high-level strategic framework forms the scope of analysis in the body of this report.

Figure ES2: Framework for achieving PDBs' climate ambition

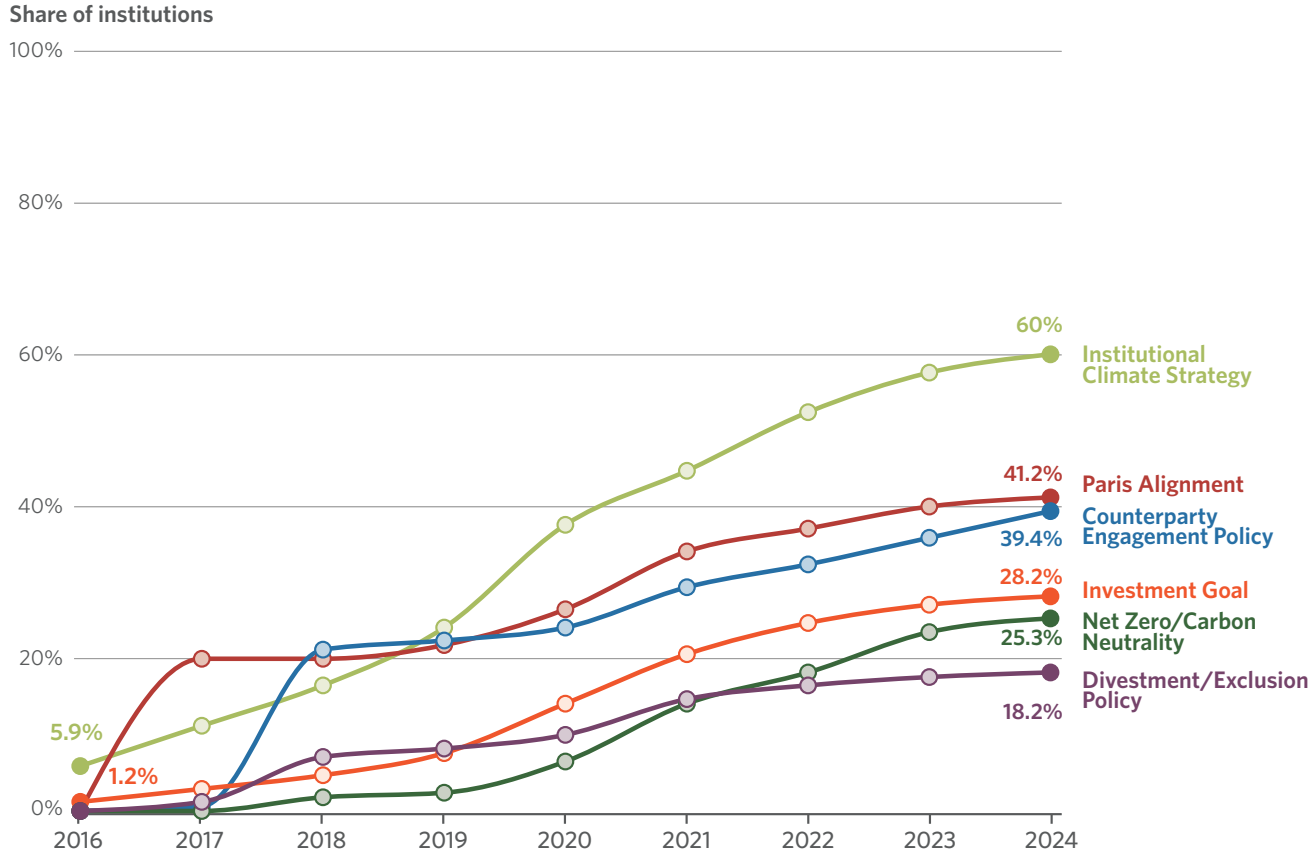


Accordingly, this report looks beyond trends in PDBs' climate commitments to assess the relationship between key enabling factors and these banks' overall climate ambition. It also explores the extent to which PDBs' climate ambition is reflected in their direct financing for climate projects in the real economy. The resulting strategic insights can be leveraged to inform PDBs, host governments, and other relevant stakeholders of the actions needed to first raise and then achieve broad and impactful climate ambition among PDBs globally.

KEY FINDINGS

Climate ambition among tracked PDBs is plateauing, even though less than half of tracked institutions (70 of 170) have committed to fully aligning with the Paris Agreement.

Figure ES3: Time series of cumulative PDB climate commitments (2015-24)



As shown in Figure ES3, the rate of new climate commitments made by tracked PDBs appears to be declining at a juncture where rapid scaling of PDB climate finance support is crucial. Among the original set of PDBs (i.e., 70 largest institutions) tracked in 2022 and 2023, the share of institutions committed to Paris alignment only increased slightly in 2024, reaching 49.1% (up from 47.2% in 2023).[2]

The slowing adoption of climate commitments across PDBs reflects the polarization of climate ambition from 2016 to 2022. PDBs broadly fall into two groups: institutions that took early action to set climate commitments and have continuously raised ambition since, and others that started with limited commitments and have taken little-to-no subsequent action.

Climate ambition among PDBs can be further segmented, reflecting a concentration of commitments in specific sub-groups with common traits. To analyze this, we clustered the 170 tracked institutions using a machine-learning algorithm that groups PDBs based on their adopted commitments (see Annex 8.3 for methods). Five distinct clusters emerged from the current distribution of climate commitments adopted by PDBs, described below in Table ES1.

2 The 2023 version of PDBs' climate commitments tracking (CPI 2024a) reported that 33% of tracked institutions were committed to Paris alignment. However, methodological revisions incorporated for this report (see Section 2) uncovered additional Paris alignment commitments made in 2023 or before

Table ES1: Climate ambition clusters of PDBs

Cluster (level of ambition)		Climate commitments	Types of PDBs
High	Paris-alignment approach	▪ Complete commitment to Paris alignment. ▪ Robust adoption of investment goals, exclusion/divestment policies, institutional climate strategies, and counterparty engagement policies. ▪ Minimal pursuit of financed emissions targets.	▪ Large multilateral DFIs and bilateral DFIs in advanced economies ▪ 21 institutions; USD 2.5 trillion in assets.
	Mixed approach[3]	▪ Complete commitment to net zero/carbon neutrality targets; strong (>75% of institutions) commitment to Paris alignment. ▪ High uptake of interim mitigation targets, institutional climate strategies, and counterparty engagement policies.	▪ Bilateral DFIs and NDBs located in G20 or high-income countries ▪ 27 institutions; USD 3.3 trillion in assets
Substantial		▪ Complete commitment to Paris alignment. ▪ Most institutions have institutional climate strategies but moderate-to-low uptake of counterparty engagement policies, investment goals, or financed emissions targets.	▪ Small multilateral DFIs and NDBs/SNDBs in high-to-middle-income countries. ▪ 26 institutions; USD 3.4 trillion in assets.
Limited		▪ All institutions have institutional climate strategies, but none have committed to Paris alignment. ▪ Low adoption of all other commitments.	▪ Small multilateral DFIs and NDBs/SNDBs in high-to-middle-income countries. ▪ 33 institutions; USD 9.7 trillion in assets.
Minimal		▪ Little-to-no tracked climate commitments, including institutional climate strategies.	▪ NDBs/SNDBs in high-to-middle-income countries. ▪ 63 institutions; USD 2.9 trillion in assets.

DFI: Development finance institution; NDB: National development bank; SNDB: Subnational development bank

Overall, climate ambition among PDBs corresponds closely to the enabling factors of their policy and investment contexts, as well as their engagement with multi-institutional networks.

Enabling factors—the internal and external conditions that shape the strategic direction and investment decisions of PDBs—form the context in which PDBs establish climate ambition. These influence PDBs' ability to set ambitious climate commitments by affecting their resources and strategic priorities. Broadly, enabling factors define the following dimensions of PDB operating environments (see Section 4 for detailed descriptions):

- **External Factors**
  - Policy Context (e.g., host/shareholder government climate policy)
  - Investment Context (e.g., local investment pipeline)
  - External Engagement (e.g., membership in multi-institutional networks)
  - Climate Vulnerability (e.g., physical climate risk)
- **Internal Factors** (e.g., technical capacity)

3 The "mixed approach" refers to institutions that both set ambitious commitments in terms of Paris alignment and other complementary targets (e.g., climate investment goals) and use financed emissions benchmarking to guide their operations. Given that the former tends to be preferred by PDBs and the latter is more common among private financial institutions, this approach incorporates practices from both actor types.

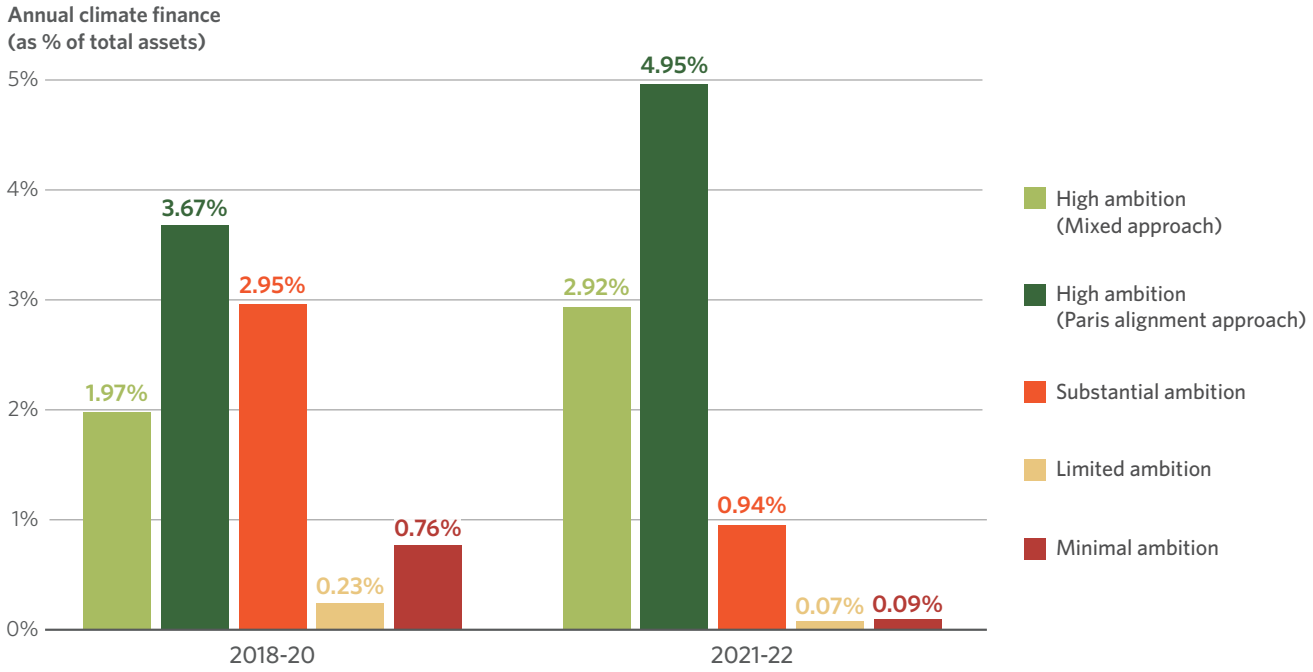
Table ES2: Correspondence of PDB climate ambition with enabling environments[4]

Level of climate ambition	Policy/investment context	Engagement with multi-institutional networks
High (48 PDBs)	Strong	Strong
Substantial (26 PDBs)	Moderate	Strong
Limited (33 PDBs)	Moderate	Weak
Minimal (63 PDBs)	Weak	Weak

The linkages between climate ambition and enabling environments shown in Table ES2 above underscore the need for a multifaceted approach to raising PDBs' climate ambition (Annex 8.4 for a summary of individual measurable enabling factors against PDB climate ambition). While improvements in policy and investment contexts are likely to be gradual and long-term due to underlying structural complexities, there remains a near-to-medium-term opportunity to actively engage PDBs in limited- and minimal-ambition clusters via multi-institutional networks to kickstart their ambition and develop solutions that overcome technical capacity and human capital barriers.

Finally, PDBs with high or substantial climate ambition have originated larger volumes of climate finance as a share of their total assets.

Figure ES4: Median climate finance (as % of assets) across PDB ambition clusters



Note: Climate finance flows correspond to CPI climate finance tracking data, which are matched to 87 of 170 PDBs.

4 Climate vulnerability is not included in this table, as the correlation between climate ambition and measurable climate risk is fairly weak (see Annex 8.4).

Comparing the periods 2018-2020 and 2021-22, PDBs have increased their annual direct climate finance as a proportion of their total assets from an average of 1.3% to 1.7%.[5] As shown in Figure ES4 above, this trend was driven primarily by PDBs with high climate ambition, among which median climate finance flows relative to assets increased substantially over the two periods. Increased climate finance coincides directly with rising adoption and integration of Paris alignment and other complementary commitments by these groups of institutions over the same period.

CONCLUSIONS AND RECOMMENDATIONS

Drawing upon the novel data collected and analyzed for this paper, three conclusions, each with associated recommendations, suggest a path forward for adopting and implementing climate commitments across the PDB ecosystem.

Conclusion 1: PDB climate ambition has plateaued in recent years, with the adoption of climate commitments increasingly polarized between those banks that set ambitions early and others that have consistently demonstrated limited action.

Most high-ambition PDBs started to announce high-level climate commitments (i.e., Paris alignment, net-zero targets) in the five years after the Paris Agreement was signed, then continued to raise ambition by establishing follow-on goals and implementation actions. Conversely, over half of the tracked institutions show limited-to-no climate ambition thus far, with no concrete directives to ramp up their support for the low-emissions climate-resilient transition.

- **Recommendation 1a:** Ongoing discussions on international financial architecture reform should focus on raising PDBs' Paris alignment capacity with consideration of the entire public banking ecosystem and take measures to lift less ambitious institutions to the level of leading institutions.
- **Recommendation 1b:** Accordingly, PDBs with high levels of climate ambition should aim to scale up ongoing initiatives to transparently disseminate methodological guidance and best practices for the implementation of climate commitments by utilizing multi-institutional networks to accelerate adoption by less ambitious institutions through convening and active facilitation.

Conclusion 2: PDBs' climate commitment levels correspond closely to their intersecting policy and investment contexts, along with their level of participation in multi-institutional networks.

PDBs with substantial-to-high climate ambition tend to benefit from both relatively strong policy and investment operating contexts (i.e., supportive government policies and developed financial system/climate sectors) and participation in multi-institutional networks such as the International Development Finance Club (IDFC), the Mainstreaming Climate in Financial Institutions Initiative, and Finance in Common (FiCS) that assist PDBs to re-orient their operating models towards transition. PDBs that have announced limited-to-no climate ambition not only

5 Per CPI climate finance tracking data.

tend to face weaker operating contexts but are also not actively engaged in multi-institutional networks. Both aspects of PDB enabling environments should be considered to effectively raise PDB climate ambition.

- **Recommendation 2a:** Given the long-term structural change required to shift complex policy and investment environments, multi-institutional networks (e.g., IDFC, Mainstreaming Initiative, FiCS) will need to be properly resourced and scaled to play a leading role in systematically raising PDBs' climate ambition by strategically leveraging network convening power and shared capacity.
- **Recommendation 2b:** Specifically, multi-institutional networks should seek engagement with non-member and inactive PDBs that have minimal climate commitments but operate in policy and investment contexts similar to more ambitious peers, with the aim of facilitating the adoption of more robust targets and implementation actions among these institutions.
- **Recommendation 2c:** Large high-ambition PDBs, namely multilateral development banks (MDBs) and DFIs, should look to climate financing partnerships (i.e., on-lending or co-investment) with limited- and minimal-ambition NDBs and SNDBs as opportunities to advance their own commitments not only in terms of financial mobilization but also by supporting the maturation of country-specific platforms for low-emissions climate-resilient development and deepening connections to local stakeholders.

Conclusion 3: PDBs' successful implementation of climate commitments follows a structured multi-stage process, leading to an iterative re-evaluation of the progress they have achieved against targets, along with ongoing consideration of how commitments are integrated into PDB operating models.

A number of PDBs—primarily MDBs and other IDFC members—have already achieved an initial set of announced climate commitments, namely targets for climate finance issuance or green investment. Where climate ambition has been successfully implemented by PDBs, this has broadly resulted from an ongoing process of scoping climate finance-relevant activities, setting goals for increasing levels of support, embedding climate considerations and integrating goals into operating models, and then further raising ambition once initial commitments have been achieved. Finally, the adoption of ambitious climate commitments by PDBs can be linked to higher climate finance flows as a share of assets, suggesting that ambitious PDBs have largely followed through on commitments once they have been established.

- **Recommendation 3a:** PDBs should frame climate commitments around indicators and benchmarks that can be achieved iteratively and raised incrementally, with the aim of supporting low-emission climate-resilient development.
- **Recommendation 3b:** After initial commitments are achieved, it is imperative that PDBs assess their integration approaches and strength of climate ambition to identify potential areas for improvement, particularly in light of evolving physical and economic contexts and changes to institutional capacity.

CONTENTS

INTRODUCTION

Public development banks (PDBs) play a key role in directing finance for the global low-emission climate-resilient transition. Particularly in emerging markets and developing economies (EMDEs), where annual climate investment needs will reach at least USD 2.4 trillion by 2030 (Songwe et al. 2024), PDBs are crucial actors for mobilizing investments for the growth of nascent climate sectors. Specifically, PDBs contribute to raising climate finance while pursuing their core economic policy mandates, as described in Box 1 below.

Box 1. "Types" of PDBs and corresponding policy mandates.

- **National/Subnational Development Banks (81 tracked institutions):** Financing entities managed or supported by central or local governments that aim to deliver on policy objectives to support economic development in a specific country or sub-national region.
- **Development Finance Institutions (51 tracked institutions):** Publicly funded entities (bilateral and multilateral) that provide risk capital to sustainable development projects, often on concessional terms and across regions.
- **Mortgage Securitization Agencies & Public Housing Agencies (15 tracked institutions):** Government-sponsored entities that buy mortgages that meet certain criteria or otherwise promote public housing development.
- **Export Credit Agencies (19 tracked institutions):** Entities that offer loans, guarantees, and insurance to help domestic companies limit the risk of selling goods and services in overseas markets.
- **Policy Banks (4 tracked institutions):** Quasi-public banks unique to China, which have been used as primary channels for financing the country's major infrastructure projects.

Public actors provided an annual average of USD 640 billion in climate finance in 2021/22,[6] just over half of the global total (CPI 2023). Between 2011 and 2020, public climate finance grew 9.1% annually, outpacing private climate finance growth over the same period (CPI 2022a). However, to close the gap between global climate investment needs and current flows, PDBs need to continue scaling up both their direct investment and complementary activities to mobilize private climate finance.

6 This figure is the bi-annual average of climate finance flows tracked in 2021 and 2022, which is reported by CPI to smooth out single-year anomalies in tracked transaction amounts. Of this total figure, approximately 57% (USD 364 billion) was provided by national (USD 238 billion), bilateral (USD 33 billion) and multilateral (USD 93 billion) PDBs/DFIs.

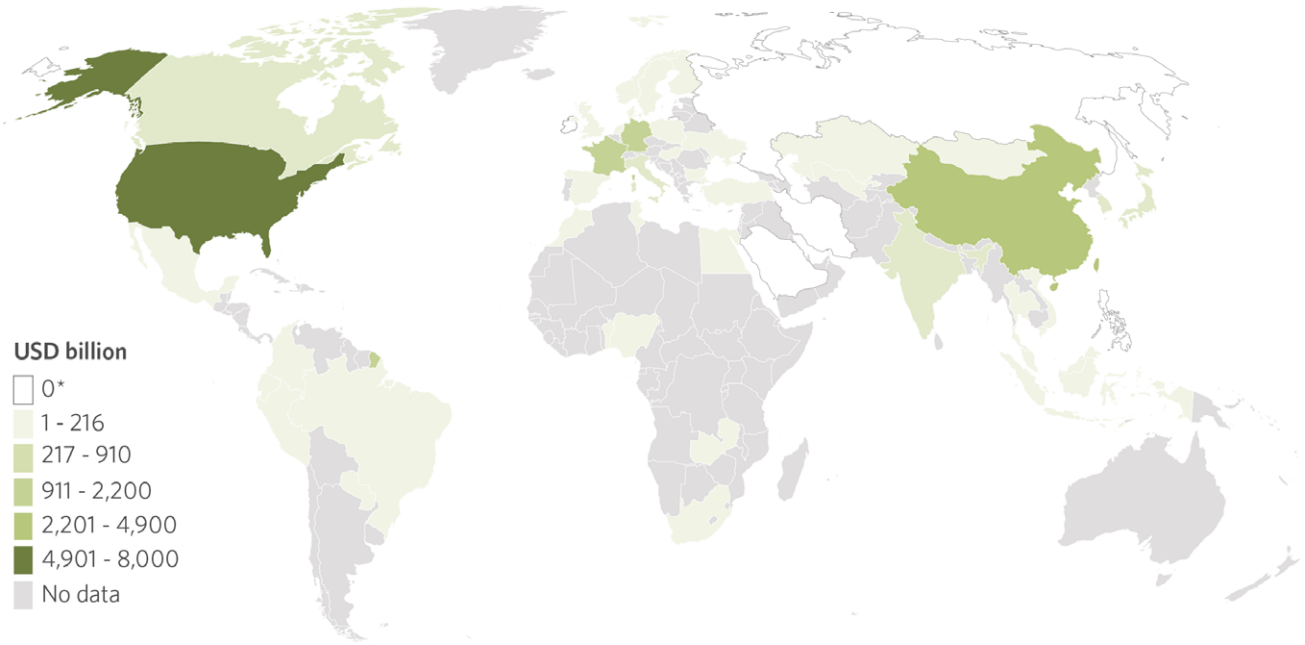
RESEARCH MOTIVATIONS AND REPORT STRUCTURE

This 2024 update of PDB climate ambition tracking features an expanded sample of 170 PDBs.

In 2022-23, CPI piloted climate ambition tracking for the world's 70 largest PDBs, covering USD 20.9 trillion in total assets (CPI 2022b, CPI 2024a). Initial results indicated that ambition is mostly concentrated among multilateral development banks (MDBs) and bilateral development finance institutions (DFIs) in advanced economies, with minimal commitments made outside of this group since 2015 (CPI 2024a).

For the 2024 report, tracking has been expanded to 170 PDBs, now covering USD 21.8 trillion in total assets. The widened scope is motivated by an interest in capturing climate ambition among smaller institutions operating in low- and middle-income countries, previously identified as pivotal strategic actors in EMDEs' transition to low-emissions climate-resilient development pathways (CPI 2024a).

Figure 1: Tracked PDB assets by country[7]

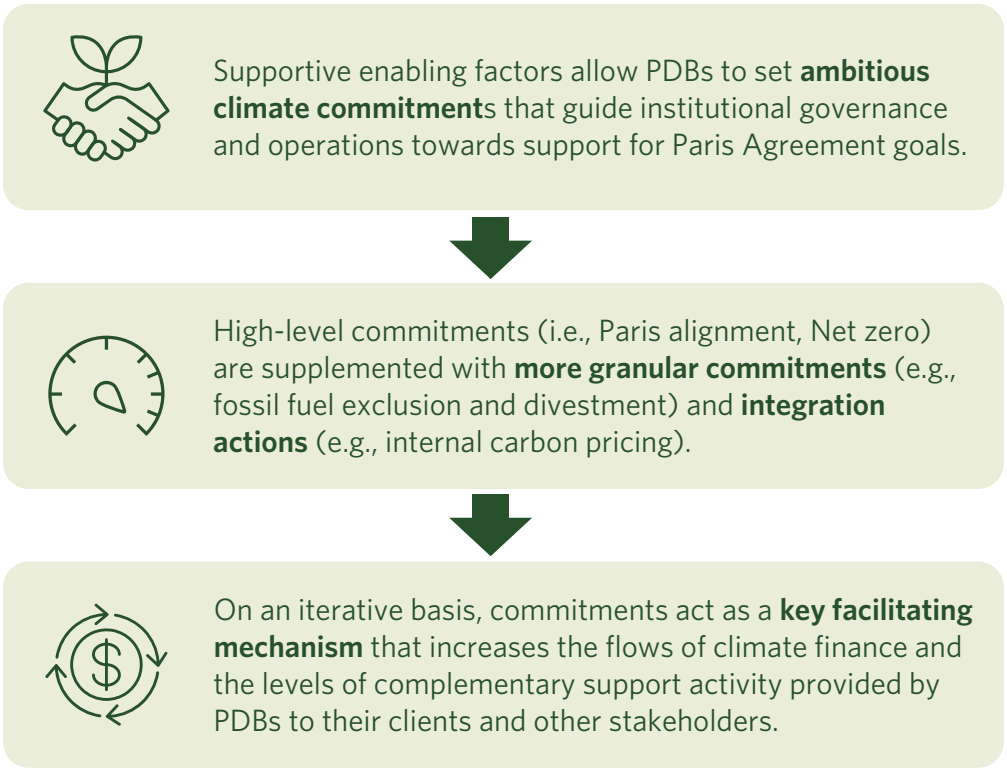


*Countries where there is a tracked PDB but no assets data is available.
Assets data is missing for 15 of 170 PDBs. An additional USD 2.2 trillion in assets are held by multilateral institutions.

Expanded tracking is supported by newly developed AI/ML-enabled data collection tools (described in Annex 8.2), which are designed to capture year-over-year changes in PDB climate commitments, revealing the trajectory of PDB climate ambition from 2015 to 2024. In addition, this report evaluates the extent to which key enabling factors are linked to the climate ambition of PDBs, as well as how PDBs have translated climate ambition into real economy finance flows. Conclusions and recommendations from this analysis aim to identify practical steps towards raising and achieving PDB climate ambition within a strategic framework fit for PDBs' specific mandate and operating context, as detailed in Figure 2 below.

7 As of latest reported data (2022), tracked national PDBs manage a total of USD 18.6 trillion in assets, while the assets held by tracked subnational PDBs are roughly 1 trillion. A further USD 2.2 trillion in assets are managed by tracked multilateral PDBs.

Figure 2: Framework for achieving PDBs' climate ambition



This report is structured as follows:

- **Section 1** defines PDB climate ambition vis-à-vis the Paris Agreement.
- **Section 2** details the updated data collection methodology developed to track and analyze PDB climate ambition.
- **Section 3** summarizes emerging trends in tracked PDBs' climate ambition.
- **Section 4** analyzes the linkages between key enabling factors and PDB climate ambition.
- **Section 5** evaluates the implementation process PDBs have followed to meet climate ambition with institutional action and real economy investment.
- **Section 6** discusses conclusions and recommendations.

1. DEFINING PDB CLIMATE AMBITION

Following the 2015 Paris Agreement, PDBs around the globe have signaled their intent to support the achievement of the Agreement's goals.[8] In recent years, PDBs' support for the Agreement has consolidated around a set of core activities (CPI & I4CE 2024), which broadly center on, but are not limited to:

- Helping to shape national and international policy frameworks and standards to create enabling conditions for climate investment.
- Supporting the deployment of projects and initiatives consistent with low-emission, climate-resilient development pathways.
- Supporting the development and execution of non-sovereign entities' plans for low-emissions climate-resilient transition.
- Mobilizing multiple sources of climate finance.
- Developing and accelerating transition finance instruments.

Given their development-focused mandates and ability to link diverse actors, PDBs are well-positioned to drive low-emission climate-resilient transitions in EMDEs (CPI & I4CE 2024). To meet the massive scale of this challenge, both domestically and internationally focused PDBs need to mainstream climate commitments within their operating models to facilitate scaling up of the activities above.

1.1 PDB CLIMATE COMMITMENTS

PDB climate commitments are announcements made by a PDB—either through dedicated public communications or inclusion in a published document—that establish goals for institutional climate-related activities and/or define processes for implementing such goals (see Box 2 for the types of climate commitments tracked).

8 For example, in 2017, MDBs and other members of the IDFC made a joint statement pledging to align finance flows with the Paris Agreement. Similar statements have been made by PDB groups including the European Development Finance Institutions (EDFIs) in 2020.

Box 2: Climate commitment taxonomy

Targets and goals. Signaling intent to achieve specific climate-relevant objectives, potentially resulting in engagement and climate finance flows. This dimension tracks both qualitative commitments and quantitative targets adopted to address climate change, such as:

- Paris alignment.
- Mitigation targets:
  - Net zero targets.
  - Carbon neutrality targets.
  - Interim mitigation targets.
- Climate investment goals (e.g., portfolio % allocation or financing volume targets).

Integration actions. Measures to incorporate climate into PDB decision-making, potentially increasing climate finance flows (or decreasing flows to projects without climate benefits or negative climate impacts such as maladaptation or emissions lock-in). These are qualitative changes to institutional policies, governance, and investment approaches including:

- Institutional climate strategies (i.e., the inclusion of climate as a focus area of PDB operations, though the level of priority varies across institutions).
- Counterparty engagement policies.
- Exclusion and divestment policies.

The practice of setting and implementing robust climate commitments is integral to raising PDB climate ambition towards a trajectory consistent with the scale of future actions needed to facilitate orderly climate transition. Tracking PDBs' climate commitments allows for comprehensive assessment of climate ambition across the global spectrum of PDBs, providing visibility into ambition shortfalls and progress towards achievement.

One area that has not been analyzed deeply in this iteration of PDBs' climate commitment tracking is the **quality** of individual announced commitments. Across different institutions, commitments within a broad typology (e.g., net zero target) still vary considerably across dimensions such as:

- Manner and speed of implementation.
- Granularity of targets and goals.
- Scope of integration actions.
- Synergies with other commitments and PDB operating models.

This aspect will be addressed in CPI's subsequent assessments of PDBs' climate ambition. Other complementary projects, such as the E3G Public Bank Climate Tracker Matrix also analyze the quality of PDBs' climate practices.

2. METHODOLOGY AND DATA

This report's data collection methods build on the initial methodology developed for tracking PDB climate commitments (CPI 2022b). In 2024, the number of tracked PDBs has been expanded from 70 to 170 institutions, with commitments collected in French, Spanish, and Portuguese (in addition to English) for the first time. Total assets held by tracked PDBs reached USD 21.8 trillion (FiCS 2024), covering over 95% of assets held by PDBs globally.[9] Furthermore, commitment tracking data is complemented by indicators of key enabling factors from external sources.

While the commitments taxonomy retains the same structure as previous tracking, keywords used to scrape commitments from PDB websites have been revised to facilitate more robust data collection (see Table A3 in the Annex). Additionally, the data processing pipeline has been enhanced via AI/ML tools to more accurately identify and categorize PDBs' climate commitments from text sources, then extract key metadata after the primary text has been scraped from websites.

The above methodological revisions are summarized further in Annexes 8.1 (PDB sample construction), 8.2 (commitment tracking), and 8.3 (ambition clusters), as well as a separate methodology blog (CPI 2024d).

2.1 DATA COLLECTION METHODOLOGY

The PDBs' institutional information data describes the tracked sample of 170 PDBs. See Table A2 in the Annex for a description of included data fields, which are primarily drawn from a subset of the Finance in Common PDBs database developed by the Institute of New Structural Economics at Peking University and the French Development Agency (AFD). This includes general descriptive information about the PDBs (e.g., location, mandate, ownership structure, etc.) as well as internal attributes such as the value of assets held or affiliation with multi-institutional networks.

This primary data is supplemented by information characterizing PDBs' external operating environments for the years 2015-24, such as national-level financial system development, exposure to physical climate risks, the emissions intensity of the local economy, etc.[10] This adds a layer to the original tracking methodology (CPI 2022b), motivated by the current report's focus on enabling factors.

The climate commitments data (described in the Annex Table A4) is compiled by scraping PDB websites. This returns text snippets that reference climate commitments, which are then passed through a series of natural language processing and AI/ML data extraction processes before final manual validation to ensure accuracy (see Annex 8.2 for details). This produces a time series dataset detailing the type of commitment announced, the date of commitment announcement, as well as various other metadata components (e.g., target year, financed emissions reduction goal, amount of climate finance targeted) that characterize each commitment.

9 The remaining 5% of assets are held by the 362 PDBs (out of a global total of 532) that are not tracked by CPI. These institutions tend to be small national and subnational development banks, similar to a subset of banks that are already included in tracking.
10 Data sources for each measurable indicator are listed in Table A4 in the Annex.

Lastly, the processed commitments data is leveraged to sort PDBs into "clusters" based on the similarity of their announced climate ambition (i.e., the set of commitments each PDB has adopted). This is done using an ML algorithm that is designed to maximize within-cluster uniformity (see Annex 8.3 for description).

2.2 DATA DESCRIPTION

Data for the 170 tracked PDBs has been collected, processed, and analyzed for this report is consolidated into two tables, described in detail in the Annex:

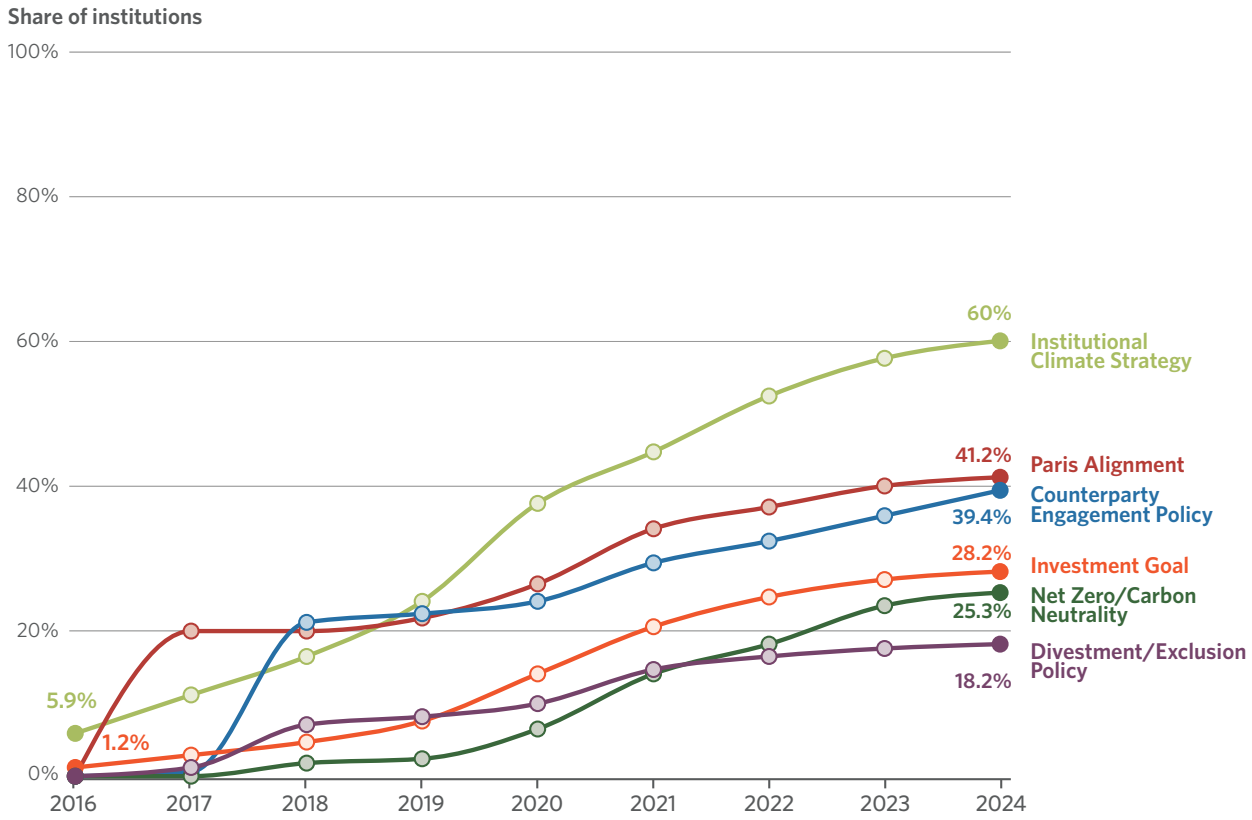
1. **PDBs' institutional information** (Table A2): An institution-year time series over a 10-year time frame (2015-24), with each observation corresponding to information on a specific PDB's internal attributes and external operating environment in each year.
2. **PDBs' climate commitments** (Table A4): Contains observations reflecting PDBs' announced climate commitments, as inferred using the web scraping method described above. This table contains 1,469 unique text snippets that capture PDB climate commitments spanning 2015-24, as well as those previously collected in 2022-23 tracking.

3. PDB CLIMATE COMMITMENT TRENDS

3.1 STATUS OF PDB CLIMATE COMMITMENTS

Climate ambition among tracked PDBs is plateauing, even though less than half of tracked institutions (70 of 170) have committed to fully aligning with the Paris Agreement.

Figure 3: Time series of cumulative PDB climate commitments (2015-24)

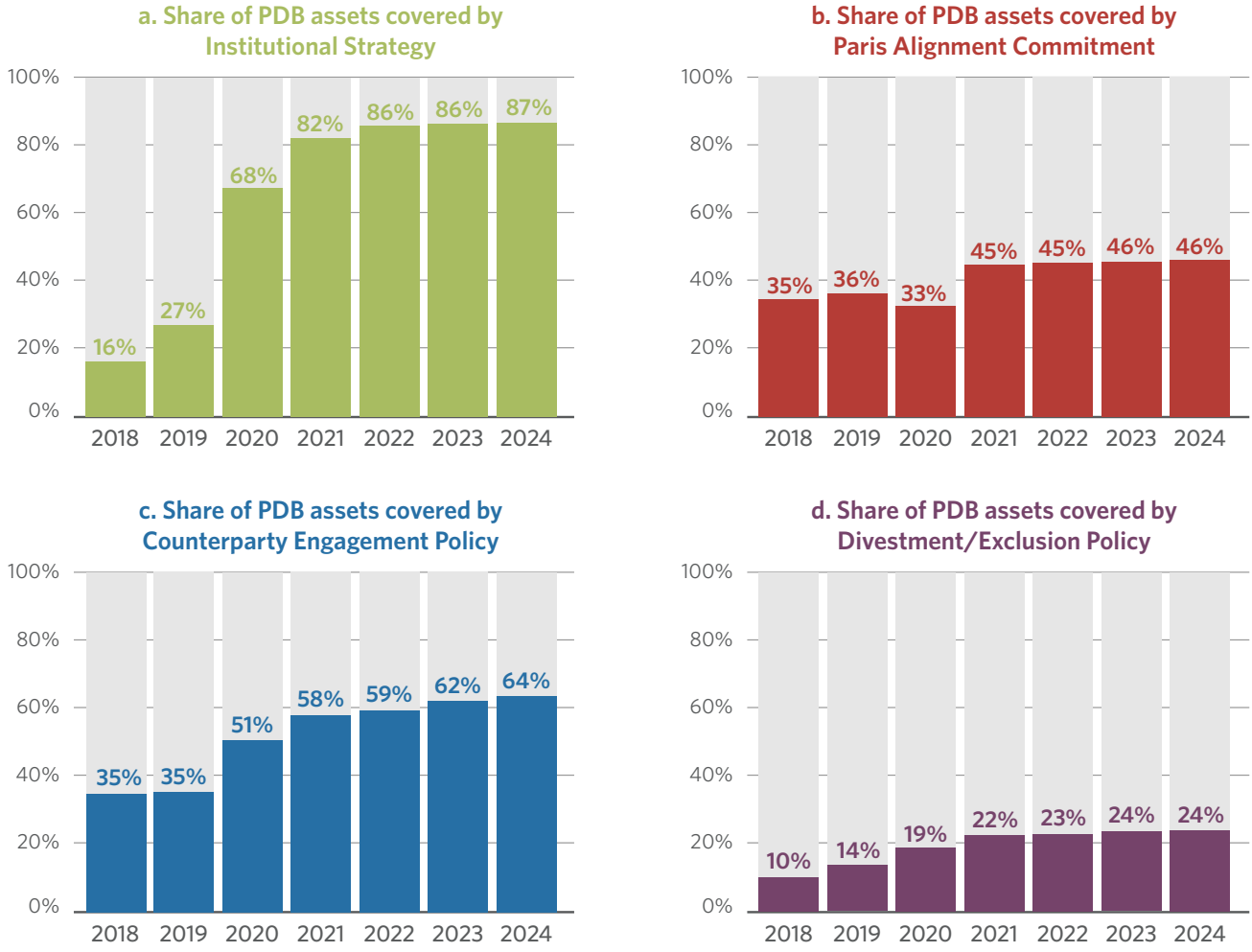


Across all tracked climate commitments, growth in collective PDB ambition appears to be decelerating, with new commitments shrinking year-over-year since 2022. Among the original set of PDBs (i.e., 70 largest institutions) tracked in 2022 and 2023, the rate of commitment to Paris alignment only increased slightly in 2024, reaching 49.1% of institutions (from 47.2% in 2023).[11] This finding suggests that PDBs' climate ambition is slowing at a time when rapid upscaling of their support is crucial, given that global climate finance flows must increase at least six-fold from 2022 levels by 2030 to meet average estimates of global climate finance needs (CPI 2024c).

11 The 2023 version of PDBs' climate commitments tracking (CPI 2024a) reported that 33% of tracked institutions were committed to Paris alignment. However, methodological revisions incorporated for this report (see Section 2) uncovered additional Paris alignment commitments made in 2023 or before.

Although most assets held by tracked PDBs are governed by some form of institutional climate strategy (85%), only a minority of assets are subject to a stricter commitment to Paris alignment (46%),[12] casting doubt over whether all PDB assets will be transitioned towards low-emission climate-resilient development pathways.

Figure 4: Share of PDB assets covered by climate commitments



While over 85% of tracked assets are owned by PDBs that integrate climate into their institutional strategies (Figure 4a), only around 46% are subject to a formalized Paris alignment commitment (Figure 4b). This means that most future PDB financing decisions will be informed by some consideration of climate benefits and/or risks, but the shortfall in Paris alignment commitments indicates that a substantial portion of future flows are not yet managed with an aim to transition investments towards consistency with low-emission, climate-resilient development.

Additionally, roughly 64% of tracked PDB assets are covered by a counterparty engagement policy that facilitates PDB engagement with clients to plan the transition of their operations (Figure 4c). However, only 25% of tracked PDB assets are held by institutions with an

12 Broadly, this can be understood as aligning financing flows generated via PDB balance sheets (i.e., assets) to the objectives and implementation framework of the Paris Agreement.

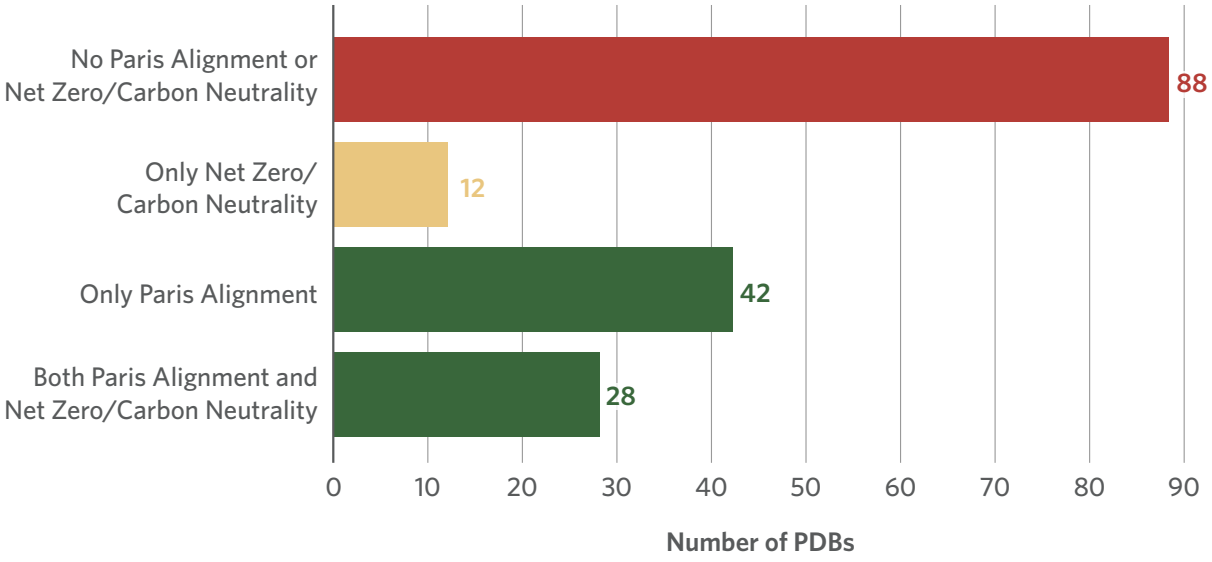
exclusion policy that precludes financing towards projects misaligned with Paris Agreement objectives (Figure 4d).[13]

Finally, just under 32% of PDB assets are covered by any near- or long-term commitment (i.e., net zero, carbon neutrality, interim reductions) to mitigate financed emissions. While setting financed emissions reduction targets is not a necessity for PDBs to align with the Paris Agreement (CPI & I4CE 2024) per se, assets that are not screened for either Paris alignment or trajectory of financed emissions lack guardrails against counterproductive activities that impede transition.

In general, where PDBs have adopted net zero or carbon neutrality targets, these commitments appear supplemental to underlying Paris alignment efforts rather than substitutional.

As mentioned previously, 70 of the 170 tracked PDBs have committed to aligning their operations and financing with the objectives of the Paris Agreement. Of these, 28 institutions have added additional commitments to achieving net zero or carbon neutrality targets (see Figure 5 below).[14] Only 12 PDBs have set net zero or carbon neutrality targets without a commitment to Paris alignment in place.

Figure 5: Overlap of Paris alignment and net zero/carbon neutrality commitments



This finding supports prior observations that some PDBs find strategic value in complementing Paris alignment efforts with the practice of tracking and targeting reductions in financed emissions at a portfolio level (CPI & I4CE 2024). Given that private sector actors tend to focus on emissions as the primary indicator of transition planning, PDBs that work frequently with private sector counterparties may find that adopting a set of financed emissions reduction targets harmonized with clients' transition goals is necessary to validate alignment of their financing flows.

13 These assets are held primarily by DFIs and NDBs located in advanced economies.
14 These targets typically are in relation to financed emissions but may extend to operational emissions.

However, when PDBs do adopt net zero or carbon neutrality targets, it is critical that this ambition is achieved within the context of support for low-emission climate-resilient development, as opposed to mechanical reductions in financed emissions. Without underlying commitment to Paris alignment, PDBs risk incentivizing pursuit of emissions reductions via wholesale avoidance of high-emissions sectors, which would not lead to real economy decarbonization. Accordingly, PDBs that have only set standalone net zero or carbon neutrality targets (i.e., not paired with an alignment approach) should take steps to establish Paris alignment as an overarching goal.

Overall, the current level and trajectory of PDBs' climate ambition is well behind the massive global need for public finance to accelerate the transition to low-emission climate-resilient development.

Tracked climate commitments show that growth in PDBs' climate ambition is minimal at a time when PDBs should be accelerating actions to address the global gap between climate finance flows and needs. Given that the private sector has also been slow to orient activities toward Paris objectives (Climate Action 100+ 2024), there is an urgent need to address barriers to financial institutions' climate ambition and to facilitate rapid action. The next section further analyzes shortfalls in ambition by identifying distinct clusters of climate ambition within PDBs based on their current adoption of climate commitments and considers practical steps that would enable them to raise their ambition.

3.2 SEGMENTED CLIMATE AMBITION OF PDBS

The slowing adoption of climate commitments across PDBs is related to the continuous segmentation of climate ambition from 2016 to 2022, during which institutions either set comprehensive climate commitments or made only limited commitments, with little movement of PDBs between these groups.

Most of those PDBs with high climate ambition today had already started to gradually establish comprehensive climate commitments from 2016 to 2020, while less ambitious peers either have stopped developing new commitments or simply have not adopted any commitments at all. As a result, cumulative levels of tracked climate commitments across PDBs have largely plateaued from 2022 onwards.

This polarization of climate ambition mirrors recent developments among private financial institutions. For example, some climate-ambitious private sector banks have left coalitions such as the Net Zero Banking Alliance (NZBA) because they did not require stringent financed emissions reductions, while others have threatened to withdraw from collective targets they consider too constraining (Bloomberg 2023).

Tracking indicates that types of climate commitments are indeed concentrated among distinct sub-groups of PDBs, revealing a divergence in climate ambition trajectories.

Segmentation of climate ambition among PDBs is evaluated by assessing the extent to which adoption of climate commitments is concentrated within specific sub-groups of institutions. To this end, the 170 tracked institutions are "clustered" using a machine learning algorithm that groups PDBs based on **similar patterns of commitment adoption** (see Annex 8.3 for detailed methods).

Five distinct clusters emerge from the current distribution of climate commitments adopted by PDBs, shown in Table 1 below.

Table 1: Climate ambition clusters of PDBs

Cluster (level of ambition)		Climate commitments	Types of PDBs
High	Paris alignment approach	• Complete commitment to Paris alignment. • Highly committed to investment goals, exclusion & divestment policies, institutional climate strategies, and counterparty engagement policies. • Minimal pursuit of financed emissions targets.	• Large multilateral DFIs and bilateral DFIs in advanced economies • 21 institutions; USD 2.5 trillion in assets.
	Mixed approach[15]	• Complete commitment to net zero and/or carbon neutrality targets; nearly complete (>75% of institutions) commitment to Paris alignment. • High uptake of interim mitigation targets, institutional climate strategies, and counterparty engagement policies.	• Bilateral DFIs and NDBs located in G20 or high-income countries. • 27 institutions; USD 3.4 trillion in assets.
Substantial		• Complete commitment to Paris alignment. • Most institutions have institutional climate strategies but moderate-to-low uptake of counterparty engagement policies, investment goals, or financed emissions targets.	• Small multilateral DFIs and NDBs/SNDBs in high-to-middle-income countries. • 26 institutions; USD 3.4 trillion in assets.
Limited		• All institutions have institutional climate strategies, but none have committed to Paris alignment. • Low adoption of all other commitments.	• Small multilateral DFIs and NDBs/SNDBs in high-to-middle-income countries. • 33 institutions; USD 9.7 trillion in assets.
Minimal		• Little-to-no tracked climate commitments, including institutional climate strategies.	• NDBs/SNDBs in high-to-middle-income countries. • 63 institutions; USD 2.9 trillion in assets.

DFI: Development finance institution; NDB: National development bank; SNDB: Subnational development bank

After assigning PDB climate ambition clusters based on shared climate commitments (see Table A5 for cluster commitment distributions), several notable intra-cluster similarities emerge across internal attributes and external operating environments:

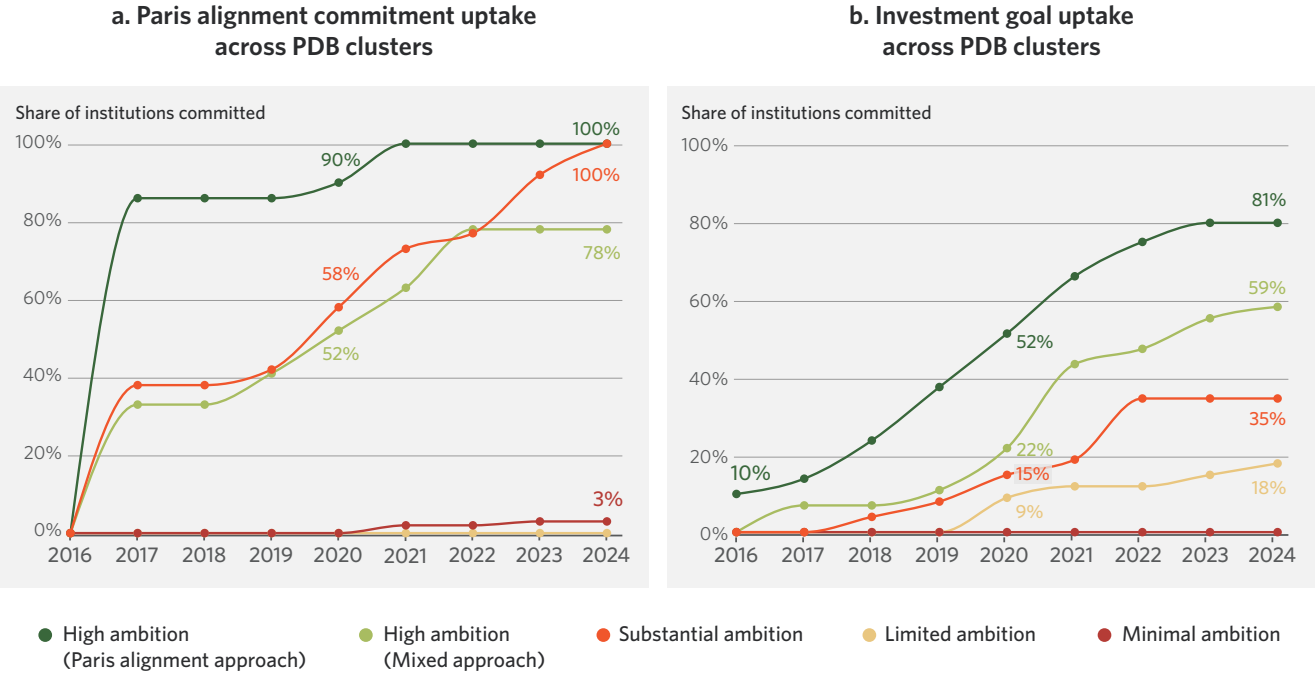
- High-ambition PDBs tend to be either large-to-mega-size multilateral DFIs or bilateral DFIs and NDBs based in advanced economies or large emerging markets. PDBs in substantial, limited, and minimal ambition clusters tend to be smaller multilateral DFIs and NDBs/SNDBs based in high-to-middle-income countries. This is consistent with previous tracking findings (CPI 2022b; CPI 2024a).
- Second, PDBs within a given ambition cluster tend to face broadly similar external enabling factors, particularly in terms of investment/policy context and engagement with multi-institutional networks (discussed in Section 4.2).

15 The "mixed approach" refers to institutions that both set ambitious commitments in terms of Paris alignment and other complementary targets (e.g., climate investment goals) and use financed emissions benchmarking to guide their operations. Given that the former approach tends to be preferred by PDBs and the latter approach is more common among private financial institutions, this approach incorporates practices from both actor types.

Details of the mechanisms through which internal and external factors potentially affect PDB climate ambition are provided in Section 4. While subsequent sections of the report do not attempt to estimate the causal effects on PDB climate ambition connected to each mechanism, it is important to consider how ambition correlates to measurable contextual factors, as this can provide insight into aspects where causality should be more thoroughly explored in future research.

PDBs that announced climate commitments early on (pre-2020) have continued to increase their ambition before either reaching complete adoption or plateauing at a high level around 2022, while the remaining less ambitious PDBs show few signs of catching up.

Figure 6: Commitment adoption across PDB clusters (2016-24)



As per Figure 6 above, clusters of PDBs that had largely committed to aligning their operations with the Paris Agreement by 2020 have then continued to ramp up their climate ambition in subsequent years via various complementary commitments (e.g., climate investment goals). Conversely, clusters of PDBs that did not set early Paris alignment commitments have made little progress on closing this ambition gap.

This phenomenon is summarized in Table 2 below, which shows that most PDBs in high and substantial ambition clusters made Paris alignment commitments by 2020, with near-complete commitment among these groups by 2024. Many of these high/substantial ambition PDBs have complemented Paris alignment commitments with rising adoption of climate investment goals over the same period. However, limited/minimal ambition PDBs have shown little to no adoption of Paris alignment commitments or investment goals between 2020 and 2024.

Table 2: Growing commitment to Paris alignment and climate investment goals across PDB ambition clusters (2020 vs. 2024)

Cluster (level of ambition)		% of Institutions Committed to Paris Alignment		% of Institutions Committed to Climate Investment Goals	
		2020	2024	2020	2024
High	Paris alignment approach	90.5%	100.0% [+9.5 pp*]	52.4%	81.0% [+38.6 pp]
	Mixed approach	51.9%	77.8% [+25.9 pp]	22.2%	59.3% [+27.1 pp]
Substantial		57.7%	100.0% [+42.3 pp]	15.4%	34.6% [+18.8 pp]
Limited		0.0%	0.0% [no change]	9.1%	18.2% [+9.1 pp]
Minimal		0.0%	3.2%[16] [+3.2 pp]	0.0%	0% [no change]

** pp = percentage points*

Given that more than half of tracked PDB assets are held by institutions that have not yet committed to aligning their operations with the Paris Agreement, this divergence in ambition poses a serious challenge to the systematic mobilization of public capital for low-emission climate-resilient transition. In the absence of future course correction, entrenched segmentation of climate ambition among groups of PDBs reduces the likelihood of an orderly transition, as PDBs that are slow to adopt climate commitments may not provide adequate capital to support decarbonization and the resilience of vulnerable assets, fall short in catalyzing critical climate sectors within their geographies, or even invest in misaligned projects.

In summary, it is imperative that PDBs with minimal levels of climate ambition are engaged and supported to catch up to their more ambitious peers. Not only is their participation in a climate-ambitious agenda for development finance necessary for systemic progress toward low-emission climate-resilient transition, but it also serves as a critical lever in facilitating advancement toward shared global prosperity. As discussed in Section 4, minimally ambitious PDBs tend to operate in contexts with tight government fiscal resources, underdeveloped financial systems, and weak investment pipelines—development gaps that will only be further reinforced if these PDBs are left behind in the global transition.

16 Two of the 63 PDBs in the "minimal-ambition" cluster have announced Paris alignment commitments. However, neither institution has any other tracked commitments, placing them closer to minimal-ambition PDBs in terms of overall commitments than to any other ambition cluster (see Annex 8.3 for detail on the mechanics of the clustering methdology).

4. ENABLING FACTORS OF PDB CLIMATE AMBITION

4.1 KEY ENABLING FACTORS

Enabling factors—internal and external conditions that shape the strategic direction and investment decisions of PDBs—form the context in which PDBs establish climate ambition. They influence PDBs' ability to set ambitious climate commitments by affecting the resources, opportunities, and strategic priorities facing PDBs.

CPI has previously conducted limited analysis of enabling factors that potentially influence PDBs' climate ambition, such as climate vulnerability and institutional mandate (CPI 2024a). Other previously explored factors that could either enhance or impede ambition include economic exposure to high-emission sectors, availability of investable opportunities and project pipelines, and level of PDB technical capacity (IDFC 2023).

Table 3 below provides an overview of each enabling factor and its broader dimensional groupings. This includes a definition for each enabling factor, a description of the mechanisms by which factors may affect PDB climate ambition, and a list of the indicator(s) used to measure each factor, where available. The following subsections further detail how external and internal enabling factors layer together to set the stage for PDB climate ambition.

Table 3: Overview of enabling factors for PDB climate ambition

Factor			Definition and enabling mechanics	Indicator(s)
External Factors	Policy Environment	Government climate policy	Actions taken by governments to encourage climate action. These could include a national climate plan, subsidies, and tax incentives, among others. Supporting government policies establish the basis for PDB climate ambition, both in terms of setting high-level direction and ensuring an actionable pathway toward low-emission climate-resilient transition for PDBs to follow.	▪ Enhanced NDC, ▪ National net zero targets, ▪ V20 membership
		Fiscal flexibility	The capacity to adjust government fiscal policy in response to changing economic, climate, and social conditions. A PDB's ambition could be affected by the amount of funding it can allocate to climate projects, either from direct capitalization by parent governments or through sovereign borrowing. In addition, poor sovereign creditworthiness leads to a higher cost of capital for climate projects, which can tamper PDB efforts to mobilize private investment.	▪ Debt-GDP Ratio[17]
	Investment Environment	Financial system development	The maturity of a nation's financial system, specifically the strength of regulatory frameworks, financial infrastructure, and markets; and institutional capacity to efficiently raise capital, make investments, and manage risk. Developed financial systems make it easier for PDBs to leverage co-investment from private sources, allowing them to finance a larger array of climate projects. Moreover, the greater supply of capital sources in developed financial systems can drive down the cost of capital, allowing PDBs to target greater volumes of mobilized finance.	▪ VC/PE Index[18]
		Investment pipeline	A structured flow of prospective investment opportunities under evaluation and development, including projects at various stages of development. An active, bankable pipeline of climate projects is a prerequisite for PDBs to implement an ambitious climate strategy.	▪ ClimateScope Index[19]
		Exposure to high-emission sectors	The share of a bank's portfolio exposed to economic sectors that typically generate high amounts of carbon emissions. Exposure to high-emission sectors can influence how easily PDBs' transition towards climate finance fits into broader national development goals.	▪ GHG Emissions Intensity of GDP

17 Debt-to-GDP ratio is used to measure fiscal flexibility, selected due to the availability of recent data, though this is just one of many potential indicators. In theory, a high debt-to-GDP ratio would indicate that a country is able to more flexibly deploy fiscal resources towards policy goals (e.g., climate investment), as reflected by a long track record of sovereign borrowing against economic output. However, in some cases, this could also signal a sovereign fiscal crisis and a lack of economic output available to secure existing debts, which would conversely indicate low fiscal flexibility. As such, this indicator should only be considered as an approximate measure of fiscal flexibility on an aggregate basis.

18 Venture Capital/Private Equity index, which measures the quality of investment environment to risk capital investors.

19 ClimateScope primarily measures the attractiveness of renewable energy investment opportunities in each country, although some of the indicator's underlying factors may also apply to similar sectors such as clean transport and industrial decarbonization. This is not a universal index of all climate investment opportunities and does not capture sectors such as agriculture and land use or adaptation and resilience.

Factor			Definition and enabling mechanics	Indicator(s)
External Factors	**External Engagement**	**Membership in multi-institutional networks**	The number and type of networks or groups that a bank holds membership in. Membership in multi-institutional groups indicates a willingness to collaborate with other PDBs, and these groups act as a forum for knowledge transfer and capacity building, increasing the likelihood of PDB climate ambition.	▪ Membership in IDFC, EDFIs, AADFI, etc.[20]
		Reputational risk	The potential for damage to how a bank is perceived by peers, the public, sovereign governments, and others. This type of risk can influence how willing banks are to engage in a certain activity. Depending on national climate priorities, a PDB's level of climate ambition can support or pose a threat to its reputation on the domestic or international stage. This factor is subjective and challenging to measure, making it difficult to rigorously analyze on a causal or correlational basis.	▪ None available
		Bilateral peer interactions	Exchanges between banks of similar status. These can transfer informal knowledge, best practices, and sector-specific understandings. Peer-to-peer interactions between PDBs can serve as a medium for sharing best practices, lessons learned, unique geographic and cultural perspectives, and numerous types of knowledge that can enhance understanding, design, and implementation of climate ambition. However, as much of this dialogue occurs in an informal manner and outside of the public arena, it is difficult to measure.	▪ None available
Internal Factors	**Climate vulnerability**		The susceptibility of a community or area to the adverse impacts of climate change. Severe climate risk could motivate PDBs to make climate commitments, although previous analysis has shown that indexed physical climate vulnerability does not necessarily correlate with PDB ambition.	▪ ND-GAIN Vulnerability Index
	Mandate		A bank's mission to fulfill a particular public policy goal, dictating the scope and direction of its activities. Generally, it has been hypothesized that narrow mandates, especially those that center on high-emitting sectors, may be more difficult to integrate with climate considerations. Conversely, PDBs with broad mandates may more easily lend themselves to higher climate ambition. However, the size of impact that mandates have on PDB climate ambition is unclear and warrants further research.	▪ None available
	Technical capacity		The ability to effectively utilize specialized knowledge, tools, and processes to achieve desired outcomes. Technical capacity has often been noted as a barrier to PDB climate ambition. A lack of technical resources is thought to impede PDBs' ability to develop, design, and implement climate considerations into operations and long-term strategy.	▪ None available
	Governance structure		The framework of policies, procedures, roles, and responsibilities that define how a PDB is managed and operated. Governance structure can be a limiting factor to climate ambition—given that board members of PDBs tend to be nominated by governments of shareholder countries, exposure to political will and instability can reduce the ability of PDBs to form ambitious climate strategies. However, the impact is difficult to measure.	▪ None available

20 International Development Finance Club, European Development Finance Institutions, and Association of African Development Finance Institutions.

4.1.1 EXTERNAL ENABLING FACTORS

External enabling factors shape PDBs' operating environments, playing a large role in determining their climate ambition. For example, if supportive policies and fiscal flexibility are limited, PDBs may face difficulty in prioritizing climate action. On the other hand, PDBs in developed financial systems with strong pipelines of investable climate projects and low reliance on high-emission sectors can more easily scale climate finance than those in less supportive investment environments.

While impacts on climate ambition may be indirect, external factors are essential components to understand the context that underpins PDB climate ambition (or lack thereof). External engagement, such as multi-institutional network membership and peer-to-peer interactions, can offer platforms to build technical capacity, while reputational risk can be a push factor toward climate action. Lastly, country-level climate vulnerability can motivate local PDBs and their shareholder governments to make more substantial climate commitments as they seek to mitigate local impacts.

4.1.2 INTERNAL ENABLING FACTORS

Internal enabling factors influence the climate ambition of PDBs by affecting operational capacity and strategic decision-making to prioritize climate action. A summary of qualitative research on internal enabling factors' influence on PDB climate ambition is shown in Box 3 below.

Box 3: Internal enabling factors' influence on PDB climate ambition

Previous research indicates that changes to PDB **mandates** to include sector-relevant climate considerations could enable increased climate ambition (Marois et al. 2024).

- Alternatively, there are examples of PDBs integrating climate ambition across several sectors within a single **mandate**—Indonesia's sole infrastructure bank, PT Sarana Multi Infrastruktur, integrated climate mitigation and adaptation into its mandate and serves as a key facilitator of blended finance for climate-informed infrastructure projects (CPI 2024b).
- The **technical capacity** of each PDB may also affect the level of climate ambition it perceives as feasible. The actual impact of this is unclear, as prior research indicates that size, as a proxy for capacity, does not necessarily constrain climate ambition (CPI 2024a). The Caribbean Development Bank has aligned with the Paris Agreement and is positioned as a regional climate leader despite holding limited assets.
- Finally, **governance structure** can increase a bank's sensitivity to the political will of external actors, shaping internal direction and decision-making regarding climate action.

Given the private nature of the listed internal factors, they are difficult to measure and are not featured in the quantitative analysis in this report. It is hard to establish accurate indicators of these factors, especially in the case of governance structure and mandate, which have ambiguous effects on climate ambition.

Internal and external factors also feed into each other to create complex contexts for PDB climate ambition. Internal factors establish the foundation for effectively integrating climate into operating models, while external factors can reinforce or constrain these internal capacities. A few examples are provided below:

- **Technical capacity and climate vulnerability:** National vulnerability to climate hazards—e.g., droughts or floods—can prompt PDBs to develop technical capacity to design, assess, and implement climate adaptation projects.
- **Mandate and government policy support:** When a bank's mandate includes specific objectives for climate action, it is more likely to set ambitious climate goals. If this mandate aligns with supportive government policies—e.g., incentives for clean energy or regulations to reduce emissions—the bank can amplify this ambition, leveraging policy incentives to finance climate projects. Conversely, if government policy support is lacking, even a bank with a climate-focused mandate may struggle to maintain and raise its ambition in the absence of suitable external incentives, let alone attract private sector interest where there are concerns about the broader enabling environment.

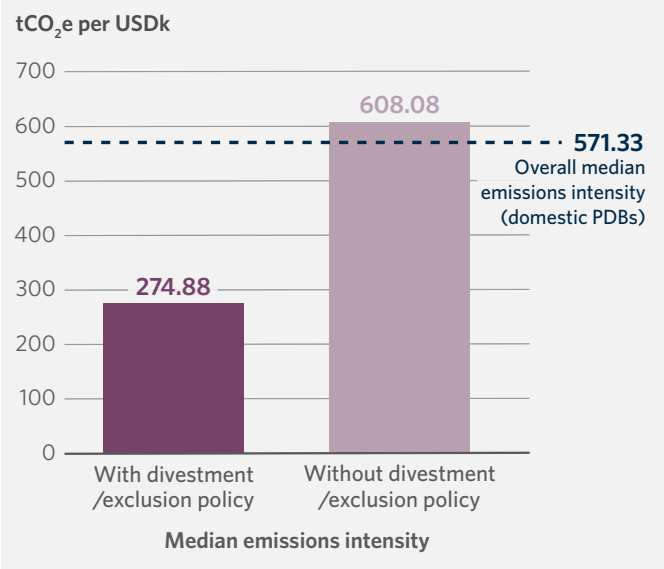
4.2 LINKING ENABLING FACTORS TO PDBS' CLIMATE AMBITION

The presence of key enabling factors such as policy support, investment environments, and external engagement is associated with higher levels of tracked climate ambition across PDBs.

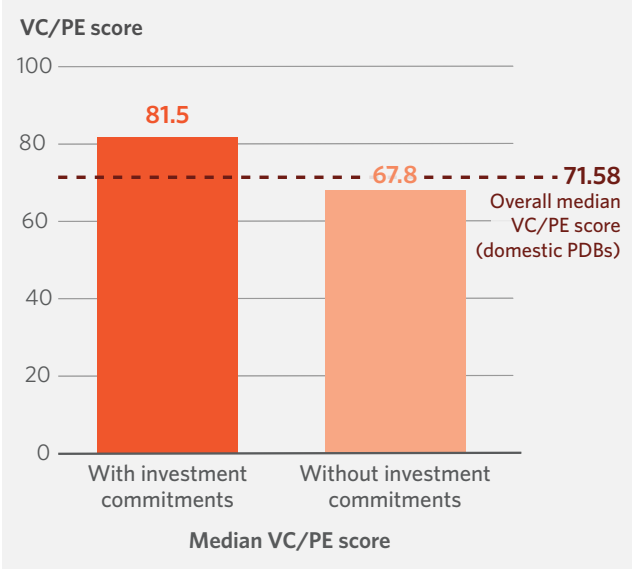
This is observed for both PDBs' individual climate commitments and the broader stratification of PDBs into climate ambition clusters (discussed in Section 3.2).

Figure 7: Domestic PDB climate commitments against local economy emissions intensity and level of financial system development

a. Emissions intensity by PDB divestment/ exclusion policies (2022)



b. VC/PE score by PDB investment commitments (2023)



Note: Data for national and subnational development banks (131 institutions).

For individual commitments, policy and investment contexts map close to ambition, particularly among NDBs/SNDBs.

- Every NDB and SNDB that has committed to Paris alignment is supported by a host government that has submitted an enhanced nationally determined commitment (NDC), raising national climate ambition towards alignment.[21]
- Of the 35 NDBs and SNDBs that have established a net zero or carbon neutrality target, 24 (69%) are supported by a host government that has set a national net zero target. NDBs and SNDBs guided by a national net zero target are also much more likely to set divestment and exclusion policies.
- As shown in Figure 7a above, local economy emissions intensity (median tCO2e/GDP) is much lower for NDBs and SNDBs that have announced a divestment or exclusion policy than those without.[22] The same is true for climate investment goals, institutional climate strategies, counterparty engagement policies, and financed emissions targets.
- Both fiscal flexibility (median debt-to-GDP ratio) and financial system development (median VC/PE score; see Figure 7b) are considerably higher for national or subnational PDBs with climate investment goals than those without.[23]

21 An "enhanced" NDC refers to a revised NDC submission with targets towards increased emissions reductions relative to previous submissions. See the ClimateWatch Data portal for a more detailed explanation of NDC enhancement.
22 As of latest available indicator data (WRI 2022).
23 As of latest available indicator data (IMF 2022 and IESE 2023).

Minimal ambition PDBs are linked to comparatively weaker policy and investment environments than their more ambitious peers.[24]

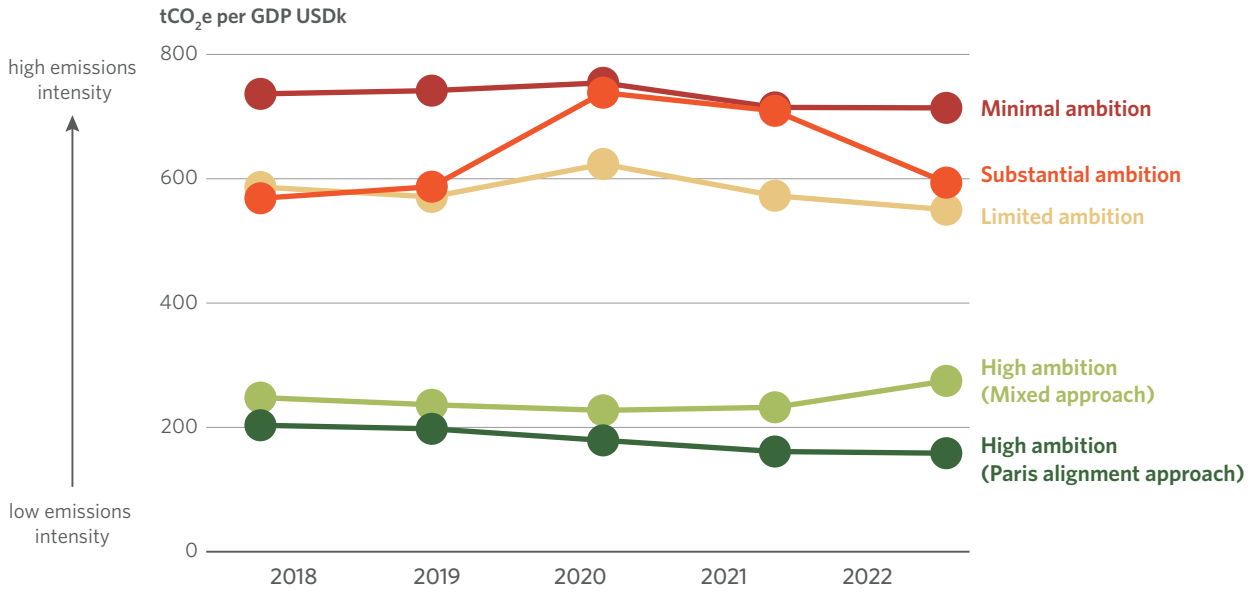
Over the period 2018-22, PDBs in the minimal climate ambition cluster faced a remarkable dearth of supportive enabling factors relative to peers, as reflected by:

- Lowest shareholder government fiscal flexibility (per median debt-to-GDP ratios).
- Second weakest financial system development (median VC/PE favorability).
- Weakest climate investment pipelines (median BNEF ClimateScope scores).
- Highest local economy emissions intensity (median tCO2e-to-GDP value).
- Highest climate vulnerability (median ND-GAIN vulnerability index value).

Unsurprisingly, high-ambition PDBs benefit from more favorable climate policy and investment contexts relative to substantial-, limited-, and minimal-ambition peers— supported by strong enabling factors such as robust investment pipelines, advanced financial systems, and low local economy emissions intensity. See Table 6 in the Annex for a summary of enabling factor indicators across ambition clusters.

However, PDBs with limited and substantial ambition are notably similar in terms of policy and investment environments despite the latter group pursuing a much more robust adoption of climate commitments.

Figure 8: Median local economy emissions intensity across PDB ambition clusters (2018-22)



As shown in Figure 8 above, from 2018-22, median local economy emissions intensity was comparable across limited and substantial ambition PDBs, with the latter group facing a more emissions-intensive economic context in 2020-21. Over the same period, limited and substantial

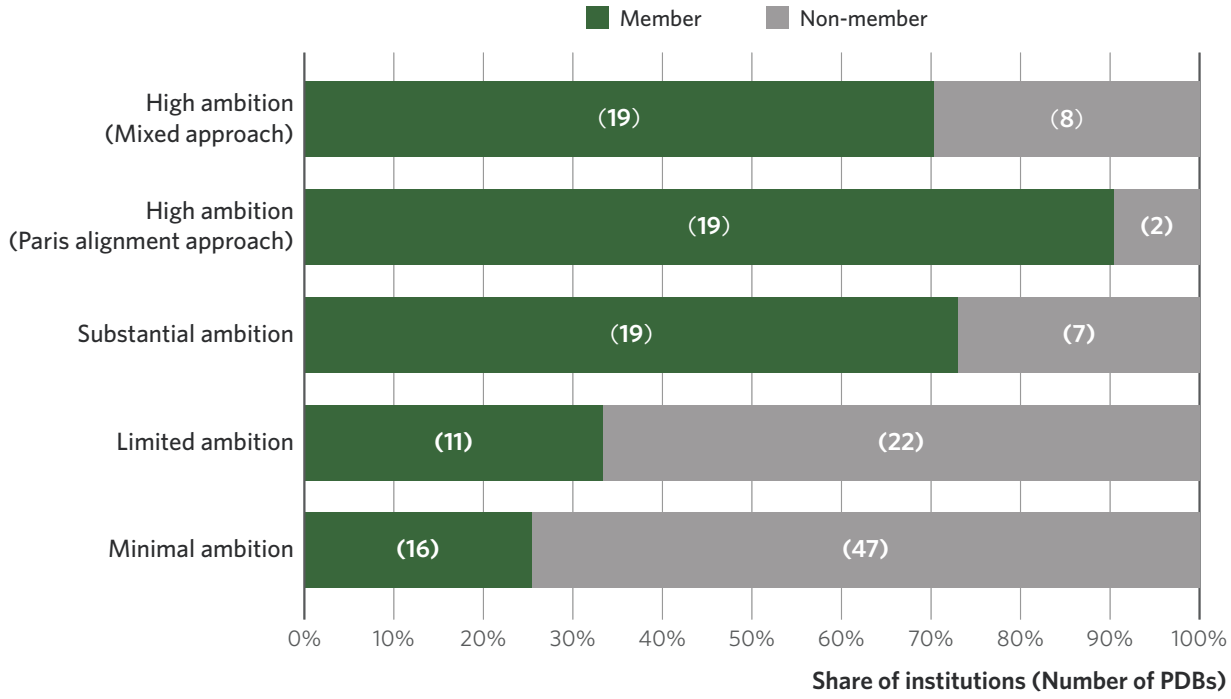
24 This is based on analysis of the 136 NDBs and SNDBs in the total tracked sample. Country-level enabling factors are not assessed against multilateral PDBs (34 institutions) climate ambition on a quantitative basis.

PDB ambition clusters also rank similarly among PDB clusters in terms of median fiscal flexibility (3rd & 4th), financial system development (3rd & 5th), investment pipeline (4th & 2nd), and physical climate vulnerability (tied 1st).

As such, the considerable commitment gap between limited and substantial ambition PDBs—with no institutions in the former group currently committed to Paris alignment, while all institutions in the latter group had already committed by 2024—does not seem to correspond to differences in policy and investment contexts. This merits analysis of other enabling factors that could explain this ambition gap, namely participation in multi-institutional networks.

PDBs with high or substantial climate ambition engage more extensively with multi-institutional networks than less ambitious peers.[25]

Figure 9: Climate ambition clusters' engagement with multi-institutional networks



A clear majority of high-ambition PDBs (38 of 48, or 79%) are members of at least one multi-institutional network that either facilitates progress on technical issues (e.g., risk management, long-term investment, climate mainstreaming) or organizes support for regional sustainable development (e.g., European DFIs). Furthermore, 19 (73%) of 26 substantial-ambition PDBs also participate in such networks. In contrast, only 11 (33%) of 33 PDBs with limited ambition and 16 (25%) of the 63 PDBs with minimal climate ambition are members of a multi-institutional network.

25 Engagement in multi-institutional networks may include membership in PDB technical or regional networks. Technical networks refer to group convenings of PDBs with a specific focus on technical issues such as long-term finance (e.g., D20-LTIC), risk management (e.g., GEMS), climate mainstreaming (e.g., Mainstreaming Climate in Financial Institutions initiative), among others. Regional networks are groups of PDBs that are affiliated due to operations in a shared geographical area (e.g., EDFIs, ALIDE).

The positive relationship between climate ambition and engagement with multi-institutional networks holds regardless of PDB ownership structure. Among PDBs with multilateral ownership, 26 (87%) of 30 institutions with substantial or high climate ambition are members of at least one multi-institutional network. Across national and subnational development banks, 31 (70%) of 44 institutions with substantial or high climate ambition participate in one or more multi-institutional networks.

Overall, variation in climate ambition among PDBs can be mapped to the intersection of policy and investment contexts against engagement with multi-institutional networks.

Table 4: Levels of PDB climate ambition mapped against measurable enabling factors (2024)

Level of climate ambition	Policy/investment contexts	Engagement with multi-institutional networks
High (48 PDBs)	Strong	Strong
Substantial (26 PDBs)	Moderate	Strong
Limited (33 PDBs)	Moderate	Weak
Minimal (63 PDBs)	Weak	Weak

The dynamic through which policy and investment contexts meet external engagement multi-institutional networks to facilitate climate ambition can be seen clearly when comparing substantial- and limited-ambition PDBs. As discussed previously, these groups of PDBs have continuously operated in similar policy and investment contexts since the 2015 Paris Agreement, with neither group benefitting from vastly superior enabling factors relative to the other, yet climate commitments made by substantial-ambition PDBs far outpace those of limited-ambition PDBs.

Instead, this ambition gap is potentially explained by the fact that substantial-ambition PDBs have much stronger ties to multi-institutional networks (>70% are members of one or more network) than limited-ambition PDBs (only 33% are members of at least one network). External engagement through these networks may drive PDBs to set climate-related targets and goals through peer pressure or mutual coordination, while also potentially unlocking financing support and technical assistance from better-resourced institutions that are at a more advanced stage of integrating climate commitments into their own operating models.

For example, there is already a significant track record of MDBs supporting NDBs' climate investments via on-lending (CPI & E3G 2023), a structure that could allow NDBs to operate in less developed local financial systems to raise the ambition of their climate investment goals. Similarly, "public-public collaboration" holds promise for raising shared understanding and incubating new strategies for closing investment gaps in areas such as adaptation and resilience (CPI 2024b).

Overall, this finding underscores the necessity of a multifaceted approach to raising PDBs' climate ambition to meet climate finance needs. While improvements in policy and investment contexts are likely to be gradual and long-term due to underlying structural complexities, there remains a near-to-medium-term opportunity to actively engage PDBs in limited- and minimal-ambition clusters via multi-institutional networks to kickstart their ambition and develop solutions that overcome technical capacity and human capital barriers.

5. MEETING PDB CLIMATE COMMITMENTS WITH ACTION

A structured approach to establishing and achieving climate commitments not only raises PDBs' near-term support for the Paris Agreement but also unlocks future opportunities.

At the individual institution level, defining a repeatable framework for systematically integrating climate commitments into a PDB's operations will allow it to increase its ambition alongside broader development objectives. As leading PDBs develop an understanding of optimal commitment implementation frameworks, they may even uncover new climate finance opportunities in the course of sharing best practices with less advanced institutions, potentially through multi-institutional networks.

Specifically, as PDBs coordinate to implement their climate ambition, these linkages can build on existing connections with key stakeholders, such as governments, private financial institutions, corporate actors, and NGOs, to foster broader partnerships that secure downstream pipelines of investable climate projects.

Lagging progress on climate commitments among private financial institutions underscores the critical need to rapidly operationalize climate ambition throughout the broader financial ecosystem.

Private actors contributed 49% (USD 625 billion) of total climate finance in 2021/22 (CPI 2023). In addition, 134 private banks have committed to net zero financed emissions goals through the NZBA, representing 41% of global banking assets (UNEPFI 2024). However, there are increasing indications that announced private climate commitments have not translated into growing related investments at the rate required for a low-emission, climate-resilient transition.

A recent study of EU private sector banks shows that net-zero commitments have not corresponded to reduced loans to carbon-intensive industries or increased funding for renewable energy projects, and there is no indication of reduced financed emissions through client engagement strategies (Sastry et al. 2024). Additionally, only one of the 50 largest asset managers has published a climate transition plan, and most asset managers' net-zero targets cover just 25% of assets on average (NewClimate Institute, 2023). Despite widespread engagement policies, only 54% of asset managers have defined clear escalation strategies that set terms for enforcing decarbonization commitments among counterparties (e.g., threat of divestment), undermining accountability (Ibid).

In the long run, slow integration of climate commitments could even increase financial stress for institutions—for instance, while 80% of TCFD-reporting companies disclose information on climate-related risks, only a small fraction has fully integrated these risks into overall risk management procedures (TCFD 2022).

PDBs must prevent a gap from forming between commitments and actions by establishing a concrete implementation process for realizing climate ambition.

In addition to the direct positive effects of higher climate finance flows, building a track record of robust implementation of climate commitments by high-ambition PDBs would send a positive signal to both private financial institutions and other PDBs. Moreover, PDBs can leverage their

extensive track records in de-risking private investment and accelerating project development to mobilize greater co-financing to help close climate finance gaps.

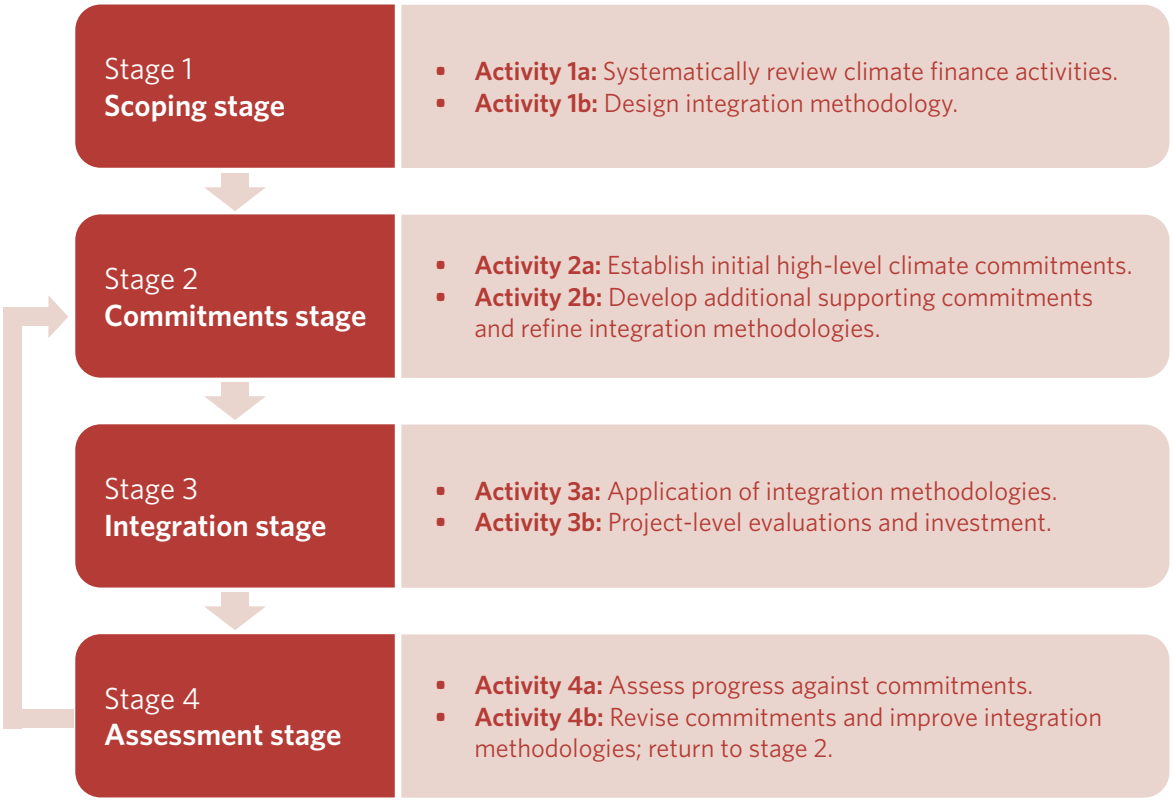
For PDBs struggling to increase their climate ambition, an actionable methodology for implementing commitments can offer assurance that climate ambition is feasible despite challenging enabling environments. In some jurisdictions, the establishment of best practices for the implementation of climate commitments by PDBs could guide private institutions toward compliance with emerging regulations, such as proposed climate disclosure rules from the US Securities and Exchange Commission, the International Sustainability Standards Board, and the EU's Corporate Sustainability Reporting Directive (Accenture 2023).

5.1 MAPPING IMPLEMENTATION OF PDB CLIMATE COMMITMENTS

Analysis of recently achievement of climate commitments by PDBs reveals four distinct stages of implementation: (1) scoping climate finance activities, (2) setting of commitments, (3) integrating commitments into operations, and (4) assessing progress.

While these stages are conceptualized as being sequential, implementation is usually an iterative process that ideally leads to further raising of climate ambition following each cycle. Progression through the four stages can be seen as a single iteration that must be repeated continuously for PDBs to fully achieve their climate ambition. Throughout, the implementation of climate commitments is guided by "integration methodologies," which broadly refer to the internal policies and analytical tools that PDBs use to measure PDB operations against commitments.

Figure 10: Implementation stages of PDB climate commitments



This implementation cycle is reflected by activities undertaken by joint-reporting MDBs and IDFC members to mainstream climate ambition into their operating models, beginning just prior to the Paris Agreement and continuing to the present. While these institutions jointly announced a commitment to align financial flows with the Paris Agreement in late 2017, they began tracking climate finance in the years prior and have maintained consistent shared principles for reporting climate finance issuance since then (World Bank et al 2023).

Additionally, MDBs and IDFC members have made supporting climate commitments, such as climate finance targets and policies restricting fossil fuel investment, while also adopting methodologies for assessing the Paris alignment of new investments and intermediated financing. Following the integration of these commitments into their operating models, this group of high-ambition PDBs has already achieved initial climate finance targets and has recently published guidance for measuring outcome indicators of support for low-emission climate-resilient transition (World Bank et al. 2024).

PDBs currently in the process of scoping, establishing, and integrating climate commitments into their operating models can structure implementation around a similar pathway that facilitates continuous achievement of ambition. Both MDBs and IDFC members have published methodological frameworks for related activities, which other PDBs can use to guide their own implementation.

Table 5: Collective implementation of climate commitments by MDBs and IDFC members

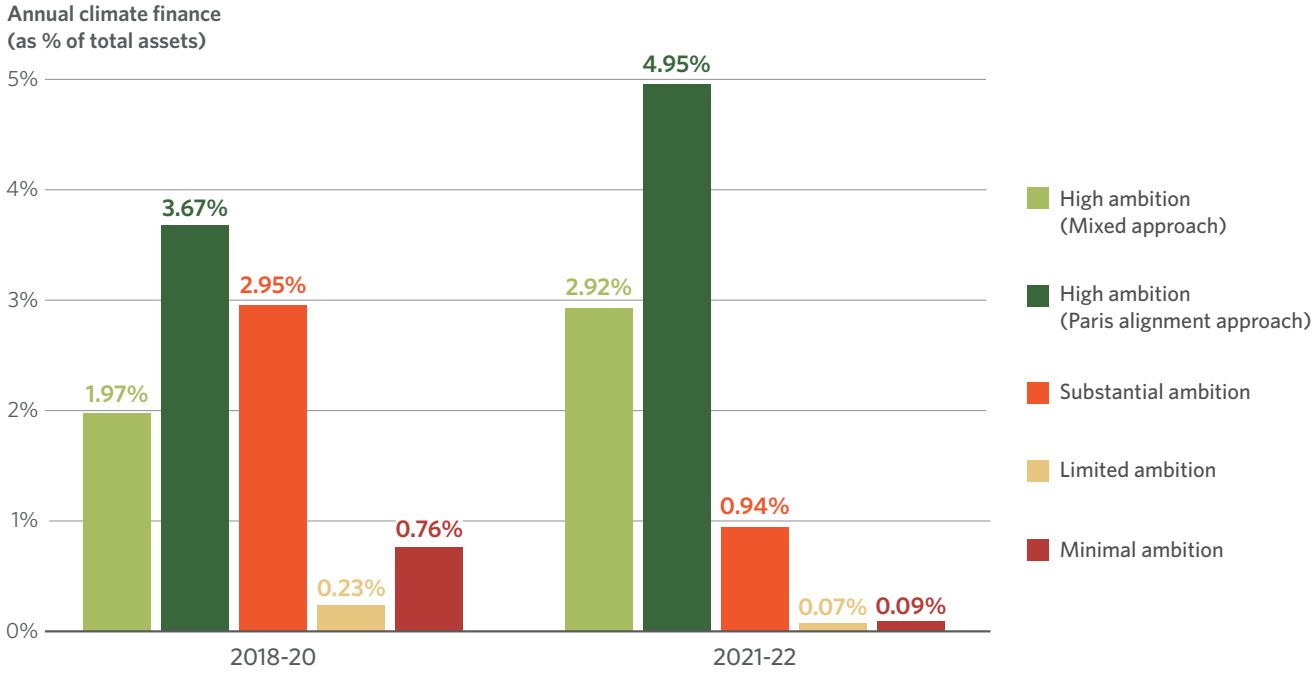
Stage	Activities	MDB examples	IDFC examples
1. Scoping stage	Activity 1a: Systematically review climate finance activities	MDBs and IDFC members have agreed on common principles for tracking climate change mitigation and adaptation finance (2015).	
	Activity 1b: Design initial integration methodology	MDBs collectively reported USD 27.4 billion in climate finance in 2016.	IDFC members reported USD 159 billion in climate finance (2016).
2. Commitment stage	Activity 2a: Establish initial high-level climate commitments	MDBs and IDFC members announce a collective commitment to align financial flows with the Paris Agreement (December 2017).	
	Activity 2b: Develop additional supporting commitments and refine integration methodologies	MDBs set targets for climate finance issuance, enact exclusion policies develop guidance for counterparties, etc. (2017-present).	IDFC launches a facility to support alignment activities (2019). Members pledge USD 1.3 trillion in green finance between 2019 and 2025 (2021).
3. Integration stage	Activity 3a: Application of integration methodologies	MDBs present progress updates on Paris alignment at COP24, COP25, and COP26 (2019-21).	IDFC members report USD 213 billion in climate finance (2021), an increase of USD 54 billion from 5 years prior.
	Activity 3b: Project-level evaluations and investment	MDBs deploy project-level evaluation tools such as net emissions accounting, shadow carbon pricing, etc. (2019-21).	IDFC publishes an operationalization framework detailing methods for evaluating alignment (2021).

Stage	Activities	MDB examples	IDFC examples
4. Assessment stage	Activity 4a: Assess performance against commitments	MDBs exceed collective target of USD 50 billion in climate finance (2021).	IDFC members report that they are on track to meet the collective target of USD 1.3 trillion in green finance (2023).
	Activity 4b: Revise commitments and improve integration methodologies; return to stage 2	MDBs publish joint methodologies for assessing project-level Paris alignment (2023).	IDFC has launched a 3-year capacity-building program to improve tracking of green finance (2023).

5.2 ASSESSING PDBS' CLIMATE COMMITMENTS AGAINST FINANCE FLOWS

PDBs with high or substantial climate ambition have originated higher annual volumes of climate finance (as a share of assets) in comparison to their less ambition peers.

Figure 11: Median climate finance flows (as % of assets) across PDB climate ambition clusters



Note: Climate finance flows correspond to CPI climate finance tracking data, which are matched to 87 of 170 PDBs.

Over 2018-20 and 2021-22, PDBs' average annual direct climate finance as a proportion of their total assets has increased from 1.3% to 1.7%.[26] As shown in Figure 11 above, this trend was driven primarily by PDBs with high climate ambition, which saw median climate finance flows relative to assets increase substantially between the two periods. Growing climate finance flows coincide directly with rising adoption and integration of commitments to Paris alignment and other complementary targets by these groups of institutions over the same period.

26 Per CPI climate finance tracking data.

However, it is notable that climate finance as a proportion of assets also decreased across substantial, limited, and minimal ambition PDBs during the same time frame. A possible explanation for this is that, in the absence of more robust climate commitments, it is plausible that less climate ambitious PDBs did not integrate climate objectives as a required consideration when structuring financial support for COVID-19 economic recovery, and accordingly climate finance flows were displaced in favor of investment in non-climate projects.

Finally, comparing the high ambition (Paris alignment approach) group to the substantial ambition group provides nuanced insights into the connection between climate ambition and climate finance flows. While all institutions in both groups are committed to Paris alignment, the former group has leveraged its assets at a far higher rate to generate direct financing towards climate projects. This points to a general finding that commitments to Paris alignment alone do not assure the scaling up of climate finance among PDBs, which underlines the necessity of complementary commitments (e.g., climate investment goals, counterparty engagement policies) that have already been comprehensively adopted by high-ambition groups of PDBs but not among the substantial-ambition group—to deliver accelerated climate investment.

While direct climate finance issuance is not an all-encompassing indicator of PDB efforts to support the Paris Agreement goals, this result does strongly suggest that higher-ambition PDBs are largely responding to their climate commitments by originating higher volumes of climate finance. However, it is crucial to note that the lack of strong enabling factors that appear to undermine the adoption of climate commitments among limited and minimal ambition PDBs similarly impedes their origination of new climate finance opportunities, particularly when it comes to weak government policy support and investment environments.

6. CONCLUSIONS AND RECOMMENDATIONS

PDBs play a critical role in guiding the transition to low-emission climate-resilient development pathways, particularly in EMDEs. To fulfill this role, PDBs should pursue robust climate ambition and organize public-public partnerships that enhance collective efforts (Marois et al. 2024). Specifically, PDBs with more advanced climate ambition and implementation capacity should engage peers with lower levels of ambition and resources to develop solutions to mainstream climate commitments into PDB operating models. Drawing upon the novel data gathered and analyzed for this report, three conclusions, each with associated recommendations, suggest a path forward for adopting and achieving climate commitments across the PDB ecosystem.

Conclusion 1: PDB climate ambition has plateaued in recent years, with the adoption of climate commitments increasingly polarized between those banks that have set ambition early and others that have consistently shown sparse signs of action.

Most high-ambition PDBs started to announce high-level climate commitments (i.e., Paris alignment, net-zero targets) in the five years after the Paris Agreement was signed, and continued to establish follow-on goals and implementation actions. Conversely, over half of the tracked institutions show limited-to-no climate ambition thus far, leaving them without concrete directives to ramp up their support for the low-emission climate-resilient transition.

Recommendations	Timeframe	Feasibility	Key Actors & Actions
1a: Ongoing international financial architecture reform discussions should focus on raising PDBs' Paris alignment capacity with consideration of the entire PDB ecosystem and take measures to lift less ambitious institutions toward the level of leading institutions.	Near-term: Beginning at the 2025 Finance in Common Summit.	Relies on buy-in from convening organizations and networks to expand outreach and support.	**All PDBs, multi-institutional networks**, and **shareholder governments** should discuss key barriers to ambition and collectively develop solutions.
1b: Accordingly, PDBs with high levels of climate ambition should aim to scale up ongoing initiatives to transparently disseminate methodological guidance and best practices for the implementation of climate commitments by utilizing multi-institutional networks to accelerate adoption by less ambitious institutions through convening and active facilitation.	Near-term (ongoing).	Leading institutions must dedicate resources to dissemination and coordination with networks.	**High-ambition PDBs** should leverage **multi-institutional networks** to provide guidance and technical tools to less ambitious institutions.

Conclusion 2: PDBs' climate commitment levels correspond closely to their intersecting policy and investment contexts and their participation level in multi-institutional networks.

PDBs with substantial-to-high climate ambition tend to benefit from both relatively strong policy and investment operating contexts (i.e., supportive government policies and developed financial system/climate sectors) and participation in multi-institutional networks such as

the International Development Finance Club (IDFC), the Mainstreaming Climate in Financial Institutions Initiative, and Finance in Common (FiCS) that assist PDBs to re-orient their operating models towards transition. PDBs that have announced limited-to-no climate ambition not only tend to face weaker operating contexts but are also not actively engaged in multi-institutional networks. Both aspects of PDB enabling environments should be considered to effectively raise PDB climate ambition.

Recommendations	Timeframe	Feasibility	Key Actors & Actions
2a. Given the long-term structural change required to shift complex policy and investment environments, multi-institutional networks will need to play a leading role in systematically raising PDBs' climate ambition levels by strategically leveraging convening power and shared resources.	Near- to medium-term	Requires expanded network membership size and/or support activities.	**Multi-institutional networks** should take steps to integrate collective discussion of climate ambition into their membership activities.
2b: Specifically, multi-institutional networks should seek engagement with non-member PDBs that have minimal climate commitments but operate in policy and investment contexts similar to more ambitious peers, with the aim of facilitating the adoption of more robust targets and implementation actions among these institutions.	Medium-term	Networks need to define a strategy, with implementation support from partners and funders, for onboarding new members and supporting the growth and achievement of their climate ambition.	Facilitators of **multi-institutional networks** should engage **minimal climate ambition PDBs** on initial steps to secure participation in climate mainstreaming activities and technical workshops.
2c. Large high-ambition PDBs—namely MDBs and DFIs—should look to climate financing partnerships (i.e., on-lending or co-investment) with limited- and minimal-ambition NDBs and SNDBs as opportunities to advance their own commitments not only in terms of financial mobilization but also by supporting the maturation of country-specific platforms for low-emissions climate-resilient development and deepening connections to local stakeholders.	Medium- to long-term	New channels for engagement between PDBs need to be established, with the specific aim of facilitating partnerships and including PDBs with less developed climate ambition.	**Large high-ambition PDBs** should map their connections to **limited- and minimal-ambition NDBs and SNDBs** and assess strategic relevance to climate targets.

Conclusion 3: PDBs' successful implementation of climate commitments follows a structured multi-stage process, leading to an iterative re-evaluation of the progress they have achieved against targets, along with ongoing consideration of how commitments are integrated into PDB operating models.

A number of PDBs—primarily MDBs and other IDFC members—have already achieved an initial set of announced climate commitments, namely targets for climate finance issuance or green investment. Where climate ambition has been successfully implemented by PDBs, this has broadly been the result of an ongoing process of scoping climate finance-relevant activities, setting goals for increasing levels of support, integrating goals into operating models, and then raising ambition further once initial commitments have been achieved. Finally, the adoption of

ambitious climate commitments by PDBs can be linked to higher climate finance flows as a share of assets, suggesting that ambitious PDBs have largely followed through on commitments once they have been established.

Recommendations	Timeframe	Feasibility	Key Actors & Actions
3a: PDBs should frame climate commitments around indicators and benchmarks that can be achieved iteratively and raised incrementally, with the aim of supporting low-emission climate-resilient development.	Medium-term, ongoing	PDBs and key stakeholders must agree on appropriate indicators and target trajectories to measure the achievement of ambition.	**All PDBs**, with facilitation by **multi-institutional networks** and **shareholder governments**, should discuss ambition within the context of broader sustainable development goals.
3b: After initial commitments are fulfilled, it is imperative that PDBs assess their integration approaches and strength of climate ambition to identify potential areas for improvement, particularly in light of evolving physical and economic contexts and changes to institutional capacity.	Long-term	Requires PDBs to conduct robust measurement, evaluation, and learning (MEL) assessment of climate ambition achievement on a regular basis.	**All PDBs** should establish a regular cadence for evaluating progress on commitments and include associated performance within the purview of institutional governance bodies.

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8. ANNEX

8.1 EXPANDED PDB TRACKING

Table A1: Comparison of 2024 PDB tracking sample to original tracking sample (2022-23)

	Tracking sample (2024)	Original tracking sample (2022-23)
Total # of Institutions	**170**	**70**
High-income country	57 (33.5%)	37 (52.9%)
Upper middle-income country	48 (28.2%)	15 (21.4%)
Lower middle-income country	30 (17.6%)	7 (10.0%)
Low-income country	1 (0.6%)	0 (0.0%)
Transnational	34 (20.0%)	11 (15.7%)

In total, there are 170 PDBs in the 2024 tracking sample, a substantial increase from the 70 PDBs tracked in 2022 to 2023. In particular, the current sample provides more representative coverage of medium-to-small PDBs operating in EMDEs, institutions that were identified in the 2023 edition of PDBs commitment tracking as key facilitators of transition with burgeoning climate engagement.

The expanded tracking includes 69 of the 70 PDBs from the original sample,[27] then adds the next 51 largest PDBs by assets (any income level) as well as the remaining 50 largest PDBs operating in non-high-income countries. Total tracked assets are USD 21.8 trillion, which covers around 95% of global PDB assets.

8.1.1 PDBS' INSTITUTIONAL INFORMATION TABLE

This data table captures information relevant to PDBs' individual, institutional characteristics, and operating context (i.e., enabling factors). The primary source of information is the Finance in Common PDBs database, which is used to construct the sample of 170 tracked PDBs and contains descriptive fields for each tracked institution. Additional data on enabling factors is collected from a variety of external sources to provide a comprehensive picture of each PDB's operating context.

The table is structured in an institution-year format, that is, each observation corresponds to an individual tracked PDB in each year over the period 2015 to 2024. In total, the PDB institutional information table contains 1,700 rows: 170 institutions over ten years. See Table A2 below for a summary of data fields utilized for analysis or secondary data collection.

27 One bank from the original tracking sample, Lembaga Tabung Haji (Malaysia), is no longer included in the FiCS PDBs database.

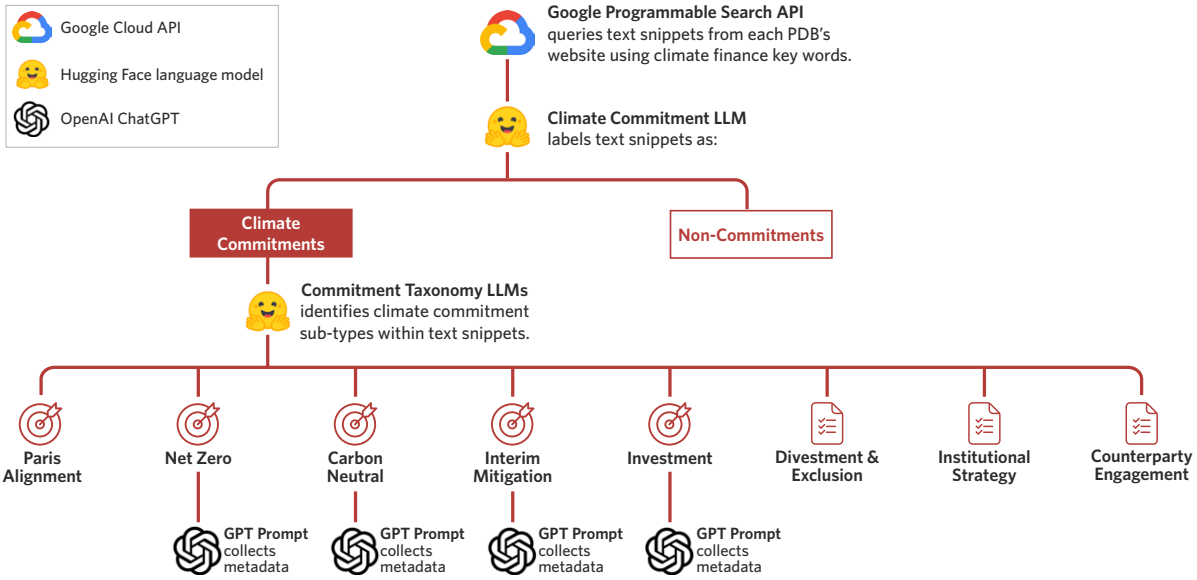
Table A2: PDB institutional information table data fields

Field	Description	Values (years; data type)	Source
PDB ID	7-digit ID code that uniquely identifies PDBs.	Text length 7 (all; str)	FiCS
PDB name	The English language name of the PDB.	Text length variable (all; str)	FiCS
Original name	The original language name of the PDB.	Text length variable (all; str)	FiCS
Acronym	Acronym corresponding to the PDB name (or original name).	Text length variable (all; str)	FiCS
PDB URL	Website URL for the PDB.	Text length variable (all; str)	FiCS
Ownership	PDB ownership structure is either multilateral, national, or subnational.	Text length variable (all; str)	FiCS
Country	The ISO-3 code corresponds to the country in which the PDB is based.	Text length 3 (all; str)	FiCS
Income group	The income group of the country in which the PDB is based.	HIC, UMIC, LMIC, LIC (all; str)	FiCS
Year	The year in which information was collected.	2015-2024 (all; int)	--
Assets	The total value of assets held by each PDB (USDm).	200-4,000,000 (2018-2024; float)	FiCS
NDC Enhancement Date	Year in which the host country enhanced its NDC submission.	2020-2023 (all; int)	ClimateWatch
Enhanced NDC	Host country has enhanced its NDC submission.	True/False (all; bool)	ClimateWatch
NZ Announced	Year in which the host country announced a net zero emissions goal.	2019-2022 (all; int)	ClimateWatch
NZ Year	Target year for host country to achieve its net zero emissions goal.	Text length variable (all; str)	ClimateWatch
National NZ	Host country has announced net zero emissions goal.	True/False (all; bool)	ClimateWatch
Emissions Intensity	Ratio of PDB host country GHG emissions (tCO2e) to thousand dollars of GDP output.	0.03-6.44 (2015-2021; float)	ClimateWatch
Vulnerability	Measure of the physical climate risk facing a PDB host country.	0.26-0.55 (2015-2021; float)	ND-GAIN
V20	Indicates the host country is a V20 member.	True/False (all; bool)	V20
Debt-to-GDP	Ratio of PDB host country sovereign debt to total GDP.	6.72-261.29 (2015-2022; float)	IMF
ClimateScope Index	Measures climate investment opportunity in PDB host country.	0-5 (2015-2023; float)	BNEF
VCPE	Index of the attractiveness of the PDB host country to VC/PE investors.	17.1-100 (2017-2023)	IESE
PDB Technical Network	PDB engages with "technical" multi-institutional network.	True/False (all; bool)	FiCS
PDB Regional Network	PDB engages with "regional" multi-institutional network.	True/False (all; bool)	FiCS

Other information included as fields in the data table but not used for analysis or secondary data collection are year of establishment, ISO-2 code, continent, region, mandate, and size.

8.2 IDENTIFYING PDBS' CLIMATE COMMITMENTS

Figure A1: AI/ML-enabled data collection pipeline for tracking PDBs' climate commitments



A series of AI/ML tools were developed to locate PDB climate commitments and transform corresponding text inputs into a structured dataset for analysis. This process is described in general terms in the subsequent sub-sections, but code snippets and a detailed technical summary can be found in a separate methodology blog.

8.2.1 WEB SCRAPING PDBS' WEBSITES USING KEYWORDS

Identification of PDBs' climate commitments starts by feeding the list of keywords captured in Table A3 below into the Google Programmable Search API, which then is used to query relevant search results from tracked PDBs' websites.

For each set of keywords, the API returns the ten most relevant search results from the period 2015 to 2024, providing a URL, the web page title, and a text snippet from the PDB website. This process yields more than 5,000 search results. However, only some of the results actually contain references to PDBs' climate commitments. In addition to PDBs' own climate commitments, search results may also capture climate commitments made by other entities or descriptions of PDBs' projects that include language spuriously related to climate commitments.

Table A3: List of keywords used to collect PDBs' commitments data

Commitment	Keywords
Paris alignment	(announce | commit | pledge | target | aim) AND (align | aligning | alignment) AND Paris AND (agreement | "climate agreement" | accords | goals)
Mitigation targets	(announce | commit | pledge | target | aim | achieve | align) AND ("net zero" | net zero | ((climate OR carbon) AND (neutral | neutrality)))
Mitigation targets	(announce | commit | pledge | target | aim | achieve) AND (reduce | reduction | cut | slash | decrease | peak) AND (emissions | carbon | GHG)
Climate Investment goals	(announce | commit | pledge | dedicate | establish | aim) AND (green | climate | renewable | "low carbon" | "clean energy" | waste | sustainable | SDG | ESG | adaptation) AND (finance | invest | fund | financing) AND (goal | target | objective)
Climate Investment goals	(announce | commit | pledge | dedicate | establish | aim) AND (finance | invest | fund) AND (protection | preservation | restoration | conservation) AND (biodiversity | forest | pollution | water)
Divestment or Exclusion	(divest | stop | end | exclude | reduce | "phase out" | "phase down" | quit | divest | ""cut off"") AND (fossil fuels | coal | oil | gas | methane | unabated | deforestation)
Integration actions	climate AND (action | transition) AND (management | strategy | plan | framework | "capacity building" | engagement | disclosure | department | product | offering)
Integration actions	(announce | adopt | set | establish | apply | implement) AND carbon AND (price | tariff | credit)
Integration actions	(assess | report | evaluate | monitor | disclose | integrate | manage | screen) AND climate AND (risk | vulnerability)

8.2.1 LLM TEXT CLASSIFICATION OF CLIMATE COMMITMENTS

After search results are collected, they are processed by a large language model (LLM) text classifier that labels the search results as either containing a reference to a climate commitment or not containing a reference to a climate commitment. This model was re-trained from the ClimateBERT model for climate commitments and actions using data from previous tracking of climate commitments (2022-23) made by PDBs and private financial institutions, then fine-tuned with a manually labeled training set from 2024 search results.

The LLM is trained to infer whether the text snippet corresponding to each search result mentions a climate commitment or not, following a natural language processing (NLP) procedure described in box A1 below.

Box A1. Climate commitment labeling via LLM

For example, a text snippet collected from the British International Investment website reads as:

"British International Investment accelerates climate finance... Alongside increasing its delivery of climate finance, BII is committed to Paris alignment and is developing a strategy for reaching net zero at a portfolio..."

The LLM will convert this string of text into a set of indexed tokens (i.e., text features):

['British', 'International', 'Investment', 'accelerates', 'climate', 'finance', 'Alongside', 'increasing', 'its', 'delivery', 'of', 'climate', 'finance', 'BII', 'is', 'committed', 'to', 'Paris', 'alignment', 'and', 'is', 'developing', 'a', 'strategy', 'for', 'reaching', 'net', 'zero', 'at', 'a', 'portfolio']

Based on the composition and positioning of tokens (e.g., 'Paris' appears next to 'alignment'), the model predictively labels the text snippet as a **commitment**, with a likelihood score of 99.6%. Overall, testing accuracy of the trained model is 90.23%.

Subsequently, the text snippet is fed through a secondary series of text classifier LLMs, which further label the text snippet where it contains a reference to any of the sub-types of climate commitments below:

- Paris alignment
- Mitigation targets
  - Net zero target
  - Carbon neutrality target
  - Interim mitigation targets
- Climate investment goals
- Institutional climate strategy
- Counterparty engagement policy
- Exclusion and divestment policy

Similar to the initial commitment text classifier LLM, these secondary LLMs are trained using manually validated data from 2022 to 2024 tracking cycles.

8.2.3 EXTRACTING CLIMATE COMMITMENT METADATA

CPI incorporates OpenAI's ChatGPT and term frequency–inverse document frequency (TF-IDF) indices to facilitate the extraction of metadata for each PDB climate commitment. ChatGPT is trained on large sets of text data, allowing it to understand complex text input, which enables users to elicit responses with multi-step inquiries. For this reason, CPI leverages ChatGPT to automate the data extraction process to mitigate need for manual processing and reduce human error.

To minimize operational costs, CPI incorporates a TF-IDF vectorizer, which quantifies the "importance" of specific terms within a document. In particular, TF-IDF is leveraged to identify

the text snippets that are most likely to contain an extractable metadata field, which are then collected into targeted subsets, so that only the most relevant commitment text snippets are passed to ChatGPT to perform a particular extraction task.

To validate ChatGPT's extraction of metadata fields, CPI incorporates a schema defined in YAML—a human-readable data format to denote data structure. CPI integrates this schema with programmatic tools to ensure data values extracted by ChatGPT are within expected ranges (e.g., commitment target years are after 2015). Deviations from expected values are then corrected to assure data quality.

8.2.4 PDBS' CLIMATE COMMITMENTS TABLE

This table is structured around text snippets, each containing a reference to announced climate commitments made by PDBs. Text snippets are scraped from PDB websites, then classified and converted into a structured data table through the process described in Annexes 8.2.1 to 8.2.3 above. In total, this table contains 1,469 unique text snippets that capture PDB climate commitments spanning 2015 to 2024, including commitments that were previously collected during 2022 to 2023 tracking.

Table A4: PDB commitments table data fields

Data Field	Description	Values (Data Type)
Commitment ID	Unique commitment identifier created from parsing the first eight digits of the text snippet hashed with SHA256.	Text length 8 (str)
Text snippet	Brief text snippet scraped from PDB websites, containing language referring to one or more climate commitments.	Text length variable (str)
Commitment URL	URL corresponding to the web page from which the text snippet was scraped.	Text length variable (str)
PDB name	The English language name of the PDB.	Text length variable (str)
Commitment date	The year in which the commitment was announced.	2015-2024 (int)
PDB ID	7-digit ID code that uniquely identifies PDBs.	Text length 7 (str)
Label	The label assigned to the text snippet after LLM classification.	"commitment" (str)
Prediction score	The probability estimates of the LLM classification model that correspond to the predicted label.	0-1 (float)
Paris aligned	Indicator for if the text snippet references a Paris Alignment commitment.	True/False (bool)
Net zero	Indicator for if the text snippet references a Net Zero portfolio commitment.	True/False (bool)
Carbon neutral	Indicator for if the text snippet references a carbon-neutral portfolio commitment.	True/False (bool)
Interim target	Indicator for if the text snippet references an interim financed emissions reduction commitment.	True/False (bool)

Data Field	Description	Values (Data Type)
Mitigation target	Indicator for if the PDB has adopted any of net zero, carbon neutral, or interim targets.	True/False (bool)
Climate investment goal	Indicator for if the text snippet references an investment and sustainability goal.	True/False (bool)
Divestment or exclusion policy	Indicator for if the text snippet references a fossil fuel divestment or exclusion policy.	True/False (bool)
Institutional strategy	Indicator for if the text snippet references an institutional climate strategy.	True/False (bool)
Counterparty engagement	Indicator for if the text snippet references a counterparty engagement policy.	True/False (bool)
Net zero target	Target year for achieving net zero emissions.	2025-2070 (int)
Carbon neutral target	Target year for achieving carbon neutrality.	2015-2060 (int)
Carbon reduction	Quantity of CO2 emissions targeted for reduction in units of tCO2e.	8-1,000,000,000 (float)
Carbon percent	Percent of CO2 emissions targeted for reduction.	15-60 (float)
GHG reduction	Quantity of GHG emissions targeted for reduction in units of tCO2e.	8-1500 (float)
GHG Percent	Percent of GHG emissions targeted for reduction.	14-80 (float)
Investment amount	Monetary amount of investment targeted.	1,000,000-6,500,000,000,000 (float)
Currency	Unit of currency used to denominate investment targets.	Three-letter code (string)
Finance target percent	Percent of finance specified (either as an increase or share of total) in investment targets.	15-300 (float)

8.3 CLUSTERING PDBS BY CLIMATE AMBITION

Climate ambition "clusters" of PDBs reflect sub-groups of institutions that have adopted similar sets of climate commitments to date, reflecting mutually consistent approaches to climate ambition thus far.

The methodology for identifying PDB climate ambition clusters leverages machine learning, specifically K-means clustering, to group PDBs on the basis of the similarity of their climate commitments to other institutions. K-means clustering partitions a dataset so that each observation is grouped around a "centroid" or an artificial data point at the center of each cluster whose features (i.e., climate commitments) reflect the median or average of its surrounding observations. Clusters are then iteratively re-assigned until the algorithm returns groupings of observations (i.e., PDBs) that maximize within-cluster similarity among "k" number of clusters.

PDBs are clustered into five groupings (i.e., k = 5) based on climate ambition — this parameter is selected using "elbow" and "silhouette" methods, which select a "k" value such that increasing the number of clusters would not significantly improve within-cluster similarity. The final

five clusters are associated with a silhouette score of roughly 0.5, indicating that the clusters are reasonably optimized for internal similarity,[28] but could potentially be improved with additional features or synthetic methods such as principal components analysis. However, these adjustments would lead to a loss of interpretability, so they are not incorporated in the methodology.

As shown in table A5 below, the resulting clusters of PDBs are indeed quite similar in terms of their announced climate commitments.

8.3.1 CLIMATE COMMITMENTS ACROSS PDB CLIMATE AMBITION CLUSTERS

Table A5: Distribution of climate commitment adoption by climate ambition clusters (as of 2024)

PDB cluster	Share of institutions committed (%)						
	Paris Alignment	Net zero / carbon neutrality	Interim mitigation target	Investment and sustainability goals	Divestment or exclusion policy	Institutional climate strategy	Counterparty engagement policy
High ambition (Paris alignment approach) 21 institutions; USD 2.5 trillion in assets.	100%	24%	33%	81%	100%	95%	100%
High ambition (mixed approach) 27 institutions; USD 3.3 trillion in assets.	78%	100%	70%	59%	37%	93%	89%
Substantial ambition 26 institutions; USD 3.4 trillion in assets.	100%	4%	23%	35%	0%	92%	54%
Limited ambition 33 institutions; USD 9.7 trillion in assets.	0%	12%	18%	18%	6%	100%	24%
Minimal ambition 63 institutions; USD 2.9 trillion in assets.	3%	5%	2%	0%	0%	0%	0%

28 Silhouette scores are a measure of internal similarity, ranging from -1 to 1, where a score of 1 indicates perfect similarity across features in each cluster and a score of -1 indicates complete dissimilarity.

8.4 EXTERNAL ENABLING FACTORS ACROSS PDB AMBITION CLUSTERS

Table A6: Median value and corresponding ranking of external enabling factor indicators across PDB ambition clusters (2018-2022)

PDB cluster	Fiscal Flexibility* (Debt-to-GDP)	Financial System Development (VC/PE Index)	Investment Pipeline (ClimateScope)	Exposure to High-Emissions Sectors (tCO2e/GDP)	Climate Vulnerability (ND-GAIN)
High ambition (Paris alignment approach) 21 institutions; USD 2.5 trillion in assets.	85.5/100 **[1st]**	82.0/100 **[2nd]**	2.21/5 **[3rd]**	**179.2 tCO2e/ USDk [5th]**	0.33/1 **[2nd]**
High ambition (mixed approach) 27 institutions; USD 3.3 trillion in assets.	84.0/100 **[2nd]**	82.3/100 **[1st]**	2.26/5 **[1st]**	241.8 tCO2e/ USDk **[4th]**	0.32/1 **[3rd]**
Substantial ambition 26 institutions; USD 3.4 trillion in assets.	75.4/100 **[4th]**	56.4/100 **[5th]**	2.25/5 **[2nd]**	605.2 tCO2e/ USDk **[2nd]**	0.36/1 **[1st]**
Limited ambition 33 institutions; USD 9.7 trillion in assets.	78.5/100 **[3rd]**	76.4/100 **[3rd]**	2.19/5 **[4th]**	583.7 tCO2e/ USDk **[3rd]**	0.36/1 **[1st]**
Minimal ambition 63 institutions; USD 2.9 trillion in assets.	63.6/100 **[5th]**	66.6/100 **[4th]**	2.00/5 **[5th]**	742.8 tCO2e/ USDk **[1st]**	0.36/1 **[1st]**

***Color scale**: Dark green = most supportive, dark red = least supportive.*

**In this context, fiscal flexibility is the capacity of shareholder government(s) to access funding for activities such as PDB capitalization. Accordingly, higher debt-to-GDP ratios show greater fiscal flexibility, insofar as this indicates the shareholder government(s) has a more extensive track-record of sovereign borrowing.*

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