


Summary of recommendations across the MDB climate finance and strategy toolkit

Tool	Type of tool	Description	Recommendations for MDBs	Opportunity for cooperation	Link to impacts
Sectoral lending strategy	Standard setting tools	Bank-level documents providing guidance on principles and procedures for MDB lending in different sectors.	<p>Define the following principles, which in turn can be applied to set project-level eligibility standards:</p> <ul style="list-style-type: none"> - Additionality - Green hydrogen project infrastructure, such as renewable power plants and water treatment facilities, should be additional. - Surplus sharing - Green hydrogen project infrastructure, such as renewable power plants and water treatment facilities, must be oversized and commit to surplus sharing. - Resource efficiency - Output from green hydrogen projects should be prioritised for no-regret sectors within the national context, both for domestic use and exports. 	To ensure consistency	
Environmental and social framework	Standard setting tools	Bank-level documents detailing the approach for assessing, managing, and mitigating environmental and social risks. Typically consist of two parts - environmental and social policies (ESP) for the bank's own due diligence and monitoring responsibilities, and environmental and social standards (ESS) for the borrowers' project design and implementation.	<ul style="list-style-type: none"> - Ensure consistent and high-quality interpretation and application of ESSs across directly supported projects by enhancing transparency and building staff capacity. - Ensure consistent and high-quality interpretation and application of ESSs across projects involving financial intermediaries by improving oversight and accountability mechanisms. - Strengthen ESP guidelines to establish an acceptable risk classification as an eligibility standard for projects to receive MDB support. - Build capacity of public institutions, financial intermediaries, and private developers involved in approved projects to manage residual risks. 	To ensure consistency	
Knowledge creation and sharing	Country support tools	Use of financial and technical resources to produce and share knowledge on critical issues within a sector or investment area, either on a global level or for a specific country context.	<ul style="list-style-type: none"> - Produce feasibility studies that assess potential demand for green hydrogen, its derivatives, and its upstream and downstream products, with a breakdown by offtake sector and market (domestic vs. international). - Develop estimates of existing capacity and growth potential of domestic upstream and downstream industrial sectors. - Produce or support studies to identify appropriate policy options within the national context to capture value locally. - Facilitate platforms for knowledge exchange to share best practices and lessons learned on national strategies, enabling policies, and industrial best practices. 	To combine resources and foster knowledge exchange	
Strategy support	Country support tools	Use of financial and technical resources to provide substantive inputs to national- or sub-national level strategic documents concerning a particular sector or development area.	<ul style="list-style-type: none"> - Support long-term decarbonisation strategies (including NDCs and LTSs) and sector roadmaps defining the role of green hydrogen in domestic decarbonisation efforts aligned with domestic priorities. - Support national green hydrogen strategies outlining principles or intentions for near- and long-term domestic use, a realistic outlook on exports, and policies for local value capture. - Support industrial development plans for key upstream (e.g., electrolysers) and downstream sectors (e.g., fertilisers, green steel) where significant potential exists. 	To combine resources and foster knowledge exchange	
Policy and regulatory support	Country support tools	Use of financial and technical resources to support policy and regulatory design at the national- or sub-national levels.	<ul style="list-style-type: none"> - Support green hydrogen policy development, such as mandates for additionality and oversizing of project infrastructure (renewable power plants, water treatment facilities, etc.) and for surplus electricity and water sharing. - Support industrial policies and demand creation measures including phased local content measures, green public procurement, and consumption or production mandates, to spur domestic upstream or downstream industrial growth and local employment generation where there is significant potential. - Support grid regulatory reform to enable electrolyser integration and to encourage private investments in grid infrastructure. - Support tax reforms to ensure commodity exports of green hydrogen generate proportionate fiscal revenues in the form of export duties. - Support adoption or strengthening of environmental and social safeguards on wastewater treatment, project siting, labour and community safety, and stakeholder engagement and grievance redressal. 	To combine resources and foster knowledge exchange	

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Capacity building	Country support tools	Use of financial and technical resources to support the building of skills and capacity locally, either on the project level or at the institutional level.	<ul style="list-style-type: none"> - Build institutional and project developer capacity to ensure compliance with policy and regulatory frameworks related to green hydrogen (e.g., local content measures, environmental and social safeguards.). - Build institutional and project developer capacity to adapt and implement international green certification schemes for hydrogen produced with grid-connected electrolysers and for downstream products. - Provide legal support in negotiating surplus sharing or benefits sharing arrangements to ensure that projects are established under equitable terms. - Assist governments in building technical skills and vocational training for the workforce across value chain segments. - Offer safety training for workers handling hydrogen across value chain segments. - Support the re-skilling of workers in transition-affected industries, such as grey hydrogen. 	To combine resources and foster knowledge exchange	
Policy-based lending	Country support tools	Provision of financial support (loans, grants, guarantees) in exchange for pre-determined policy or institutional reforms in the borrower country or financial intermediary. Usually provided in the form of untied budgetary support but can also be linked to specific investment projects or sectors.	<ul style="list-style-type: none"> - Support regulatory reforms to encourage private sector investments in common user infrastructure relevant to the green hydrogen value chain (e.g., transmission and distribution grids, ports, roads.). - Support the development and implementation of a national green hydrogen strategy or policy programme that mandates additionality and oversizing of project infrastructure and sharing of electricity and water surpluses, prioritises offtake in domestic no-regret sectors within the national context, and includes exports to a reasonable and realistic extent. - Support industrial policies and demand creation measures including phased local content measures, green public procurement, and consumption or production mandates, to spur domestic upstream or downstream industrial growth and local employment generation where there is significant potential. - Support adoption, strengthening, and implementation of environmental and social safeguards governing green hydrogen projects on wastewater treatment, project siting, labour and community safety, and stakeholder engagement and grievance redressal. 	To combine resources and foster knowledge exchange	
Preferential finance	Project financing tools	Provision of finance on favourable terms to projects meeting minimum eligibility benchmarks in strategic investment categories where private sector participation is low. Includes finance provided at below-market interest rates, longer repayment periods, in local currency, or blended with private finance.	<ul style="list-style-type: none"> - Support common user infrastructure projects relevant to the green hydrogen value chain, notably expanding and upgrading transmission and distribution grids (at the national, regional, or local levels), ports, and road transport networks. - Support project development for strategic early-stage green hydrogen projects with high potential to yield sustainable development benefits. - Support project development for strategic early-stage projects in upstream and downstream industries with significant potential to contribute to economic growth and decarbonisation. 	To combine resources and expand the volume of available finance	
De-risking mechanisms	Project financing tools	The use of MDB donor funds to address a variety of risks associated with investment projects that impact their bankability, such as political, technology, currency, credit, or revenue risk.	<ul style="list-style-type: none"> - Provide guarantees to address specific project-level risks and raise private capital for common user infrastructure investments, strategic green hydrogen projects, or strategic upstream and downstream industrial projects. - Support existing double auction mechanisms (e.g., the H2Global instrument) to provide offtake guarantees to projects meeting high standards for local sustainable development impact. - Set up a joint MDB double auction mechanism to provide regional or domestic offtake certainty to no-regret end-use sectors. - Support national governments in designing and funding a domestic double auction mechanism to support domestic offtake in no-regret end-use sectors. 	To combine resources, cover larger proportion of risks, and foster knowledge sharing on innovative mechanisms	