

# Public Development Banks and Export Credit Agencies for sustainable trade finance

By Adama Mariko, Secretary General, Finance in Common Summit (FiCS).

As economies commit to net zero targets, Public Development Banks (PDBs) are gearing up to mobilise climate finance towards the Sustainable Development Goals (SDGs) and the objectives of the Paris Agreement. Improving this alignment concerns all PDBs, including Export Credit Agencies (ECAs) and credit and investment insurers, as noted by Ngozi Okonjo-Iweala, Director General of the World Trade Organization (WTO) during the second Finance in Common Summit<sup>1</sup> (FiCS, 19-20 October 2021).

Through their coalition, PDBs seek to better articulate the magnitude of their response to reach the 2030 goals. Ultimately, all finance need to be SDG- and Paris-aligned finance. This is why the public acknowledgement<sup>2</sup>, during this summit, of the FiCS Joint Declaration<sup>3</sup> by the Berne Union – with a mandate to support international acceptance of sound principles in export credit and foreign investment – is so critical. It echoes the view that FiCS is a solid basis to unite all stakeholders around sustainability principles. This is an ongoing agenda: aligning global economic governance to sustainability goals will require critical reforms across the trade and investment regimes.

The energy transition, and associated



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social and environmental benefits are of particular relevance, considering that: 'trade facilitation, financing and related regional infrastructure are...an important contributor to sustainable development' (FiCS Joint Declaration), the insurance industry deals to a large extent with international mobility of people and goods (shipping, aviation, and e-commerce to maintain world trade, underpinned by sustainable and safe digital infrastructure), and the ECA market includes large oil, gas, and industrial projects.

Benefiting from the Berne Union's 86 years of international cooperation, and their respective networks, FiCS and Berne Union have an opportunity to create new ways for development and trade and export finance specialists to interact to better align trade finance with the Paris Agreement and the SDGs.

## FiCS at a glance

A year ago, Agence Française de Développement (AFD) launched the bold

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idea of demonstrating the unique role PDBs play in addressing the economic, social and environmental challenges amplified by the pandemic, and in accelerating the achievement of the SDGs of the UN 2030 Agenda and the objectives of the Paris Agreement. At the first edition of the FiCS Summit<sup>4</sup>, an ambitious declaration was delivered by which the 530 PDBs, or 'FiCS Coalition', commit to align their activities with the SDGs and the Paris Agreement, as part of the international financial architecture. Since November 2020, PDBs made specific progress on their commitments<sup>5</sup>. Overall, PDBs collectively finance about \$2.5 trillion per year<sup>6</sup>, more than 12% of total global investments.

The second edition of the FiCS Summit, last October, mobilised the PDB coalition and its stakeholders around the critical topic of agriculture and food systems' sustainable, resilient and inclusive transformation. The summit also featured multiple outcomes<sup>7</sup> along thematic workstreams. Importantly, the FiCS movement was formally recognised by the G20 Finance Ministers and Central Bank Governors<sup>8</sup>, registering PDBs' position in sustainable finance. The event also provided an opportunity to strengthen strategic and operational dialogue with civil society, the private sector, local governments, donors, philanthropies, and think tanks.

Soon after the summit, PDBs took strong stances at COP26. Its final communiqué states: 'The 26 leading bilateral and regional development finance institutions from the developed and developing world in the International Development Finance Club committed to a new higher climate finance mobilisation target of \$1.3 trillion for the 2019 to 2025 period. This will also include a significant increase for adaptation and nature... The group of publicly owned banks has also committed to end international public finance for new unabated coal power generation.'

### **FiCS, Berne Union, and the enabling environment**

In their joint declaration, PDBs commit to 'contribute to the reorientation of trade finance towards climate and SDGs, while ensuring a level playing field...in a context of persisting logistical gaps and inefficiencies in various developing regions.' Furthermore, acknowledging that ECAs can support the financing of low-carbon and resilient development, the FiCS Coalition's roadmap points to spearhead trade finance relevant

initiatives to complement ongoing processes including the new climate-dedicated working group of the Capacity Sharing Marketplace of the Berne Union.

The role of export finance in sustainability and mitigation efforts will stand out in future FiCS discussions, including annual FiCS Summits. With a number of PDBs progressing on climate-related financing, risk assessment, and reporting, and several ECAs starting to support low emission targets and to assess environmental impacts, there will be value in sharing respective experience, comparing processes, and even develop joint instruments.

On green investment portfolios (and value chains), and sustainability more widely, the Berne Union and FiCS could help identify mandates, measurement standards or methodologies that complement existing policies and frameworks at international or national levels – engaging in broad-based dialogue on economic, financial, and institutional reforms (for example, as part of the development and implementation of nationally determined contributions and long term strategies). Importantly, PDBs and ECAs could proactively set up joint forums with civil society to frame and support the delivery of their sustainability strategies.

As economic and financial activity recovers, sustainable finance – including green insurance – has the potential to become the new norm, to benefit people, planet and business, especially in the Global South. FiCS and Berne Union can be particularly instrumental by mobilising their members, and by combining their respective advantages. ■

#### **Notes**

- 1 <https://www.youtube.com/watch?v=9DXPm6DHxfs&list=PLeOQjXoEV7tn1Rc8UmLtnrgqWPI5nAgJv&index=19>
- 2 <https://www.berneunion.org/Articles/Details/620/Berne-Union-Acknowledgement-of-the-Finance-in-Common-Joint-Declaration-of-Public>
- 3 <https://financeincommon.org/sites/default/files/2021-06/FiCS%20-%20Joint%20declaration%20of%20Public%20Development%20Banks.pdf>
- 4 [https://financeincommon.org/sites/default/files/2020-12/FICS\\_ASSESSMENT.pdf](https://financeincommon.org/sites/default/files/2020-12/FICS_ASSESSMENT.pdf)
- 5 [https://financeincommon.org/sites/default/files/2021-10/Progress%20Report%20from%20the%20First%20Year%20of%20Life%20of%20the%20Finance%20InCommon%20Coalition\\_1.pdf](https://financeincommon.org/sites/default/files/2021-10/Progress%20Report%20from%20the%20First%20Year%20of%20Life%20of%20the%20Finance%20InCommon%20Coalition_1.pdf)
- 6 <https://financeincommon.org/sites/default/files/2021-10/Booklet%20Finance%20in%20Common%20Summit%202021.pdf>
- 7 <https://financeincommon.org/sites/default/files/2021-11/Communiqué%20FiCS%2020%20Octobre%202021%20FOR%20POSTING.pdf>
- 8 <https://g20.org>