Finance in Common Progress Report to the G20

July 2022

Disclaimer

This report was commissioned by the Finance in Common Coalition (FiCS), a multi-stakeholder and collaborative initiative. It documents FiCS recent efforts and ongoing practices, based on non-exhaustive desk research and voluntary submissions. As such, the opinions expressed and arguments employed herein are those of the FiCS and may not necessarily reflect the views of all involved organizations FiCS gathers.

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I. INTRODUCTION

Honorable Ministers,

I am delighted to share with you the first-ever Finance in Common (FiCS) Progress Report to the G20.

Finance in Common is the global gathering of Public Development Banks (PDBs), which promotes coherence in their strategies and operations, in developing and emerging countries, by accelerating their convergence towards shared standards and best practices. It manages USD 23 trillion of total assets (out of which more than 83% by PDBs from G20 countries), and represents up to USD 2.7 trillion of annual investments, approximately 12% of total global investment.

Following the recognition in 2021 of Finance in Common by the G20 Finance Ministers and Central Bank Governors, a taskforce led by Cassa Depositi e Prestiti developed, together with FiCS members, the first ever FiCS Progress Report to the G20.

This Report highlights some of the main contributions of the FiCS movement to the SDGs and the Paris Agreement, in accordance with the G20 Sustainable Finance Roadmap. It provides a snapshot from FiCS' first year in action, its work and activities, as well as the outcomes of the 2021 Summit in Rome, and builds from the fully-fledged, yearly "Progress Report" reporting exercise. As a relatively new initiative, it is complementary to the MDBs reporting exercise to the SFWG and, as such, provides selected information on progress achieved against the 2020 FiCS Joint Declaration of all PDBs in the world. Finally, it focuses on four development challenges of common concern for the G20 and the FiCS movement (sustainable finance, energy transition, food security and global health architecture), showcasing concrete and actionable deliverables.

Finance in Common is honored to have worked under the guidance of the G20 Presidency in 2022, showcasing the role that PDBs, under the leadership of Multilateral Development Banks, can play to better serve their countries and beneficiaries.

As we look forward to the public launch of the report in October 2022, and to the upcoming Presidency of the G20 in 2023, please count on Public Development Banks' commitment to deliver concrete and positive action to achieve the Sustainable Development Goals and implement the Paris Agreement on Climate, to better face today's and tomorrow's global challenges.

Please accept, Your Excellencies, the assurances of my highest consideration.

Rémy Rioux

FiCS Executive Committee Chairman

II. KEY MESSAGES

- Finance in Common is already delivering results:
  - There are more than 550 PDBs and DFIs in the world. They manage USD 23 trillion of total assets, and represent up to USD 2.7 trillion of annual investments, i.e approximately 12% of total global investment (+ 15% from 2019 to 2020). PDBs mobilized indeed a record level of financing during the Covid-19 pandemic and other crises.
  - It contributes concrete policy work (with a focus in 2021 on agriculture and sustainable food systems, adaptation, climate and biodiversity) and creates knowledge (with 15 research papers produced since 2020, and the launch of a PDBs Database), furthering the role of PDBs and their contribution to the 2030 Agenda.
  - It is building a community of practice to make the voice of PDBs heard in international fora (contribution to and recognition by COP26 and G20, dialogue with private sector and Civil Society Organizations, etc).

- Looking ahead, given persisting global challenges, innovative and inclusive international coalitions like Finance in Common can be important to build the momentum behind the global agenda:
  - PDBs and the FiCS movement can act as SDGs enablers, working to preserve common goods, increase resilience, and deliver the institutional change and real economy outcomes needed to help turn the SDGs into reality. The G20 may want to express its renewed support to the Finance in Common coalition, and request the FiCS Coalition to report its progress on an annual basis, possibly envisaging a regular and structured dialogue on the role played by Public Development Banks in the G20 framework, notably as part of the program of activities of the Sustainable Finance Working Group (SFWG).
  - PDBs stand ready to enhance, align and mainstream their mandates with the Paris Agreement and SDGs, with clear objectives requiring explicitly to shift away from investments that are not compatible with a just and inclusive transition towards sustainable, low-carbon and resilient development trajectories.
  - To finance the Paris Agreement and the SDGs, SDRs may be re-channeled to Low-Income countries through regional MDBs. This support could be complemented by official development assistance (ODA) and a strong financial support to PDBs in order to scale-up concessional financing.
  - PDBs need a political impetus to lift systemic blocking points that prevent the financial system from aligning fully with the Paris Agreement and the SDGs. This could be achieved via the organization of an "Addis+10 conference", and feed in the preparations of the global stock taking ahead of the UN SDGs Summit in 2023, to which PDBs and the FiCS community could actively prepare and participate.

- Finance in Common is supporting the emergence of a global financial framework for green and SDG aligned investments:
  - The financial system as a whole needs to be made consistent with ambitious climate and sustainability objectives, and facilitate the corresponding transitions in a just, inclusive and rights-based manner. FiCS supports the G20, in particular the SFWG, to enhance the necessary incentives for more transparent and aligned climate/SDGs investments norms, standards and methodologies.
  - FiCS can act as a laboratory and an echo chamber to revise and enrich the business models of PDBs, in their capacity to mobilize all stakeholders, notably the private sector, as well as local actors, such as subnational development banks, local authorities, civil

society organizations and indigenous communities to ensure that the design and implementation of operations is effective and responds to actual needs, leaving "no one behind". In particular, FiCS supports a more systemic practitioners' dialogue between policy makers, public/private finance and regulators, such as a potential NGFS/GFANZ/FiCS global discussion.

- Moving from theory to "Finance in Common":
  - On climate, defining long-term, just and inclusive strategies for getting to net-zero is the utmost priority. With clear incentives and mandates, PDBs could contribute to redirect even more financial flows towards a low-emission, climate resilient and nature-positive development, while closing the inequality gap. Today, climate finance accounts for an average of 20% of total commitments made by IDFC members. If PDBs were to commit to a similar ratio, they could extend more than USD 500 billion of climate finance per year, and mobilize much more through the private sector.
  - On health, Public Development Banks could accompany the implementation of the new IMF's Resilience and Sustainability Trust (RST), as well as engaging in a systemic collaboration on pandemic preparedness and country investments in health systems, to scale up and develop joint co-financing arrangements.
  - On energy, FiCS supports the implementation of Just Energy Transition (JET) partnerships, and can help sharing knowledge and progress on PDB's role as JET implementers. Building on the MDBs Just Transition High-Level Principles, the JET may be replicated, with a view to preparing JET compatible investment frameworks and strategies in the future.
  - On food security, PDBs support sustainable, healthy and inclusive food systems, and if requested, could increase the overall volume of finance deployed towards investment in inclusive and sustainable food systems.

III. BACKGROUND AND PROGRESS

a) THE RATIONALE TO "FINANCE IN COMMON"

The Finance in Common Coalition emerged in 2020, in the midst of the COVID-19 pandemic and subsequent global socio-economic and geopolitical crisis. Its purpose, as a global event, was to gather for the very first time all Public Development Banks, recognizing their ability to provide short-term emergency countercyclical responses to the crisis, while supporting sustainable recovery measures that will have a long-term impact on the planet and societies. On the basis of the first-ever Joint Declaration of all PDBs in the world, and welcoming Governments' support and measures aiming to unleash their potential to better serve their clients and policies, members stated their willingness to:

- contribute to the recovery;
- collectively shift their strategies, investment patterns and operations to contribute to the achievement of the SDGs and the Paris Agreement;
- strengthen their impact by working as a Coalition, thanks to increased cooperation and partnerships.

The Declaration is organized around major milestones for PDBs to cooperate more and better towards the 2030 Agenda, namely:

- **Eight sectors and themes**: climate, energy, biodiversity and oceans, health, social investment, gender, digitalization, and equality (leaving no one behind)
- **Four elements pertaining to a new global framework**: SDG alignment, national policies, private investment, and trade finance
- **Five elements about the quality of PDBs' practices**: cooperation, transparency and governance, environmental and social standards, debt discipline, and the management of climate risks and other risks
- **Four key challenges**: mandates, economic models, regulation, and access to international finance

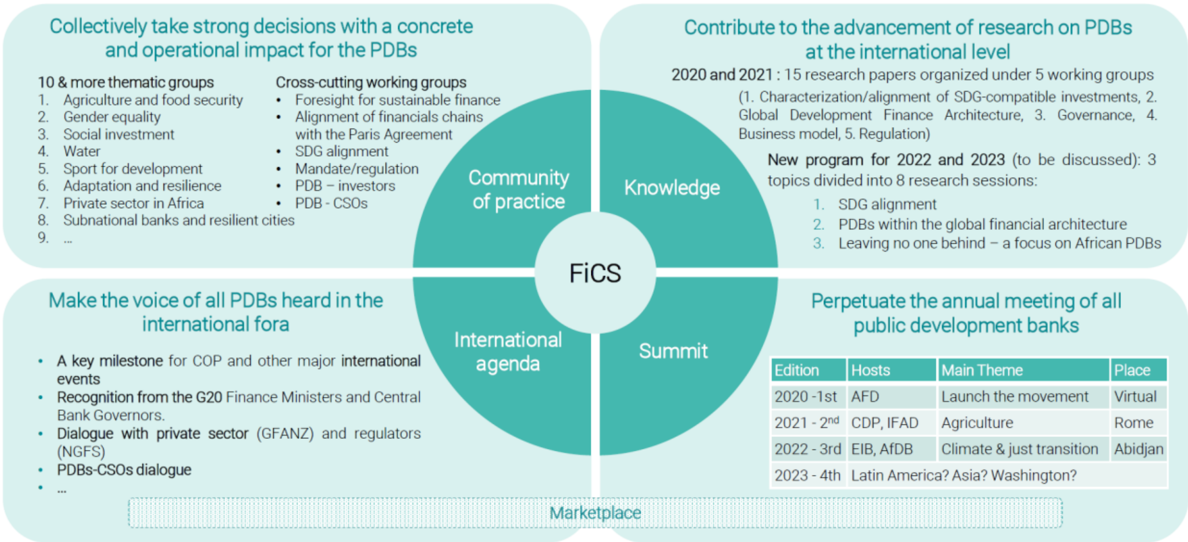
Globally, PDBs represent investments of about USD 2,7 trillion, around 12% of total global investments. As a coalition of 550 financial institutions able to leverage public and private resources to achieve concrete and sustainable projects on the ground, the FiCS initiative strives to link international policy issues with local solutions. It supports national governments to identify sustainable development trajectories with private-sector opportunities. FiCS encourages financial flows, both public and private, to align with the Paris Agreement and the SDGs in order to build back better, smarter and greener.

Working hand in hand with Multilateral Development Banks, regional associations of PDBs as well as with the International Development Financing Club (IDFC) and individual institutions, FiCS works to instill more coherence in PDBs' approaches, actions and interventions. It does so by constructing a permanent space to discuss issues related to the international finance architecture, cooperate on emerging policy issues, increase the knowledge and expertise on key topics of action, or develop co-financing opportunities in selected geographies of common interest, in close collaboration with their various stakeholders, to make the whole development finance system operate more efficiently. On the ground, PDBs can support the institutional change and real economy outcomes required to walk the talk on SDGs. For example, their funding and financing advice to governments can boost investment in social infrastructure, notably for healthcare. They can also support the ecological transition and achieve carbon neutrality by 2050.

b) WHERE DO WE STAND: A SNAPSHOT FROM FINANCE IN COMMON'S FIRST YEAR IN ACTION

During its launching phase, FiCS, as a coalition of PDBs, offered concrete examples of their collective countercyclical capacity to link public mandates and private sector investments, global and local priorities, short and long-term goals, and highlighted the commitments and first corresponding activities of its thematic coalitions.

As a key milestone, FiCS structured its work and activities. While it started as a stand-alone summit, it is now evolving into a movement articulated around four key pillars.



Building more specifically from this organizational structure, the FiCS Knowledge Pillar advances research on the role of PDBs and their contribution to the 2030 Agenda. Researchers from 20 institutions around the world, academia or think tanks, structured an International Research Initiative on Public Development Banks. A better understanding of the reality and the role of PDBs in their respective constituencies has also been facilitated by the launch, during the 2021 Summit, of the [PDBs Database](). By examining the role of PDBs in the global financial architecture and their developmental impacts, the Research Initiative delivers key insights to decision makers and practitioners. A prominent example is the joint collaboration between the Institute of New Structural Economics (INSE) at Peking University and AFD, which aims at systematically identifying PDBs across the globe. The PDBs Database can play a central role in uncovering this blind spot of the global financial architecture and help shift resource towards sustainable development, exploring the use of artificial intelligence to monitor progress made in closing the SDG finance gap.

At the 2021 Summit[1], held in Rome in the context of the Italian Presidency of the G20 and at the invitation of Cassa Depositi e Prestiti (CDP), FiCS achieved important outcomes:

- On agriculture, agribusiness, and food security, discussing solutions to tackle climate change and protecting biodiversity. The agriculture coalition (which objectives are to share knowledge on the transformational impact of investment in food and agriculture; to use PDBs' investments to catalyze a shift to more sustainable food systems and to channel investments to agriculture and food systems for sustainable, inclusive, and job-led economic growth) provided substantive input to the United Nations Summit on Food Systems, contributing to the G20 Finance Ministers' Communiqué, in line with the Matera Declaration.
- On social investment and health, the Coalition for Social Investment (which objectives are to promote a shared definition of Social Investment; address the underfinancing of social investments; and enhance the quality and volume of social investment worldwide) promoted the cross-benefits that social investments provide in strengthening economic, human and planetary resilience. It developed a concept note with key facts, trends and opportunities on social investment, and launched a survey (which results are now available) to better understand PDBs' social investment practices and challenges, and showcase replicable experiences.
- The Adaptation & Resilience Investors Collaborative (ARIC, which objectives are to implement common approaches to accelerate investment in climate adaptation and resilience; to deepen collaboration for enhanced private finance mobilization and domestic market creation for climate adaptation and resilience solutions, and to build out the local ecosystem needed to accelerate the commercialization of adaptation and resilience technology and business solutions and scale up investment) worked on addressing physical climate risks, and its action plan was endorsed by the G7 Foreign and Development Ministers in their May 2021 Communiqué.
- The Water Finance Coalition (which objectives are to improve the financing of water and sanitation in order to achieve the SDG 6 and the Paris Agreement, and to contribute to biodiversity protection) released a study highlighting the role of PDBs, in particular national ones, in the water and sanitation sector, and providing policy recommendations.
- The Gender Equality and Women's Empowerment in Development Banks coalition (which objectives are to strengthen accountability for gender equality, to increase and/or re-orient funding for gender equality actions; to integrate gender issues into climate and biodiversity commitments; and to strengthen dialogue with the actors involved in the fight against gender inequality) published a collaborative report on "Public Development Banks Driving Gender Equality - An Overview of Practices and Measurement Frameworks" to further mobilize PDBs on gender-related issues.
- The dialogue with the private sector, local governments, donors, philanthropies, and think tanks continued to strengthen. In particular, during the 2021 Summit, FiCS organized the first dialogue to reinforce collaboration between public donors, foundations, private philanthropy and PDBs, in the presence of the OECD-DAC's Chair, and a PDB-Investor Dialogue Brief was issued during the Summit by major PDBs and private investor networks, outlining how to fully tap PDBs and private investor cooperation's potential to encourage a more aligned finance with the SDGs and the Paris Agreement.

[1] For reference: Communiqué FiCS 20 Octobre 2021 FOR POSTING 14122021_0.pdf (financeincommon.org)

- The PDBs Database offered concrete insights on the world of PDBs (as of June 2022, there are more than 553 PDBs and DFIs listed, managing USD 23 trillion of total assets, i.e approximately 12% of total world investment, up 15% from 2019 to 2020).
- 11 reports and 8 new thematic statements were published in Rome, with more than 200 speakers taking public positions.
- In terms of mobilization, PDBs from India, China, Brazil, Russia, Turkey, Colombia or Indonesia were strongly represented, in addition to the Europeans and Africans who were already mobilized. The European platform for international solidarity financing (KfW, CDP, AECID, AFD, EIB) was also strengthened. The appropriation of FiCS by multilateral institutions increased (as an example, IFAD co-organized the Summit, while the EIB and AfDB will organize the 2022 edition). Finally, FiCS was supported by the Berne Union (which brings together all Export Credit Agencies).

In 2022, working hand in hand with their national governments, PDBs responded to emerging crises with agility and a great sense of urgency. A full Progress Report will be presented at the 2022 FiCS Summit in Abidjan, on October 19-20, to take stock of the work of FiCS thematic coalitions and estimate the increase in public investments during this crisis. The third edition of the Summit will be hosted for the first time by two major multilateral banks: the African Development Bank (AfDB) and the European Investment Bank (EIB), and will be articulated around four thematic pillars: (i) Green and quality infrastructure; (ii) Health and social protection ; (iii) Climate adaptation and resilience and (iv) Human rights and inequalities.

Looking ahead to key upcoming milestones such as COP 15, COP 27, the UN SDG Summit and the United Nations Conference on the Least Developed Countries in 2023, the third FiCS Summit could signal a decisive shift towards a transformation of PDBs into SDGs enablers.

c) FICS REPORTING EXERCISE TO THE G20

On October 14th, 2021 the G20 Finance Ministers and Central Bank Governors referenced the FiCS coalition in their Communiqué. This recognition by the former Italian Presidency of the G20, which declared: "*We welcome the Finance in Common Coalition and recognize the important role of Public Development Banks towards the achievement of the SDGs and the Paris Agreement goals. We look forward to the 2021 Finance in Common Summit on 19 and 20 October in Rome and ask the Coalition to report its progress in 2022*". This recognition is an honor for the whole FiCS movement.

To deliver on this G20 reporting exercise, the FiCS Secretariat engaged with the 2022 Indonesian Presidency. Indonesia's G20 Presidency takes place at a time when mounting pressures on the multilateral system to deliver ambitious and concrete results (a struggling global economy, geopolitical tensions, rising commodity prices, as well as food and energy challenges) require decisive action. Recognizing the importance of collective action and inclusive collaboration among major developed countries and emerging economies around the world, the Indonesian Presidency asked FiCS for an assessment by PDBs, along with recommendations and concrete examples, in four key thematic areas at the core of the Presidency, namely (i) sustainable finance, (ii) energy transition, (iii) food security and (iv) global health architecture.

This report therefore contributes to and aligns with the objectives of the multi-annual G20 Sustainable Finance Roadmap. It calls to scale up sustainable investments; enhance availability of quality and comparable sustainability data; and level up international financial institutions' role for delivering on the Paris Agreement and the 2030 Agenda. It also advances options to achieve some of the Sustainable Finance Working Group' priorities in 2022, which focuses on developing a framework for transition finance, improving sustainable finance instruments, as well as determining policy levers for investment to support the transition. By showcasing concrete projects on the ground, working to develop taxonomies or supporting a mobilization effort, FiCS provides concrete inputs to the Roadmap's Focus Area 1 "Market development and approaches to align investments to Sustainability Goals", Focus Area 2 on "Consistent, comparable, and decision-useful information on sustainability risks", and Focus Area 4 "Role of IFIs, public finance & incentives opportunities, and impacts". As such, the report is both a result of and a direct response to the Roadmap, which helps narrow the focus for G20 members, relevant international organizations, networks, initiatives, and other stakeholders to key priorities of the sustainable finance agenda. This report is therefore submitted for information to the attention of the Sustainable Finance Working Group, with a view to inform the critical discussions spearheaded by G20 Finance Ministers.

IV. FICS CONTRIBUTIONS TO SELECTED FOCUS AREAS OF THE INDONESIAN G20 PRESIDENCY

1. RAISING THE AMBITION AND ACCELERATING ACTION FOR SUSTAINABLE FINANCE

From its inception in 2020, Finance in Common was meant to increase PDBs contributions to develop and implement national and local sustainable development policies and investment programs aligned with the SDGs and the Paris Agreement. This builds on the Addis Ababa Action Agenda (2015) which highlights the importance of mobilizing funds to realize the SDGs fulfillment, and underscores the significant effort from financial institutions – public and private – to ensure funds are available and prioritize projects targeting the SDGs. It could also build on With regards to PDBs, they were already voicing the need to clarify and align their mandates and strategies with those two frameworks in a more systematic manner, to deliver more impactful results on the ground.

Since then, the concept of aligning finance with the climate and SDGs agendas has become the new theory of change for increasing ambition and action within the financial community. The concept builds on the pivotal role finance plays in steering economic activity, across sectors and geographies. It integrates the fact that - beyond assets, projects and investment portfolios - entire financial chains and, ultimately, the financial system as a whole needs to be made consistent with our common climate ambition and sustainability objectives, and facilitate the corresponding transitions in a just, inclusive and rights-based manner.

PDBs are ready to support such a structural shift, and are already contributing to recent initiatives in this area. For instance, IDFC members have developed the tools needed for a better alignment, such as in the MDB Joint Nature Statement and commitments to a joint Paris alignment approach with support for client long term climate strategies, as well as in the context of the MDB Just Transition High-Level Principles. This could also take place in the context of the possible re-channeling of Special Drawing Rights (SDRs) to Low-Income countries, including through regional MDBs. This support could be complemented by official development assistance (ODA) and a strong financial support to PDBs in order to scale-up concessional financing. Finance in Common is also working alongside OECD and think tanks on SDG alignment.

Financing the SDGs: the example of the Brazilian Development Association – ABDE

"In Brazil, Development Finance Institutions are organized as a National Development Financial System, which is represented by the Brazilian Development Association (ABDE). When the 2030 Agenda emerged as a global commitment, Brazilian DFIs understood how that could be incorporated into their operations and joined forces to commit to a sustainable development agenda. They brought into their core business an ambition to combine economic, social and environmental agendas. That ambition helped to re-shape classic instruments and created new ones, enhancing DFIs potential to contribute to a sustainable development agenda. Their experience, combined with powerful instruments, position DFIs in the right place at the right time to push forward a needed transition to a sustainable development model.

ABDE and its members are fully committed to the 2030 Agenda. That is now a top internal and external priority influencing the role, strategy, and mandates of Brazilian DFIs. Several initiatives were designed to support Brazilian DFIs increasing their potential to unlock financing opportunities for sustainable projects – mainly through capacity building and knowledge creation on how to create/adapt instruments to meet the SDGs. This could be either by allocating resources, mobilizing private finance, leveraging international funding dedicated to sustainable projects, establishing cooperation with international and multilateral organizations, or accessing available capital markets instruments.

In March 2022, ABDE advanced on that journey by launching the "ABDE 2030 Sustainable Development Plan". The Plan represents an important milestone for Brazil's sustainable development agenda, helping to position DFIs as a key actor to support a sustainable transition. The initiative brings together and engage DFIs around five strategic missions that can be carried out by the NDFS, targeting longstanding challenges faced by the country.

To strengthen this initiative and many others, it is of utmost importance that financial institutions can work together using a single framework for SDG-compatible finance. That would facilitate reporting and communication by DFIs to shareholders on initiatives targeting SDGs. A global framework would also lower barriers to capital flow, expanding funding opportunities across frontiers and sectors. Different frameworks, taxonomies, metrics prevent DFIs all over the world from further collaborating, sharing experiences and eventually leveraging ongoing and/or future initiatives. ABDE can support that ambition by mobilizing its members and contributing to define and implement such framework across Brazilian DFIs."

The potential is indeed very significant, as evidenced by pledges made at COP26 in Glasgow, notably where IDFC members joined forces to potentially mobilize up to USD 1.3 trillion by 2025 of their own funding for climate finance, including a significant increase for adaptation and biodiversity.

Furthermore, PDBs can play a critical role to bridge the subnational financial gap, which is a prerequisite to reaching the 2030 agenda and the Paris agreement. Indeed, the deficit in urban infrastructure investment to achieve the SDGs is estimated to be around USD 1 trillion a year. However, less than 10% of available global climate fund architecture disbursed were prioritized for locally focused climate investments. PDBs have proved their capacity to play multiple roles to help fix this systemic market failure of subnational financing. The FICS launched a thematic coalition on resilient cities, to promote PDBs led solutions to finance urban resilience both on the soft empowerment to create the enabling environments and on the investment, to diversify technical and financial instruments. It also supports two regional Alliances of Subnational Development Banks (SDBs) in Latin America and the Caribbean and Africa led by the Global Fund for Cities Development, FMDV. SDBs have the specific mandate to provide funding to local and regional governments and local stakeholders such as SMEs, as well as for urban infrastructure. As financial intermediaries and "last-mile experts", they can expand sources of domestic and international public and private finance and channel it to the local level, while matching bottom-up needs from cities and region. SDBs have also widely demonstrated their effectiveness in channeling domestic and international financing at the local level for post COVID recovery[2].

But given the magnitude of the challenges ahead, PDBs need further political impetus and clarity in their performance frameworks to bring on board different pools of actors, notably the private sector. In this perspective, FiCS is one of the platforms where various stakeholders have already consolidated efforts into innovative and/or more comprehensive international coalitions. These platforms are working to foster coherence, public-private collaboration and the mainstreaming of sustainability, based on case studies and best practices. They now need a common approach, methodology and definitions/standards for the tracking and assessment of climate/SDG aligned finance and investment. OECD and UNDP has set out a common framework for aligning finances with the SDGs in which it identifies public development banks as key actors. Furthermore, the OECD-UNDP Impact Standards for Financing Sustainable Development could provide a framework for public development banks to make financial decisions to maximize its impact on sustainable development, and improve the transparency of development results. This is echoed by other key sustainable development stakeholders, such as the Global Steering Group for Impact Investment, which underlined in a recent paper[3] the need for greater impact transparency, harmonized disclosure standards and better data quality. To support these knowledge building efforts, MDBs continue to share their methodical work on Paris alignment of operations and support for clients, most recently in their COP26 update events where they shared their methodologies for directly financed operations and also published Joint Principles for Just Transition.

Financing the SDGs: the example of Sustainable Development Goals Indonesia One by PT Sarana Multi Infrastruktur (PT SMI)

"The Ministry of Finance and PT SMI launched SDG Indonesia One (SIO) in 2018. This platform aims to scale up existing sustainable infrastructure projects through financing and co-financing, de-risking, project development facility, equity investment, and capturing private and commercial funds to accelerate the achievement of SDGs in Indonesia. In 2021, PT SMI is also introducing a green finance facility, a de-risking facility that will link funds provision to subprojects with clear green objectives. The implementation of this facility is supported by a sovereign financial intermediary loan from ADB.70 SIO also serves as a facilitator between global investors and domestic sustainable infrastructure projects.

As of 2021, SIO had successfully pooled USD 3.24 billion from diverse sources of funding; philanthropy, bilateral donor, climate funds, multilateral, commercial banks, sovereign wealth funds and institutional investors. The platform has channeled USD 231 m to sustainable infrastructure projects such as renewable energy, waste management, and water supply and

2 Research paper on the role of Subnational Development Banks in financing an urban and territorial resilient post-covid recovery, the Alliance of SDBs in LAC- FMDV (https://financeincommon.org/the-role-of-subnational-development-banks-in-financing-an-urban-and-territorial-resilient-post)

3 "Financing a Transition that Leaves No One Behind", Input paper to the G20 Sustainable Finance Working Group submitted by The Global Steering Group for Impact Investment (GSG) in partnership with the Impact Investing Institute (III)

sanitation projects. It has also committed to supporting USD 790 million of sustainable infrastructure projects, supported the preparation of 49 projects, and financed seven sustainable infrastructure projects. SIO was created to address two main barriers for green infrastructure investments in Indonesia: the infrastructure funding gap, and the lack of bankable green infrastructure projects. SIO can contribute to scaling up green infrastructure projects by offering products that can support projects from during project identification, project preparation, project structuring, development and operation, and monitoring and evaluation. These products are classified into three categories:

(i) Development facilities. Increasing the overall quality of the project pipeline, this platform offers technical assistance to project owners during pre-feasibility studies. Facilities offered are in the form of policy, framework and regulation support, capacity building, research activity on thematic topics, providing bankable feasibility study, technical assistance, review feasibility study and project documentation.
(ii) De-risking facilities. Mechanisms such as credit enhancement instruments, investment premium schemes, and geothermal resource risk mitigation.
(iii) Financing and equity. Mobilizing private financing by allocating and pooling funding from private banks or commercial funds and providing and facilitating equity to strengthen the capital capacity for new (greenfield) projects and help recycle assets for already operating projects (brownfield)

The SIO platform has supported numerous programmes that create an enabling environment, some of which include capacity building and business case studies to improve sector reform and invite private participation. SIO has supported projects during project preparation, such as solar rooftops in seven airports in Indonesia. SIO has also provided project structuring support for Gresik Regional Water Company (PDAM), SPAM Dumai, and others. SIO has also provided project financing for the Padang Guci 2 Minihydro Powerplant and Deli Serdang Biomass Powerplant, among others. PT SMI also played a key role in disbursing government stimulus to regional governments and other SOEs. When National Economic Recovery (PEN) programme funds prioritise green infrastructure, SIO could contribute to kickstarting a post COVID-19 green stimulus".

Such dialogue would have systemic consequences. It could build on existing cooperation channels as well as recent initiatives such as the High-Level Expert Group set up by the UNSG to help monitor net zero commitments from non-state actors; the Integrated National Financing Frameworks (INFFs, which helps ensure countries' national development strategies are financed and where PDBs could be invited to take a more active, distinctive role along with IFIs, and other UN agencies in developing financing strategies); the Framework for Sustainable Finance Integrity and its Advisory Council; as well as the Climate Policy Initiative's Net Zero Finance Tracker, which strives to standardize information/data currently made available and scattered across several initiatives using a bottom-up approach. It would pave the way for a more ambitious approach, targeting the climate- and SDG- alignment of the USD 20 trillion of global annual financial flows for new investment, as well as that of the USD 380 trillion stock of existing assets. In other words, it is about making climate and sustainability the new normal of the financial system.

Looking ahead, it will be critical to benefit from further political impetus to lift systemic blocking points preventing the financial system to align fully with the Paris Agreement and the SDGs. This could be achieved via the organization of an Addis+10 conference, bringing all stakeholders around the table. Such a call to action could feed in the preparations of the global stock take ahead of the UN SDGs Summit in 2023, to which PDBs and the FiCS community could actively contribute and participate. FiCS could also be mobilized as a laboratory and an echo chamber for the ongoing work to revise and enrich the business models of PDBs, in their capacity to mobilize all stakeholders, notably the private sector, in coherence with the ambition of the international agenda.

a) Climate and biodiversity finance

Climate finance needs for energy systems, buildings, industry, transport, and other mitigation and adaptation solutions are estimated to be around USD 4.35 trillion annually by 2030[4], if we are to meet the objectives of the Paris Agreement. In 2019/2020, global climate finance reached an all-time high of USD 632 billion. Filling the gap therefore requires climate finance to increase by a factor of almost 7, and pleads for a broader effort to effectively redirect existing financial flows to low carbon and climate resilient development.

Conserving and sustainably managing biodiversity is a critical part of addressing climate change. To meet the objectives of the future post 2020 Global Biodiversity Framework, analyses suggest that biodiversity finance needs to rise to USD 722-967 billion each year over the next ten years, which implies closing a gap of between USD 598-824 billion per year[5]. In the same way as for climate, it pleads for a new and consistent effort to align the public and private financial flows with nature-positive objectives.

Public Development Banks around the world (multilateral, regional, national and subnational development banks) already play a crucial role in mobilizing green finance. With the right incentives and mandates, they could contribute to redirect even more financial flows towards a low-emission, climate resilient and nature-positive development:

- *High financing power.* PDBs already deliver green finance at a high scale. In 2020, multilateral development banks' climate finance rose to USD66 billion, including USD 20 billion for climate change adaptation. In the past six years, MDBs have jointly committed a total of USD 257 billion in climate finance, of which USD 186 billion went to low- and middle-income economies. International Development Finance Club members collectively financed green projects amounting to USD 185 billion in 2020 (including USD27 billion for adaptation and USD 14 billion for biodiversity), reaching a total of USD 1 trillion since COP21. Besides this encouraging mobilization for climate, the potential remains clearly ahead of us. Today, the challenge is to direct all this financing toward a sustainable pattern, meaning a positive contribution to productive SDGs with parallel benefits on environmental and social SDGs. With the right incentives and mandate, PDBs could mobilize even more green finance. Today, climate finance accounts for an average of 20% of total commitments made by IDFC members. If PDBs were to commit to a similar ratio, they could extend more than USD 500 billion of climate finance per year, and mobilize much more through the private sector.

- *Scaling up adaptation finance.* While the Paris Agreement's global goal for adaptation recognized the need for greater adaptation ambition globally, adaptation progress is unevenly distributed. Adaptation finance – including by PDBs - has increased in recent years but remains far short of the need, especially in developing countries, where it is a

[4] Global Landscape of Climate Finance 2021, Climate Policy Initiative

[5] Financing Nature: Closing the Global Biodiversity Financing Gap, Paulson Institute

priority for the most vulnerable ones. The G20 may therefore want to target parity between adaptation and mitigation finance. At COP 26, IDFC members committed to build on their climate finance effort to push for adaptation – current investments amount to USD 27 billion a year, a 42% increase compared to 2019. The PDB Coalition also welcomed the work of the Adaptation and Resilience Investors Collaborative and encouraged the endorsement of its recommendations. Another example concerns the announcement, in the context of the Italian Presidency of the G20, of a renewed pledge to mobilize 1.4 billion USD per year on climate finance and established, within the Italian Ministry for Ecological Transition, the "Italian Climate Fund" that will be managed by CDP. With an endowment of 840 million euro per year over the next 5 years, the Fund will support a wide range of projects, both public and private, in the field of climate and environmental protection in emerging and developing countries. MDBs have also delivered on their 2019 collective projections to double their adaptation finance, delivering USD 19 billion climate change adaptation finance in 2021. One concrete activity in this regard is the Africa Adaptation Acceleration Fund, managed by the African Development Bank.

- *Multiple levers for action.* PDBs are game-changers, not only thanks to their financing power, but also because they have at their disposal a variety of levers for action. Indeed, according to the context and the needs of their counterparts, they can finance and foster low-emission and climate resilient investments by providing lower-cost and longer-term financing. They can also develop nature positive investments, by financing the protection of sensitive natural areas, by promoting the mainstreaming of biodiversity in all economic sectors and by reducing the nature-related risks and impacts of their projects. If properly incentivized, they can also position themselves as catalyzers of external public and private finance, intermediaries that blend private and public development finance, and also engage into public policy dialogue to support the development of an enabling policy environment to attract private investment. They are also conducting policy research: for example the Gender Equality and Women's Empowerment in Development Banks coalition of Finance in Common is conducting a study on gender and climate. Finally, they are playing a crucial role in proactively developing pipelines of bankable projects, acting as early investors to prove commercial viability.

<u>Climate finance and green agenda – Views from the Small Industries Development Bank of India (SIDBI)</u>

"On the edge of the future G20 Indian presidency, India has committed to reduce its emission intensity of GDP to 45% by 2030 from the earlier target of 33-35% with respect to 2005. According to some estimates, India needs around USD 2.5 trillion to achieve its NDC targets by 2030 which was further enhanced in Glasgow. However, as of 2018, the climate and green investments in India represents only 13 % of the required annual investment.

Partnerships are key to address this issue. The challenges to achieving the enhanced target is multi-dimensional and financing mitigation activities at scale remains a major barrier. The policy landscape in India and worldwide is changing and contributing towards mid-century decarbonization. Recognizing the relevance of global networks, SIDBI is involved in IDFC and creating the GIFS platform, alongside with AFD and Shakti Foundation in India.

SIDBI believes in collaboration and works in tandem with its domestic and international partners. As an accredited entity to Global Climate Fund (GCF), SIDBI will not only further its own green *agenda but will help partner organizations raise funds through GCF route. SIDBI plans to provide technical and financial assistance to over 100,000 MSMEs in the coming 10 years in collaboration with international institutions like GEF, GCF, The World Bank, AFD, JICA, KFW, GiZ, ADB etc.*

SIDBI has identified energy efficiency, climate change and green ecosystem building as thrust area and has setup a dedicated vertical to provide financial and non-financial support to MSMEs to make them climate resilient to ensure their survival and competitiveness in the long run. SIDBI has customized global good practices to the Indian context and financed energy efficiency loans to around 10,000 + MSMEs in past five to six years. Another focus area for the country and SIDBI is green mobility. SIDBI will support development of charging infrastructure across the country. Besides thrust on hard infrastructure in clusters through its cluster development fund, SIDBI will support soft infrastructure to remove energy inefficiency. Additionally, to reduce its own carbon footprint, SIDBI has embarked upon achieving carbon neutrality."

Looking ahead, PDBs have the capacity to influence the whole financial community by setting ambitious green finance standards:

- *Accounting for climate and biodiversity finance, alignment with the Paris Agreement and the future post-2020 Global Biodiversity Framework.* PDBs are working with countries on refining and financing their Nationally Determined Contributions and Long-Term Strategies, in line with the Paris Agreement. MDBs and IDFC are spearheading the operationalization of alignment of their portfolio with the Paris Agreement, publishing methodologies and frameworks and recognizing the importance of collaboration with all partners to align the entire financial chain. With the adoption of the revised Common Principles for Climate Mitigation Finance tracking in 2021, MDBs and IDFC are strengthening the quality and impact of their climate finance. In 2021, PDBs of the FiCS coalition also committed[6] to help align all financial flows with the future post-2020 Global Biodiversity Framework to be adopted at the COP15 of the Convention on Biological Diversity. CDP also contributed to the work of the G20 Development Working Group, supporting the OECD Development Cooperation Directorate in the preparation of a report focused on "Scaling up Green, Social, Sustainability and Sustainability-Linked bond issuances in developing countries".

- *Climate and biodiversity financial related risks.* By increasingly integrating climate and nature-related risk assessment and management frameworks, PDBs are aiming to improve their support to their financial partners. Assessing and managing physical climate risks in financial institutions contributes to raising awareness on the importance of identifying vulnerabilities and investing in adaptation. From this particular standpoint, development banks bear a special responsibility: they should not penalize their most vulnerable borrowers by remaining solely focused on a risk-based approach (which could lead to higher interest rates), but instead support them in progressing along adaptation pathways in the long term to reduce the risks together. In the same way, assessing and managing nature-related risks, impacts and dependencies in financial institutions contributes to raise awareness on these issues and to support the financial institutions and indirectly their clients to develop new solutions to avoid biodiversity loss. Furthermore, by sharing their experience of integrating climate and biodiversity risks in the way they operate, PDBs are participating and bringing their share to the financial sector's much-needed global shift.

[6] See Annex 1 "Joint Declaration of all public development banks in the world", FICS, 12 November 2020, Paris.

- *Transparency and accountability.* Several PDBs have already started reporting and improving their transparency around their climate action. Some of them have even published reports following the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD). On biodiversity, PDBs are taking a proactive stance by working directly with the Taskforce on Nature-related Financial Disclosures (TNFD), through the Development Finance network, a research and advisory structure hosted by AFD to support the work of the Taskforce.

<u>The role of the private sector: Views from EDFI – Association of European Development Finance Institutions</u>

"A significant and progressive alignment of private capital flows to developing countries will be required to reach the UN Sustainable Development Goals by 2030 and to implement the Paris Climate Agreement. The 15 European bilateral Development Finance Institutions (DFIs) in EDFI together have an outstanding climate finance portfolio in emerging markets and developing economies in excess of 13 billion euros, nearly half of which is dedicated to renewable energy. EDFI member institutions have already committed to build on this track record in the EDFI Climate and Energy Statement released on the occasion of the first Finance in Common Summit in November 2020. The statement included a commitment to "align all new financing with the objectives of the Paris Agreement by 2022 and [...] transition our investment portfolios to net-zero GHG emissions by 2050 at the latest", and to promote "climate adaptation and resilience".

In parallel, regulators in the European Union (EU) and beyond are accelerating the pace of designing ambitious legislative frameworks for sustainable finance to direct investment flows towards a greener and more inclusive global economy. While these regulatory initiatives represent an unprecedented opportunity to align DFIs and private impact investors globally on similar standards regarding climate finance, they also need to be adapted to the local context of low- and middle-income countries to ensure a just and inclusive transition.

EDFI member institutions have recently taken important strides in climate finance by harmonising how they measure portfolio greenhouse gas emissions and their approach to alignment with the Paris Agreement, and by exploring opportunities to increase climate adaptation finance (currently accounting for less than 10% of climate finance). European DFIs will also focus on sustainability in infrastructure investments, which account for approximately 30% of their aggregate outstanding portfolio, as well as renewable energy investments in Sub-Saharan Africa, a region that accounts for 36% of their outstanding portfolio and approximately 30% of climate finance.

Policy initiatives such as the EU Global Gateway and US Build Back Better World aim to increase financing of quality and sustainable infrastructure in low- and middle-income countries that meets high standards, to increase the visibility of efforts by DFIs and PDBs, and to mobilise more private co-finance. To increase the volume of climate finance going to the markets where it is most needed, EDFI has partnered with the Climate Finance Leadership Initiative, renewAfrica, and the Global Energy Alliance for People and Planet. Moreover, the EDFI Management Company set up the EDFI-ElectriFI + 250 million euros impact investment facility with EU funding to improve access to clean energy in developing countries. Under EFSD+, the EU's new flagship investment initiative, European DFIs and their partners, notably EIB and EBRD, will propose several blended finance programmes for sustainable infrastructure.

Finally, but not least, EDFI will maintain its engagement in Finance in Common, rallying the joint call of PDBs for a financial system working towards common climate and sustainability objectives, and supporting a transition path towards more just and inclusive economies."

b) TOWARDS A SUSTAINABLE BLUE ECONOMY

The ocean is the largest ecosystem on earth and plays a vital role in regulating the global climate and mitigating the impacts of climate change. According to the IPCC, ocean-based climate action could deliver around 20% of the solutions required to close the emissions gap and limit global temperature rise to 1.5°C by 2050. Beyond climate, the ocean also plays a crucial role in hosting 80% of the planet's biodiversity, providing food for almost half of the world's population, and resources for major businesses and industries. Healthy marine ecosystems are crucial for the food security and livelihoods of billions of people, notably in Asia and the Pacific.

The blue economy, estimated by the OECD at a global gross value added of USD 1.5 trillion in 2010, has been projected to increase to USD 3 trillion by 2030, with some ocean industries set to grow faster than the global economy. There are increasing opportunities in sustainable tourism, food production, wastewater treatment, integrated solid waste management, and sustainable coastal infrastructure but transforming these opportunities requires investments and transformative leadership from the public sector. Moving to a sustainable ocean and blue economy can thus greatly help accelerate our society's transition to a net-zero carbon and nature positive economy by 2050 and boost the 2030 Agenda.

Through their financial activities, as well as their institutional relationships, Public Development Banks have the power to accelerate and mainstream the sustainable transition of ocean-linked industries and set the tone for what constitutes sustainability for all stakeholders, notably the private sector.

They can notably seek to achieve the following:

- Positively influence mainstream ocean-related investment to drive development that underpins a sustainable ocean/blue economy;
- Catalyze engagement and practical action to deliver a sustainable blue economy that will support the ambitions 2030 Agenda (SDG 14) and contribute to the alignment with Paris Agreement and the future Global Biodiversity Framework;
- Develop concrete actions and outputs for private sector in to align their decisions with ocean health.

Looking forward, Blue Carbon represents a growing opportunity in which PDBs and coalitions will play an important role.

Coastal ecosystems are some of the most productive on Earth. They are home to a wealth of biodiversity and provide essential ecosystem services, such as coastal protection from storms and nursery grounds for fish. Their role in sequestering and storing "blue" carbon from the atmosphere and oceans is also increasingly being recognized by policymakers. The three coastal wetlands types — mangroves, seagrasses and tidal marshes — commonly referred to as blue carbon ecosystems, provide a full spectrum of adaptation, mitigation, biodiversity and resilience benefits. An estimated 151 countries around the world contain at least one of these coastal wetland ecosystems, and 71 countries contain all three.

There is also a growing demand for carbon credits from a variety of voluntary and regulatory markets that presents an opportunity for blue carbon activities (i.e conservation and restauration) to generate and sell credits and get additional financial resources. For countries interested in blue carbon, this is a space worth watching as this opportunity evolves since there is a possibility of selling blue carbon credits and the possibility for financing.

There is an urgent need to ensure that blue carbon momentum is maintained and that this ambition has the greatest possible impact for climate, communities, and biodiversity through the highest possible scientific standards and benefits for indigenous and local communities. This is especially the case in South East Asia, which accounts for more than 60% of the global Blue Carbon potential. As the interest increases with a growing number of investments and political commitments (including at COP 26) led by governments, organizations, and private companies, Blue Carbon can provide a high return on investment across a variety of human and natural impacts. Through conservation, restoration and sustainable management of these coastal ecosystems, many countries have the opportunity to increase ambition towards achieving the Paris Agreement targets and the forthcoming Global Biodiversity Framework, build resilience along their coastlines, and secure a future for coastal biodiversity, food security, and livelihoods.

The implication of PDBs and the Finance in Common network could accelerate and scale up the development and implementation of blue carbon projects with the greatest impacts and ensure high quality standards for blue carbon projects, and fair and equitable financing of high-quality carbon projects. They could expand and accelerate the number and size of high quality projects under development and implementation in priority countries and regions, with high impacts for climate, communities and biodiversity. PDBs could also take a leadership role in leveraging innovative finance for the blue economy. In particular, they may want to consider joining or supporting the activities of the Global Coalition for Blue Carbon (GCBC), a new coalition hosted by the AFD and Conservation International, which will drive and scale public and private high-level international commitments to and investments in blue carbon projects and actions resulting in climate change mitigation and adaptation; facilitate alignment and collaboration between high quality commitments globally; build the policy, science and financing enabling conditions for high quality blue carbon actions and impact globally; and develop innovative public-private climate finance approaches to accelerate Blue Carbon project development.

c) Promoting systemic approaches: towards a NGFS/GFANZ/FiCS global discussion?

The needs for sustainable finance, combined with the macro-critical nature of climate change, urgently call for an alignment of the whole financial system – private and public actors, as well as regulators and supervisors. In this regard, FiCS is seeking to enhance its collaboration with regulators as well as with private investors and other financiers in areas such as the characterization of sustainable investment, financial collaboration and innovation, and advocacy, with a view to developing more systemic approaches. FICS has already initiated a dialogue with private partners to accelerate private finance alignment with the SDGs, which led to the Global Impact Investing Network (GIIN) and the Long Term Infrastructure Investors Association (LTIIA) signing the PDBs' Joint Declaration in 2021; and a more structured dialogue with the D20 Long-Term Investors Club (D20-LTIC, which supports FiCS efforts to scale-up private sector's mobilization in sustainable finance by further developing Public-Private Partnerships and better aligning long-term investments to ESG criteria and G20 priorities) and the Berne Union (the leading global association for the export credit and investment insurance industry).

To bring this whole-of-the-financial-system dialogue to the next level, we now need to convene some of the major global alliances and coalitions such as the Network for Greening the Financial System (NGFS[7]- est. 2017), the Glasgow Financial Alliance for Net Zero (GFANZ[8] - est. 2020) and Finance in Common (FiCS). Bringing the public and private financial sector together with regulators and supervisors will be critical to accelerate the transition to a net-zero economy and mitigate climate risks. In this regard, the NGFS' purpose is *"to help strengthening the global response required to meet the goals of the Paris agreement and to enhance the role of the financial system to manage risks and to mobilize capital for green and low-carbon investments in the broader context of environmentally sustainable development"*, while GFANZ represents the major private finance forum for climate action, involving 450+ financial institutions responsible for assets totaling USD 130 trillion.

FICS is committed to further advancing exchanges with GFANZ, UNEP-FI, the NGFS and other interested coalitions and networks, contributing to the G20 Sustainable Finance Roadmap[9]. Three main areas of collaboration could be advanced:

(i) **continue working on common languages or at least a "dictionary",** to better understand each other on the definition, tracking, accounting and valuation of climate and SDG aligned finance and investment;
(ii) **strengthening of financial collaboration and innovation;**
(iii) **joint outreach, contributions and calls to action,** in liaison with rating agencies, other private sector entities, think tanks and civil society organizations, as well as governments, policy makers and international standard setting entities.

In the short run, our common objectives could be:

(i) **Continue the dialogue between our respective coalitions** and devote space to jointly advance on the 3 areas above;
(ii) **Seek to promote in-country or sectoral proofs of concept** of the relevance and efficiency of a consolidated dialogue between private and public financers, regulators and policy makers. Having a local platform to jointly discuss sustainability issues is of paramount importance.
(iii) **Ensure that this consolidated dialogue between public and private finance and regulators regularly informs multilateral processes** such the OECD, the Coalition of Finance Ministers for Climate Action, the G20 and/or at the UN level, by highlighting opportunities and challenges, as well as relevant fiscal and economic policies.

[7] NGFS is a network of 114 central banks and supervisors and 18 observers that aims to accelerate the scaling up of green finance and develop recommendations for central banks' role for climate change. Together, they represent five continents and more than 85% of global greenhouse gas emissions, and are responsible for the supervision of all of the global systemically important banks and 80% of the internationally active insurance groups.

[8] GFANZ is a global coalition of leading financial institutions committed to accelerating the decarbonization of the economy

[9] "Focus Area 4: role of IFIs, public finance and policy incentives"

2. SUSTAINABLE AND INCLUSIVE ENERGY TRANSITIONS

Following pre-existing economic downturn and supply disruptions linked to the COVID-19 pandemic, heightened geopolitical tensions have caused major disruptions to global energy supply chains. This translated into inflationary pressures, with skyrocketing energy prices in Q2 2022, which may further amplify in the coming months.

Global oil, electricity and gas prices have risen significantly and could stabilize at a high level. However, ongoing geopolitical tensions may result in a further rise of gas prices and exacerbates the shared energy vulnerability of emerging and developing countries, depending on their respective exposure. In the current context, disruptions or threats of disruption of supply led EU and developing countries to seek a diversification of their sources of gas and oil supply, which will continue to drive up energy prices.

A number of direct and indirect socio-economic consequences are already observed:

- Gas & oil importing countries face additional costs, along with supply challenges;
- Rising electricity prices, particularly in the EU, with major increases for importing countries;
- Significant negative impacts on consumers, with rising inflation and electricity bills, resulting in increased poverty risks;
- Growing state budgets deficits, as the unforeseen budgetary expenditures will have a major impact on the economic stability of affected countries;
- Trade and financial shocks;
- Risks of exacerbated social tensions, leading potentially to destabilization that could further weaken fragile countries.

In April 2022, the Intergovernmental Panel on Climate Change (IPCC) highlighted the need for a socially fair shift to clean energy. The IPCC said that planet-warming emissions needed to be cut far more sharply and quickly, but funding to deploy clean energy on a large scale was still lacking in less developed countries.

In this context, **the main avenues over the longer term revolve around reducing energy demand, reducing dependence on fossil fuel imports and increasing the resilience of energy systems.**

a) ACCELERATING THE ENERGY TRANSITION

As an immediate response, some countries may consider transitional use of coal or gas options, building in particular on an accelerated development of alternative supply solutions, such as LNG terminals in Europe for example.

However, another avenue appears more impactful, both in the short and in the longer term: massively support the energy transition, which can provide some very concrete solutions to respond to the crisis. First, it can accelerate the deployment of renewable energies (notably onshore as well as offshore wind and solar energy systems and including decarbonized hydrogen) and strengthen energy efficiency. Second, it can lead to the adoption of emergency energy sobriety measures[10].

[10] see IEA 10-Point Plan to Cut Oil Use "emergency measures" recommendations

Other measures would help put energy demand on a more sustainable path, including:

- Prioritizing support for sustainable short, mid and long-term energy planning and modelling including of end-use sectors such as transport (public transport, electric vehicles) and unlock supply chains;
- Significantly raise the ambition of fuel economy standards for road vehicles;
- Stimulate the supply of alternative fuels;
- Accelerate the replacement of oil-fired boilers with heat pumps and prohibit the installation of new boilers;
- Increase the collection, re-usage and recycling of plastic waste.

b) STRENGTHENING THE RESILIENCE OF ENERGY SYSTEMS

The crisis therefore reinforces the urgency and the critical importance of accelerating the energy transition, and to do so in a just and sustainable way by namely granting access to sustainable and affordable energy services for all. In this regard, long-term planning is necessary to foster:

- **Energy efficiency**, by:
    - organizing energy sufficiency in countries and territories (planning for urban areas and transport, optimize facilities and equipment in urban areas, promote high energy-efficiency for buildings);
    - developing, high-performing and energy-efficient productive sector; and
    - supporting the implementation of demand management programmes.
- **A modernized and low-carbon energy supply** by:
    - deploying electricity from renewable energy sources on a massive scale (support the massive dissemination of renewables, support technological innovation for managing and storing electricity);
    - renewing, modernizing and extending power grids (invest in modernizing and extending power grids, support the transition to Smart Grid, support regional integration);
    - proactively supporting the exit from fossil fuels; and
    - developing bio energies for different sustainable applications.

By decreasing the share of commodities in the energy mix, the energy transition will strengthen the resilience of energy systems to exogenous price shocks. This also applies to fossil-exporting countries: with growing value of their exports, it is in their interest to reduce their domestic consumption as much as possible in order to make the most of this prized resource. Finally, particular attention should be paid to the social consequences of energy transitions, to mitigate negative impacts on jobs and territorial development, and increase the resilience of communities through social protection mechanisms, training and upskilling programs. Creating alternative opportunities could ensure that such transitions are accepted and do not harm the most vulnerable. In this regards, and inspired by the ongoing European energy crisis, strong focus should be paid on potential temporary energy price hikes down the road of transition with short-term measures complementing the long-term planning:

- Tax breaks, discounts on utility bills, or emergency income support to vulnerable households and industrial customers (measure shielding consumers from the energy price increases by keeping them artificially lower than market prices or true costs should be time-bound, well targeted, and fully budgeted);

- Liquidity programs through public banks to support SMEs and critical industries (or extend existing ones);
- Communication campaigns to promote energy efficiency and energy conservation measures that can be easily implemented;
- Market surveillance to ensure transparency and integrity of the functioning of energy markets and anticipate risks to the security of supply.

While the deployment of a modernized and low-carbon energy supply system, even accelerated will only have medium to long term effects, temporary energy efficiency measures can bring immediate results helping mitigating crisis impacts if well targeted and implemented (heating / cooling decrease, speed limitation…).

Looking forward, Public Development Banks are well placed to support just energy transitions and expand some of their most innovative projects to other geographies. The main levers consist in:

- Supporting public policies by helping in the development of decision-support, steering and coordination tools and assisting sectoral reforms;
- Mobilizing and strengthening the actors contributing to the energy transition (mobilize partnerships, expertise and financing and strengthen the electric utilities capacities); and
- Innovation and knowledge production to support the energy transition.

In the short term, PDBs can help limit negative budgetary impact and strengthen social protection systems for the populations most exposed to rising energy prices. This can be done by:

- Budget Financing support: depending on their mandates, certain PDBs could provide the necessary liquidity so that countries can meet unforeseen budgetary expenditure and ensure their energy supply. These solutions should be temporary, and part of a general decarbonisation trajectory of the economy. In addition, and similarly to solution developed during the COVID-19 crisis, PDBs may consider granting "financing top-ups" of operations under appraisal, or recently approved, in order to respond to urgent needs expressed by the targeted country.
- Developing Technical Assistance Programs: such programs could support countries in a variety of areas, such as strengthening their social protection systems (existing diagnosis, proposals for improving targeting, etc.) as well as modelling the impacts of the crisis on the sector or public finances.

In the medium and longer term, PDBs can massively support energy transition pathways. This can be done by:

- Advocating for the energy transition, such as the example of the *Energy Transition Partnership* in South East Asia. It brings together institutional donors and private foundations for technical assistance, which intervention is based on four pillars (one being *Strengthening human capital, knowledge and public awareness*). Another example concerns the Energy Transition Mechanism (ETM), announced during COP26, which will help Indonesia and the Philippines to modernise their energy infrastructure, ensure a just and inclusive energy transition, and the provision of affordable electricity to consumers, with support from the Asian Development Bank. Two funding mechanisms to be piloted:

one will be devoted to early retirement or repurposing of coal-fired power plants on an accelerated timeline, and the other will be focused on new clean energy investments in generation, storage, and grid upgrades.

- Accelerating existing or planned energy transition programs (notably energy efficiency, such as the PEEB program for energy efficiency deployment in buildings developed by AFD, ADEME and GIZ)
- Mobilizing public development banks in a structured way: this could concretely support a global and concerted mobilization of banks over energy issues, in response to the ongoing geopolitical tensions and beyond. It could also build on the work undertaken by the Indonesian G20 Presidency, which promotes international coordination on the challenges of sustainable and inclusive energy investments, taking into account the diversity of country situations. The JET platforms under construction (Vietnam, Indonesia…) in a similar way to the one in South Africa, should be considered for potential synergies. Public Development Banks should also have a key role to play in supporting country needs by financing research and development for innovative solutions over the medium and long term.
- Other concrete projects could tackle diversified and increased production, creating an environment for sustainable energy, effective regulation, energy efficiency or connectivity. As an example, CDP, together with AfDB and alongside other DFIs like PROPARCO, FMO, BII (ex CDC) and SWEDFUND, has recently invested in the Africa Renewable Energy Fund II (AREF). The private equity fund managed by Berkeley Energy, will focus on early-stage renewable energy initiatives like run-of-river hydro, wind and solar projects, as well as battery storage opportunities, across sub-Saharan Africa.

c) Supporting Just Energy Transition Partnership

The partnership between South Africa, France, Germany, Great Britain, the United States, and the European Union, to promote a just energy transition (JET), was announced at COP 26[11] in Glasgow in November 2021. As a country particularly reliant on its coal industry and significantly exposed to climate change, the objectives are to support South Africa in delivering on its low-carbon trajectory, accelerate the phase out of coal, scale up renewables, mitigate the impacts for workers and communities impacted by the transition, and adapt and diversify its energy sources. This very first country-led JET partnership is supported in a complementary way notably by the European Union, Germany through KfW, France, through AFD Group, in partnership with South African partners, notably DBSA. It will address issues related to the energy production or transport sectors, local economic development as well as skills, employment and social protection programs.

The JET is a long-term vision and builds on an open and systemic approach. In South Africa, a balanced governance mechanism aims at bringing together public development banks, international partners, private companies and civil society, and ensures that the needs are defined by South Africa itself, hand in hand with its international partners. As such, the JET calls for an all-encompassing and inclusive dialogue at the national level, to engage with key entities such as the regulators, private finance and sub-national partners, with a view to build capacities and leverage support for implementation at all levels.

[11] The 2021 Declaration on Supporting the Conditions for a Just Transition Internationally for COP 26: https://ukcop26.org/supporting-the-conditions-for-a-just-transition-internationally/

The JET approach builds on a growing momentum, which has been ongoing since its inception at COP 26, which could pave the way for JET compatible investment frameworks and strategies in the future. It has further gained political traction in light of the current geopolitical tensions and conflicts, in which energy issues and their social consequences will remain on top of the agenda. Following the African Union/European Union Summit in February 2022, there is now a strong interest to replicate such a comprehensive approach in other African countries (such as Senegal, Egypt, Morocco or Côte d'Ivoire). Conversations are also ongoing in Asia (India, Vietnam and Indonesia). In the latter two, it builds on a strong political impetus announced at COP 26, with a view to end the construction of new electrical coal-powered plants by 2025 in 2025 in Indonesia, and reach carbon neutrality in 2060. Other international fora in 2022 (G20 and G7, Finance in Common, COP 27…) could also support a high-level political dialogue on the just energy transition, including announcements on new JET projects in selected beneficiary countries, with the support of international coalitions and public development banks. As such, JET provide a concrete contribution to advance the understanding of and support to the growth of markets for financing a just climate transition as described in Focus Area 5 of the G20 Sustainable Finance Roadmap.

<u>The example of South Africa: views from DBSA</u>

"JET plans enable banks such as DBSA to articulate its strategic positioning in the energy sector by:

- Assessing the resilience of the energy investment portfolio as it exists today in a changing energy landscape;

- Providing a methodology by which the bank can continually assess and mitigate the impacts of energy transition risk against different transition scenarios;

- Providing a framework for the continual assessment of interventions to manage social and economic effects of transitioning from a fossil fuel driven energy system to one primarily based on renewable energy;

- Shaping a role for the bank in unlocking opportunities arising from the low carbon energy transition;

- Identifying opportunities for effective partnerships with industry and other financiers to achieve a just energy transition;

- Providing a recommended governance and management structure for developing an Integrated Just Energy Investment Framework that is aligned to a Just Energy Transition.

The JET framework positions recovery efforts on building a sustainable, resilient and inclusive economy to stimulate equitable and inclusive growth to tackle South Africa's historical structural inequalities of unemployment and poverty. Key to South Africa's recovery measures is implementing efforts to secure energy security and stimulate green recovery in support of a just low carbon transition. The Bank will consider investments which align with South Africa's Integrated Resource Plan (IRP) and the SDGs, and demonstrate the optimal and most competitive technology solution to support achievement of the Intended Nationally Determined Contribution (INDC) or similar plan to transition to a green economy and science-based transition targets. Next steps include developing a comprehensive long-term DBSA Integrated Just Transition strategy including short-term and intermediate targets to achieve Net Zero Emissions (NZE) by 2050 covering other key sectors. There is also a need to ensure development of just transition policies, *sustainable finance systems, processes, practices, procedures and tools; that creates alignment within the organization, guides investment decision-making and provides clarity to stakeholders and partners.*

Finance in Common is a great platform for sharing appropriate best practices on supporting JET initiatives, and disclosing progress made by public development banks in implementing JET initiatives."

3. ENSURING FOOD SECURITY

Severe food security related risks are accumulating in 2022, which may further spillover and lead to a global food security crisis. The ongoing geopolitical tensions come on top of a pre-existing deterioration in the global food and nutrition security situation, caused by conflicts, economic slowdown and supply disruptions linked to the pandemic. Thus, 2021 and 2022 were marked by an inflationary trend, in particular rising foodstuffs (at their highest level since ten years), energy and agricultural inputs prices. Climate change is aggravating the situation, as evidenced by the ongoing extreme heat in India, and drought in Europe, Madagascar or the Horn of Africa, affecting more than 20 million people. It is also increasing the number of children suffering from malnutrition.

Russia and Ukraine account for more than a quarter of world wheat exports, 14% of corn and 59% of sunflower oil. As a result, the price of wheat on the markets broke records at more than €400/ton at the start of March, above the prices reached during the food crisis of 2008. The countries of North Africa and the Middle East are most affected due to their significant dependence on Russian and Ukrainian imports, as well as the African continent as a whole. According to FAO estimates, 30% of the wheat consumed in Africa comes from Ukraine and Russia; the latter is also the main exporting country to West Africa, which nevertheless remains relatively less exposed due to high consumption of local cereals and legumes and the relative stability, at this stage, of rice prices.

The increase in the cost of fertilizers, of which Russia is the main world producer, also risks having a very negative impact on agricultural production in 2022 and further deteriorating the food situation on the horizon of the 2023 lean season, both in rural and urban areas. In addition, the inflationary trend occurs in a context where many countries, particularly in Africa, are already faced with reduced budgetary room for maneuver following two years of the pandemic and do not have sufficient financial resources to absorb the shock and channel aid to the poorest families.

Three main avenues may be envisaged from the point of view of the Finance in Common initiative.

a) ACCESS TO FOOD FOR THE MOST VULNERABLE

In the short term, the main objectives are to limit the budgetary impact for the most affected countries, and promote access to food for vulnerable populations. This can be achieved by:

- Reinforcing existing social safety net mechanisms (such as monetary transfer mechanisms for social purposes, high-intensity work workforce), via ongoing projects under public contracting authority or implemented by NGOs. This support would make it possible to rapidly increase cash transfers to the most vulnerable populations and family farmers, so that they can obtain food and agricultural inputs (fertilizer, seeds). This would be complementary to humanitarian responses by responsible authorities.

- Providing budgetary support to affected countries: in North Africa and the Middle East, intervention in the form of budgetary support or equivalent seems to be the most important intervention to be mobilized in the relatively short term, in order to cushion the shock that the increase in food prices could have on public finances (the price of wheat and flour being regulated in several countries). In this region as in sub-Saharan Africa, budgetary support could also make it possible, if necessary, to finance imports of inputs (fertilizers, energy) or to facilitate subsidization, but also to rebuild inventories of agricultural products. It is also important to ease tensions on the agricultural markets, guarantee full transparency on flows and stocks and combat unjustified trade barriers, as promoted in the context of the Food and Agriculture Resilience Mission (FARM) initiative for food security in the most vulnerable countries.

- Supporting the reconstitution of food stocks: Public Development Banks could support the reconstitution and increase of storage capacity at the national and regional level. This support would guarantee food availability in the face of a lean season in 2023, which threatens to be disastrous. The rise in food prices will lead to an increase in the number of people in food insecurity and put a strain on existing public stocks, while the difficulty of access to inputs risks having a negative impact on the next agricultural season. With a constant budget, the response capacity of the actors (countries, regional organizations, World Food Programme) will be reduced, while the needs for assistance will increase. For example, AFD is supporting ECOWAS to strengthen its regional food security storage capacity. EIB Global is already studying the possibility of extending its loans for food storage, successfully implemented in Malawi, to other countries in Sub-Saharan Africa including a "payment for results" scheme. In Sub-Saharan Africa, off-season cropping campaigns (especially flood recession) could be supported, through the supply of inputs, equipment and advice, in order to increase the local availability of basic products (rice, maize, market gardening) by early 2023. In addition, in May 2022, the African Development Bank approved a USD 1.5 billion facility to avert food crisis: the African Emergency Food Production Facility (AEFPF) which is an unprecedented comprehensive initiative to support smallholder farmers in filling the food shortfall leading to the production of 11 million tons of wheat; 18 million tons of maize; 6 million tons of rice; and 2.5 million tons of soybeans. The facility will provide 20 million farmers with certified seeds, fertilizer, and extension services. It will also support market growth and post-harvest management. The African Development Bank will provide fertilizer to smallholder farmers across Africa over the next four farming seasons, using its convening influence with major fertilizer manufacturers, loan guarantees, and other financial instruments. The Facility can work with development partners. This will ensure rapid alignment and implementation, enhanced reach, and effective impact. It will increase technical preparedness and responsiveness. In addition, it includes short, medium, and long-term measures to address both the urgent food crisis and the long-term sustainability and resilience of Africa's food systems.

b) Mobilization of the Agriculture Sector

In the medium term, PDBs can play a counter-cyclical role and encourage an increased financial mobilisation in the agricultural sector. This can be achieved by:

- Supporting the food self-sufficiency of affected countries, by increasing local production as a substitute for imports: all actors (countries, agricultural inter-branch organizations and farmers) must be supported to increase domestic agricultural production for local markets in a sustainable way, while seeking to reduce dependence on imports (notably through infrastructure and irrigation equipment). PDBs should therefore strengthen support for local and regional production, processing and consumption, as well as the reduction of losses. Particular attention should be given to strengthening sovereignty in cereals, a key component in the food security of African countries (in particular wheat in North Africa and the Middle East, millet, sorghum, maize and rice in sub-Saharan Africa) and in plant-based proteins. It is important also to focus on the food value chain, including food processing so that more value is added to agricultural produce in Africa. In this regard, CDP is developing a program in partnership with the Food and Agriculture Organization (FAO) to support developing countries in the development of sustainable agri-food value chains through integrated capacity building, public-private policy dialogue and enhanced access to innovative finance.

- Granting agricultural credit lines and guarantees to banks and financial institutions: in order to facilitate access to financing for agricultural SMEs and thus reduce the vulnerability of rural areas, PDBs could increase their support (such as through the AGREENFI product) in favor of public and private financial institutions. It would also make sense to systematizing the subscription of agricultural insurance for any credit or financing of the value chain. Improving financial inclusion of actors in the rural world, in particular small farmers, would make it possible to better support local agricultural production and thus increase the availability of basic food products. In this sense, EIB Global will soon propose to its governing bodies a series of lines of credit for agricultural SMEs that will be coupled with technical assistance and, where possible, local currency lending. Another concrete example is IGREENFIN, an initiative led by IFAD at the GCF, with five agricultural banks in West Africa as implementing partners. This initiative focuses on the financing system of banks through the concessionality of the credits offered, with a view to fundamentally greening banks' portfolios.

- Giving PDBs the appropriate resources to achieve the transition of food systems: PDBs currently account for nearly two-thirds of formal global financing to agriculture, and therefore have the potential to accelerate the much-needed food systems transition and to contribute to closing the estimated USD 300-350 billion annual financial gap towards sustainable agriculture. To tackle these challenges, an agriculture working group of PDBs has been created during the first Finance in Common Summit, under the leadership of IFAD, and currently gathers more than 40 PDBs specialized in agriculture, particularly present in emerging and developing countries, and 72 PDBs with large portfolios in the agricultural sector. Its importance has been recognized by the 2021 G20 Matera Declaration, which welcomed the establishment of this Finance in Common Working Group on Financing Sustainable Food Systems. In September 2021, during the Food Systems Summit, the UN Secretary General called for commitment of all stakeholders, including international finance institutions, to accelerate their commitments towards transformation of food systems, while highlighting the need to shift and scale public and private financing for food, to support healthier, more inclusive, and more sustainable outcomes. In the spirit of this call, on the occasion of the 2021 Finance in Common Summit, the agriculture working group launched a PDB Platform for Green and Inclusive Food Systems, which aims to strengthen the capacity of national, regional, and international PDBs to better direct and leverage financing to promote sustainable and inclusive food systems. This platform currently under development would promote exchange of good practices and tools, technical assistance and co-financing, so that PDBs can better target vulnerable clients and implement sustainable agroecological practices, in the context of counter-cyclical interventions and the situation of high input and energy prices. Strong political support for and wide participation in this platform will foster systemic changes, by supporting the alignment of the PDBs' portfolios to the 2030 Agenda and the Paris Agreement, as well as a substantial increase in the overall volume of finance deployed towards investment in inclusive and sustainable food systems.

c) TRANSFORMING FOOD SYSTEMS TO MAKE THEM MORE RESILIENT, GREENER AND MORE INCLUSIVE

In the long term, PDBs must support the transformation of food systems to make them more resilient, greener and more inclusive. This can be achieved by:

- **Supporting the resilience of food systems through the agro-ecological transition**: it is necessary to continue providing financial and technical support for the agro-ecological transition of agricultural systems, in order to reduce dependency on synthetic fertilizers and other inputs, and strengthen resilience to crises (geopolitics, climate, emergence of pests). The transition should include direct support to producers with services such as R&D, advisory services, vocational training, and organizational support. By doing so, PDBs will promote the proper functioning of local food systems in the face of shocks and crises, but also help address longer-term disturbances weakening production systems, in synergy with actions in terms of mitigation of and adaptation to climate change (ecological intensification, renewable rural energy etc.), and the preservation of biodiversity. As an example, CDP, African Development Bank, JICA, Development Bank of Southern Africa and other commercial banks, participated as lenders in a USD 600 mln funding facility in favour of Cocobod, the main state-run operator in the Ghanaian cocoa industry. The loan supported the roll-out of 8 productivity enhancement programmes with the aim to create local jobs and strengthen local warehousing and processing capabilities.

- **Supporting the development of social safety nets**: in order to also promote sustainable access to food for the most vulnerable populations, PDBs should provide greater support for the implementation of social safety net policies and programs. While the social coverage of the African continent is very low, with 17% of the population covered against a world average of 47%, the development of social protection mechanisms is essential to reduce inequalities and poverty, to strengthen social cohesion as well as to guarantee the food and nutritional security of populations.

- **Improving the nutritional status of populations**: PDBs operations must address the challenge of combating malnutrition in all its form through multi-sector approaches integrating all the key areas (health, education, agriculture, water and sanitation, etc.). Operations should more systematically seek to prevent and treat malnutrition, particularly during children's first 1000 days, as well as to promote the enrichment of diets by diversifying agricultural production and promoting local varieties high nutritional value. The development of school feeding programs is for example a key lever for improving nutrition. Moreover, EIB Global is looking into mechanisms to encourage food fortification—inexpensively adding essential vitamins and minerals to foods that people consume every day - when healthy diets are not affordable, available or accessible.

- **Support food for cities**: as population growth and urbanization intensify, particularly in Africa, PDBs should continue to support the food security of urban populations, which are particularly vulnerable to markets' hazards. Supporting urban access to food involves structuring of local supply chains, including the financing of transport, storage and market infrastructure, as well as support for local food policies according to a territorial approach.

- **Reinforce the water-food-energy nexus:** agriculture is the largest consumer of the world's freshwater resources, and more than one-quarter of the energy used globally goes to food production and supply. Efficiency measures along the entire agri-food chain can help save water and energy, such as precision irrigation based on information supplied by water providers, which can motivate farmers to invest in their systems to ensure the best returns from their water investment. This is urgently needed as worldwide, the quantity and quality of water resources are facing an increasing stress due to the combined effect of climate change and increasing water demand and water pollution. In this context, adopting an integrated approach in water resources management among all sectors is key. Public Development Banks will continue to work on this water-related issue and explore potential avenues for further collaboration in the framework of the Water Finance Coalition, one the thematic coalitions of Finance in Common.

4. GLOBAL HEALTH ARCHITECTURE

Public Development Banks played a critical role in responding to the COVID-19 pandemic, with significant investments and numerous new health and social protection projects in 2020 and 2021. These aimed at deploying medical countermeasures to combat COVID-19 (increasing screening, treatment and vaccination capacity, strengthening epidemiological surveillance and alert systems and supporting medical research). For example, AFD has financed genomics programs in 13 African countries (AFROSCREEN project), allowing the sequencing of COVID-19 variants and monitoring of the pandemic evolution in Africa. FiCS members also provided support to social protection mechanisms to protect employment as well as net cash transfer to compensate for loss of revenue of households. These operations included health projects, budget support programs to finance public health policies, as well as bank credit lines for businesses. PDBs were also early and agile supporters of programs to assist countries to purchase COVID-19 vaccines as they became available. AFREXIMBANK was particularly responsive with an early support to the African Union's African Vaccine Acquisition Trust (AVAT) initiative, and an agreement with Johnson and Johnson, guaranteeing the payment of vaccines with the support of AFD, KfW and the European Investment Bank. In Latin America, the Corporación Andina de Fomento (CAF) established a similar mechanism supporting 19 member countries' vaccination plans with the support of AFD.

Overall, PDBs are highly conscious that the COVID-19 pandemic interrupted the progress trajectory towards the health SDGs. We have witnessed the backsliding of years of achievements linked to economic growth and poverty reduction. We observe reversals on measles and polio vaccination, HIV, Tuberculosis and Malaria, despite billions of development aid support over the past decade. Some key lessons have emerged from the COVID-19 pandemic crisis, and are relevant for future investments.

First, health systems did not benefit from the right level of investments before 2020, especially in public health commons and in human resources for health. Since 2000, there has been little progress in health systems capacity in the developing world. Most ODA funding for health (about USD 25 billion per year) has been directed towards the purchase of medicines and vaccines for a limited set of well-known diseases and a limited number of beneficiaries. Investments in national and regional public health institutions (the health commons), which are critical to the monitoring, regulation and financing of the health sector, have been minimal. Development aid for health has provided negligible funding for human resources and infrastructure. The shortage of health workforce is global, but nowhere is it more felt than in the developing world. Investments in health infrastructure have also lagged behind. To date, less than half the clinics in Africa have water and electricity. Worryingly, ODA for health has often crowded out domestic spending for health. Over the past two decades, spending on health has increased globally, faster than economic growth. However, spending on health has declined as a priority in Low-Income countries over the past decade, while households pay more and more on health care. Middle income and emerging countries also face an increase in the financial burden of health care costs. Most need increased investments to develop the green infrastructure (Zero emissions hospitals) and public health institutions that will allow them to build social protection in health and ensure Universal Health Coverage.

Second, most countries lack strong social safety nets to weather the impact of a sudden, dramatic and large-scale economic shock, such as the one experienced by the world in 2020 and 2021. Many countries have not yet developed the national institutions that allow to pool financial resources and organize social protection in health and progress towards universal health coverage. Universal Health Coverage is a social contract, a domestic agenda, which requires building collective processes and public institutions.

The crisis highlighted the lack of social protection in most developing countries which were often not able to counteract the negative impact of lockdowns on employment and small businesses, but also the decline of access to health and education services. There is a strong relationship between health and education investments, as the quality of learning increases together with other health spending (such as nutrition or infectious disease prevention. A more healthy and educated population will therefore benefit the whole economy, increasing sustainable economic development prospects, and forming the basis for tomorrow's well-informed, gender and environmental-sensitive generations.

Third, most developing countries have not fully grasped the importance of the health sector as a dynamic sector of employment and economic growth. Over the past two decades, spending on health has grown faster than GDP globally, new technologies drive market demand and the demand of citizens for health services has been growing. The IQVIA Institute for Human Data Science projects global spending on medicines to reach USD 1.6 trillion by 2025, an increase from USD 1.25 trillion in 2019, representing annual growth of 3% to 6%. The health sector represents 10% of global GDP and contributes critical economic value to the world's economy, both in terms of industrial outputs (medical products, equipment) but also services. Yet the potential of the health care sector as an industry that provides jobs, good jobs for women and youth, in both rural and urban areas, is still untapped.

The world cannot count on mere goodwill and cooperation to propel responsible public health measures in the future. **This rather dire track record should urge us to think much more fundamentally about the key investments needed to return to a positive trend towards the SDGs, and prepare the world against looming pandemic and other global health threats linked to climate change, biodiversity losses and environmental degradation**. Climate change has multiple social and environmental consequences affecting fragile countries and the most vulnerable populations. At the same time, the pandemic showed that greater resilience could be achieved through investments in strong health and social protection systems, which allow facing challenges in a more efficient way, when crises arise. Investing in social infrastructure also comes with a strong gender component, as women are often key contributors of social services such as education, health or childcare centers. As such, the health sector does not only contribute to human capital development but is a critical sector of social cohesion, economic growth, and adaptation to climate and other environmental threats.

The G20 is spearheading a global response to these multi-faceted challenges, reinforcing the global health architecture to ensure resilience towards any future pandemic.

a) INVESTING IN HEALTH INFRASTRUCTURE & RESILIENCE AT COUNTRY LEVEL

The COVID-19 crisis shed a brutal light on the weaknesses caused by the lack of investments in health systems. Development aid mechanisms are no longer adapted to today' health challenges that are increasingly global in nature. In these times of climate change, biodiversity loss and pollution, COVID-19 is the first of many health and subsequent economic crisis to come. Development aid for health needs to shift from being a purveyor of medical products for short-term cycles to investing in national health and social protection systems of LICs: national public health institutions, human capital (particularly human resources for health) and social protection mechanisms

First, an investment agenda in human and physical capital for health services, which are to a large extent home-grown, should be developed. These investments need to be needs based, and focus on local capacity strengthening, with a strong eye on capacity building and quality upgrades. Investments in health workers and infrastructure represent more than 70% of the health system-funding gap in the developing world today, amounting to USD 100 billion per year for pandemic preparedness and USD 300 billion per year for Universal Health Coverage. These investments require a broad coalition of financing actors to de-risk and back domestic investments

Domestic investments can be leveraged by the Finance in Common initiative and its Coalition for Social Investment, a group of PDBs and other stakeholders working to increase the quality and the volume of social investment globally. These investments should be focused on health and social protection systems, particularly human resources for health and infrastructure.

Second, there is a need to build a conducive investment climate to foster the growth of a quality health care industry, helping to leverage private sector investments and contributing to the developing world growing sovereignty over the development of its health sector. Clearly, the COVID-19 crisis has shown that global markets for health products have struggled with equitable access to health products, especially in Africa, relying on charity where sovereignty has become a strong demand. Africa imports 98% of its vaccines. We need new, enhanced industrial policies for health care that work for all.

Public Development banks will continue to support investments in health products manufacturing and regulatory environments to foster favorable investment climate for the health sector industry. An example is the current support to vaccine production in South Africa and Senegal. PDBs have rapidly responded to country demand for investments in vaccine production. PROPARCO joined the IFC in funding ASPEN and BIOVAC, two vaccine production companies in South Africa. More recently AFD approved a policy based budget support operation in Senegal that provides support to the development of pharmaceutical manufacturing including a vaccine production line in Institut Pasteur Dakar.

b) Investing in the health commons, from pandemic preparedness to climate and health financing, at a global level

The pandemic also revealed the limits of global health multilateralism as it is operating today. The COVAX experience has shown that global centralization of all functions in a rather small public-private partnership (selection of products, funding, procurement and distribution) does not deliver in time of crisis. One globally centralized mechanism cannot handle all these functions for all countries in the world. Resilient systems are pluralistic and multipolar. Regional economic communities now pursue decentralization and construction of sovereign spaces of production, pooled procurement and distribution of medical products.

Financial credibility and resources from governments and institutions matter in time of crisis. Responding to a crisis requires a set of broad financing instruments not only limited to health ODA funding. Worldwide, the response of financial institutions to the COVID-19 crisis has been remarkable in the scale of funds mobilization. Global health investments should be funded in the same way. Future reforms need to make sure that any mechanism to fund a pandemic preparedness and emergency response such as ensuring availability of vaccines is integrated in (a) strong financial institution(s) that can mobilize the full range of financing instruments (sovereign and non-sovereign lending, credit lines, guarantees, etc).

We therefore need to develop more bottom up and horizontal global partnerships to incentivize and foster country ownership and support countries to invest in global commons. We need to incentivize the building of strong country institutions to prevent and manage current and future health threats particularly those linked to environmental degradation (climate change, biodiversity loss, microbial resistance, pollutions etc.) that affect all countries in the world. This should start with investing in the" health commons" at national, regional and global levels. Commons are the collective functions and institutions that address market failures. They are the first step of health financing. It means investing in surveillance and information, in regulatory systems and in integrated public health institutions that deliver on preventing and managing all health threats (biological, chemical, physical, environmental) as One Sustainable Health strategy. This means investing in risk surveillance, regulation, information, coordination and research and development, including building national and regional CDCs as well as public health programs such as animal and environmental health.

In the context of Finance in Common, the Coalition for Social Investment works to developing a common health investment agenda in health institutions, to support regional national and global networks of public health institutions. This Agenda could be further supported by the G20, or some of its member countries.

Because these investments are global public goods and global commons, we also need more agile pooled mechanisms at global level, to subsidize and incentivize investments at country level. Global pools such as the Pandemic Preparedness FIF proposed by the G20 HLP and housed at the World Bank should provide matching grants to countries to invest in national health institutes, centers for diseases' control and an upgraded public health workforce and foster regional and global networks of knowledge and science such as CDCs. Public development banks could also be invited to accompany on the ground the implementation of the new IMF's Resilience and Sustainability Trust (RST), which will address longer-term structural challenges such as climate change and pandemics.

PDBs and members of Finance in Common stand ready to work closely with partners, including the World Bank, and collaborate on the agenda of pandemic preparedness and country investments in health systems through the newly established fund instigated by the G20 (the World Bank FIF), which will provide matching grants to countries. The G20 may therefore want to call for a FiCS-FIF close collaboration, in order to scale up and develop joint co-financing arrangements, with a view to provide efficient and concrete global financing arrangements.

V. Annexes

a) Joint Declaration of all PDBs in the world

Signed at the Finance in Common Summit

12 November 2020

We, Public Development Banks of the world, gathered for the first time in Paris, commit to support the transformation of the global economy and societies towards sustainable and resilient development. Today, it is essential that we build back better, by simultaneously designing and acting for sustainable, equitable and inclusive outcomes and impacts, leaving no one behind.

To this end, we affirm our determination to collectively shift our strategies, investment patterns, activities and operating modalities to contribute to the achievement of the SDGs and the objectives of the Paris Agreement, while responding to the Covid-19 crisis.

For greater impact, we are committed to join forces and form a global coalition of all PDBs around the world.

Additionally, we welcome Governments' support and measures aiming at unleashing our potential to better serve their policies. We also invite all our stakeholders to increase cooperation and partnership with us to "*finance in common*", to better support, collectively and in each and every country, the global agenda.

Preamble

The Covid-19 pandemic and its subsequent socio-economic crisis is generating profound and enduring impacts for People and the Planet. The crisis reveals and amplifies our vulnerabilities and inequalities, reconsidering our development models. It leads us to rethink and factor in environmental and social issues in our production and consumption modes in order to build more just and resilient societies.

Disruptions generate opportunities for major transformations. How we respond to the crisis will have long-lasting and potentially irreversible consequences. It is essential that we build back better, by protecting our natural capital and working to deliver sustainable, equitable and inclusive outcomes, leaving no one behind. Recovering from Covid-19 and achieving the Sustainable Development Goals (SDGs) and the objectives of the Paris Agreement are one and the same, i.e. interlaced and complementary goals to be pursued together.

Finance is a major trigger for change. Solutions are urgently needed, aligned with the Addis Ababa Action Agenda, 2030 Agenda for Sustainable Development and the Paris Agreement, collectively set in 2015, to unlock the potential of all financial flows, public and private and help shift current development pathways towards sustainability. Short-term decision-making must be aligned with longer-term goals. The time has now come for consistent action of all global finance players.

As Public Development Banks, we have always been active in times of crisis, striving to provide and catalyze sustainable finance on a global scale. Serving the public interest, we are uniquely placed to help reconcile recovery and sustainability.

1- As PDBs, we have a unique role and responsibility in the financial system.

We are 450 Public Development Banks, distributed across every region of the world, operating at local, national, regional, international or multilateral levels. Our institutions range from generalist or specialized, supporting small and medium enterprises, agriculture and food systems, housing, trade, as well as development finance institutions focused on the private sector. Our diversity is our strength. We commend the particular role of the multilateral development banks (MDBs) within our community. They are important financial partners and platforms for knowledge and cooperation. Along with other international development banks, they have facilitated networking among PDBs, including by supporting the emergence and activities of our regional associations.

We, Public Development Banks, form a community for action. We are united by three attributes: (i) we are owned, controlled or supported by governments; (ii) we execute a public, development-oriented mandate, addressing market inconsistencies; (iii) we enjoy independent legal status and financial autonomy. Combined, the volume of funding invested by the community of all PDBs amounts to about USD 2.3 trillion annually –10 percent of the total investments in the world every year by all public and private sources.

As such, we have a unique role to play in the financial system. With our public mandates and roots in our respective economic and social fabrics, we build bridges between governments and the private sector; between domestic and international agendas; between global liquidity and microeconomic solutions; and between short-term and longer-term priorities. We can significantly contribute to reorienting global finance towards climate and SDGs.

We provide solutions, both financial and non-financial, to deliver public services, to build quality infrastructure, to catalyze markets or to improve market functions. We are able to deliver both the first mile and the last mile, before, after, or in conjunction with private finance. We represent a "visible hand" that can help mobilize, secure and direct the finance we need for the future we want.

We can provide urgent and counter-cyclical responses during times of crisis. Once again, today, all PDBs are mobilized, fighting the economic and social impacts of the Covid-19 pandemic. We are playing our role to relaunch the global economy by providing a wide range of public investments, contributing to support health systems as well as to address the exacerbating inequalities generated by the crisis, the drying up of private financing, and subsequent unemployment as well as poverty issues.

We are pursuing long-term objectives of reducing inequalities, protecting the planet and promoting sustainable, inclusive and equitable development. This means preparing for a post-Covid-19 world that requires a long-awaited paradigm shift to make the recovery a resilient, inclusive and sustainable one. Decision-making processes and financing, too often driven by short-term considerations, need to be aligned with longer-term objectives.

2- We have a concrete roadmap to serve the SDGs while responding to the Covid-19 crisis.

Today, as PDBs recognizing our unique role and societal responsibility, aiming at reorienting all financial flows towards sustainability, **we hereby affirm our determination to shift our strategies, investment patterns, activities and operating modalities, collectively and consistently with our respective mandates and governance, the countries' policies and long-term strategies, taking into account national and regional circumstances,** notably as follows:

- **On climate change, following the adoption of the Paris Agreement by governments, we commit to align our activities with the objectives of the Paris Agreement.** To this end, we will strive to develop, operationalize and scale-up strategies and methodologies of alignment in the perspective of COP26, in support of the definition and implementation of Nationally Determined Contributions (NDCs) and long-term strategies to reach zero net emissions as early as possible in the second half of this century. We will mainstream resilience and adaptation in our strategies and operations and enhance action to fund the definition and implementation of national adaptation plans. We will help redirect private financial flows in support of low-carbon and climate-resilient sustainable development. Furthermore, we stand ready to support governments to accelerate climate action and ambition to move away from high-carbon, resource intensive and polluting activities, and avoid maladaptation.

- On energy transition, we commit to increase the pace and coverage of investment in renewable energy, energy efficiency and clean technologies to accelerate equitable access to clean energy and the energy transition. We will work together to leapfrog renewable energies into countries where there is little or no such development. We will support and promote sustainable alternatives to fossil fuel investments and consider ways and means of reducing these investments, contributing to the ambition of long-term low-carbon development trajectories and NDCs towards a decarbonized society. We will consider the range of fossil fuel investments in our portfolios, avoid stranded assets, and work towards applying more stringent investment criteria, such as explicit policies to exit from coal financing in the perspective of COP26.
- On biodiversity, oceans and nature, we see their conservation, sustainable management and protection as an essential foundation for development and for the well-being of all, including in designing sustainable food systems. We commit to develop or reinforce strategies, funding and cooperation among PDBs and with the public and private sectors on these issues. We stand ready to help align all financial flows with the future post-2020 Global Biodiversity Framework to be adopted at the COP15 of the Convention on Biological Diversity. Nature-based solutions, sustainable resources and land use as well as better consideration of nature-related risks will be used to promote a biodiversity-positive economy as well as climate neutrality. We will promote One Health approaches integrating human, animal and environmental health as well as ecosystem restoration. Our policies to cause no harm to the environment and fight all threats to biodiversity including the destruction of natural habitats, the overexploitation of wild species and natural resources, pollution, invasive species and climate change, should be strengthened for all key biodiversity areas, including forests, oceans, wetlands and watersheds. We will strive to reach co-benefits among the climate, biodiversity and ocean agendas, whose joint preservation offers powerful opportunities to improve the health of the planet and all people.
- On health, in the context of Covid-19 and beyond, we will step up our cooperation for more resilient health systems to realize human security and achieve health and well-being for all. We will strive to strengthen support to healthcare policies, infrastructure and services, including regarding corresponding human resources and capacities, and in favor of emergency preparedness and Universal Health Coverage (UHC).
- On social investment, fostering equality and social inclusion, we will strive to increase access to affordable and accessible essential services such as education, housing, sustainable energy, safe water, hygiene and sanitation, as well as to social protection, including by facilitating social and financial integration of vulnerable people, including young people and the elderly, people with disabilities, indigenous, small-scale producers and rural communities, migrants and refugees, with particular attention to the specific challenges faced by women and girls. We will promote social justice policies to reduce inequalities, including through support to tax, redistributive and domestic resource optimization approaches, social safety nets and/or insurance schemes, to the benefit of the bottom 40% of the population. We will factor in climate change and ecosystems degradation risks and impacts, as well as resulting resilience and adaptation capacity needs, including in fragile contexts. We will contribute to the provision of decent and sustainable jobs through our

operations. We will take into account the imperative of a just, inclusive and rights-based transition.

- **On gender equality and women's rights, empowerment and equal access to financial services,** we will strive to develop and strengthen, in a systematic and cross-cutting manner, gender-sensitive and gender-transformative policies through all internal and external practices. We will enhance access to employment opportunities and increase funding for gender equality and women's rights and empowerment as key enablers for sustainable development and economic recovery, taking into consideration the Beijing Declaration and Platform for Action whose 25th anniversary will be celebrated at the Generation Equality Forum.
- **On digitalization,** we will leverage on the power and the acceleration of the digital transformation to foster the SDGs' implementation including the climate, biodiversity and social goals. We will work towards a more systematic integration of the opportunities and challenges of the digital transformation and its societal impacts, including by recognizing the widening of the digital divide and inequalities and focusing efforts against it.
- **To leave no one behind**, we will develop strategies, operations and partnerships addressing the specific needs of the most vulnerable communities, from an economic, political, social and environmental standpoint, with particular attention to Africa, Least Developed Countries (LDCs) and Small Island Developing States (SIDS), inspired notably by the United Nations' "*Leaving no one behind*" framework for action.

We, PDBs, believe that our contribution will help the emergence of a much-needed global framework for SDG-compatible finance. We commit to:

- **Collectively contribute to the preparation and implementation of common methodologies for the characterization of SDG- and Paris Agreement-aligned investment**, building on the work of OECD and UNDP on SDG-compatible finance, on the work carried out by the MDBs and IDFC on Common Principles for Climate Finance Tracking and on alignment, as well as on other existing work on green investment and sustainable finance taxonomies, such as the International Platform on Sustainable Finance (IPSF). An overarching guidance on what is compatible with climate and the SDGs – and what is not – is essential to coherence of action.
- **Set up ways to increase our contributions to the elaboration and implementation of national and local sustainable development policies and investment programs aligned with the SDGs and the Paris Agreement, pursuant to our public interest mission.** These contributions primarily consist in providing long-term and/or concessional financial resources to fund sustainable investments aligned with such policies. To complement our funding activities, we are prepared to provide non-financial services in order to inform national policymakers and contribute to the definition and the operationalization of long-term sustainable development trajectories (sourcing of projects; technical expertise and assistance; knowledge and applied research; foresight; contribution to policy dialogue and coherence; work with governments and regulators to design appropriate policies and cross-capitalization at all levels). PDBs can also help scan for uncertainties and early signals of new crises and opportunities, and integrate them early on.
- **Enhance the crowding in of private investment** and work to increase the scale and sustainable development impacts of private financial flows, and foster capital market development and the alignment of these markets with the SDGs and the Paris Agreement through innovative approaches, alternative finance and blended finance. The role of PDBs in sustainable finance is crucial and we will work to amplify our sustainability bonds and develop innovative tools to be at the core of the mobilization of financial markets for a successful just transition.

- **Contribute to the reorientation of trade finance towards climate and SDGs,** while ensuring a level playing field. Trade facilitation, financing and related regional infrastructure are areas of excellence of some PDBs and an important contributor to sustainable development, in a context of persisting logistical gaps and inefficiencies in various developing regions, as well as recent disruptions in supply chains and rising trade barriers between some of the major economies.

We, PDBs, also commit to act as responsible and transparent institutions, and to develop international cooperation, sharing best practices to improve the sustainability, transparency and quality of our financing. We subscribe to the convergence of practices towards "Core Standards", as defined by the 2018 Report of the G20 Eminent Persons Group on Global Financial Governance. In this perspective, we will strive to:

- **Strengthen investment governance, openness and transparency** including regarding procurement, anti-corruption efforts, compliance with Anti-Money Laundering (AML) and Counter Terrorist Financing (CFT) rules and access to adequate information and data. We will also implement coherent pricing policies to ensure economic efficiency and enhance local capacity building.
- **Share and apply best practices and internationally accepted norms and standards on environmental, social and governance (ESG)** in our policies, and develop risk mitigation and management plans as well as stakeholders' consultations plans, in order to facilitate cooperation and improve the quality of our operations and reporting, including through integration of non-financial results and impacts. In this regard, we refer to the G20 principles for Quality Infrastructure Investment; ILO Conventions and Recommendations; the World Bank and the International Finance Corporation's environmental and social performance standards ; and the UN Guiding Principles on Business and Human Rights. Particular attention will be paid to community-led development and the respect of the rights of indigenous people.

- **Contribute to debt sustainability**, by implementing sound and sustainable financing practices and by building in particular on the G20 Operational Guidelines for Sustainable Financing. We commit to enhance access to sound financing while ensuring that sovereign debt remains on a sustainable path by fostering information sharing and cooperation among all borrowers and relevant stakeholders.
- **Take into account and manage direct and indirect climate, biodiversity, environmental and social risks and opportunities**, inspired by existing international initiatives and recommendations such as those of the Task Force on Climate-related Financial Disclosures (TCFD); the Task Force on Nature-related Financial Disclosure (TNFD) work; or Mainstreaming Climate Action in Financial Institutions. We aim to enhance implementation of instruments that can shift investments to sustainable asset classes, such as using a shadow price of carbon, and provide adequate information on the degree of alignment of our portfolios with the Paris Agreement and on SDG reporting.

3- For greater impact, we join forces and reinforce the global coalition of all Public Development Banks.

The depth of the crisis and our common search for innovative solutions suppose enhanced forms of cooperation, embodying SDG 17, which calls "*to strengthen the means of implementation and revitalize the global partnership for sustainable development*". Reinforced, ambitious and comprehensive international coalitions are essential, building momentum and supporting multilateralism, capable of anticipating and responding to current and future global challenges.

In this context, we, Public Development Banks, are setting out to join forces and reinforce the global coalition of PDBs around the world, building on our complementarities and making optimal use of the diversity and added value of all the different types of PDBs and networks, including the World Federation of Development Finance Institutions (WFDFI) and its members AADFI, ADFIAP, ADFIMI, ALIDE, ELTI, and also IDFC, EAPB, D20-LTIC, EDFI and multilateral development banks.

Through this global coalition, PDBs will work together, as a community among ourselves and as a system with our stakeholders, with the view to simultaneously address the Covid-19 crisis, fight climate change and biodiversity loss, and achieve the SDGs. We will reinforce cooperation and share best practices and innovation; build capacities and improve mutual recognition of procedures; and facilitate access to international concessional finance. In our respective constituencies, we will accelerate the deployment of public resources as well as the mobilization of the private sector for recovery, resilience and sustainability. We will also aim at more coherence in our approaches, actions and interventions, in close collaboration with our various stakeholders, to make the whole development finance system operate more efficiently.

In this perspective, the WFDFI and the IDFC offer to pursue the dynamic, building on the momentum of the "*Finance in Common*" Summit to: i) mobilize and engage the global coalition of all PDBs; ii) specify, with the support of all willing PDB networks and stakeholders, the detailed arrangement of the global coalition, and develop a work program and accountability framework, building on this Joint Declaration.

The road ahead: Joining forces to amplify the impact of the coalition movement initiated by the "*Finance in Common*" Summit

We, PDBs, thank our shareholders for continued high-level support and measures aiming at unleashing our full potential to better serve their policies, implement their commitments and mobilize the private sector. Additional steps could be taken for the PDB community to deploy its contribution to the Paris Agreement and the SDGs, by addressing the following challenges:

- **On our mandates**. Our mandates should aim to integrate the contribution to the goals of the Paris Agreement and SDGs. They should also explicitly require us to shift away from investments that are not compatible with a just and inclusive transition towards sustainable, low-carbon and resilient development trajectories.
- **On our business models, regulatory frameworks and other measures.** Our strategies need to be supported by facilitating the adjustment of our business models, so as to maximize sustainable development impact. Based on our collective work, we will aim to engage our shareholders and regulators in considering options to optimize our balance sheets, building among others on the Action Plan developed by the G20 for MDBs, and reinforcing guarantee and political risk insurance mechanisms. The adaptation of financial regulatory frameworks on asset-based criteria can bolster our capacity to enable climate and sustainable development investments and promote transparency of investments portfolios.
- **On our participation in the international climate and sustainable development finance architecture.** Governments can reinforce this momentum through capacity-building

programs for PDBs, accompanying the strengthening of a comprehensive, coherent and efficient global development finance architecture. Through common standards and methodologies, PDBs could also gain better access to concessional resources, such as the Green Climate Fund (GCF) and the Global Environment Fund (GEF), and cooperate among themselves. To finance sustainable investments, PDBs should also have facilitated and full access to capital markets. At the national level, we will support the development and implementation of effective country platforms, building on the G20 Reference Framework, whereby national development banks could play a major role alongside other development finance stakeholders for investments to translate into sustainable and accountable impacts, building on countries' [Integrated National Financing Frameworks (INFF)](), which originate in the Addis Ababa Action Agenda.

We, PDBs, also invite all stakeholders to increase cooperation and partnership with us to "*finance in common*", to better support, collectively and in each and every country, the SDGs and the objectives of the Paris agreement, while reinforcing local financial systems. We stand ready to enhance our dialogue with private actors, including all categories of financial institutions (commercial banks, asset owners, insurance companies, investors, etc.), private sector firms, civil society organizations, philanthropists, academia and think tanks, to reinforce collaboration, as well as with international organizations and local authorities, in the framework of their respective mandate and capacities. We thank them for their participation in the 2020 "*Finance in Common*" Summit and expect to further pursue the dialogue. Supported by the global coalition of all PDBs, this dialogue will contribute to existing multilateral fora, such as the UN Financing for Development process.

The global coalition will convene the second "*Finance in Common*" meeting in the course of 2021 to reinforce high-level political support; to take stock of the first initiatives; to define a method or monitoring progress toward the implementation of this declaration; and to validate the work program of the coalition.

LIST OF SIGNATORIES

Regional and International Associations of Public Development Banks:

- **Association of African Development Finance Institutions** (AADFI)
- **Association of Development Financing Institutions in Asia and the Pacific** (ADFIAP)
- **Association of National Development Finance Institutions in Member Countries of the Islamic Development Banks** (ADFIMI)
- **Latin American Association of Development Financing Institutions** (ALIDE)
- **D20-Long-Term Investors Club** (D20-LTIC)
- **European Association of Public Banks** (EAPB)
- **Association of European Development Finance Institutions** (EDFI)
- **European Long-Term Investors Association** (ELTI)
- **International Development Finance Club** (IDFC)
- **World Federation of DFIs** (WFDFI)

Multilateral Development Banks:

- **African Development Bank Group** (AfDB)
- **Council of Europe Development Bank** (CEB)
- **European Bank for Reconstruction and Development** (EBRD)
- **European Investment Bank** (EIB)
- **International Fund for Agricultural Development** (IFAD)
- **Islamic Development Bank Group** (IsDB)

IN THE PRESENCE OF

International organizations:

- **European Commission** (EC)
- **Global Center on Adaptation** (GCA)
- **Global Impact Investing Network** (GIIN)
- **Green Climate Fund** (GCF)
- **International Chamber of Commerce** (ICC)
- **International Monetary Fund** (IMF)
- **Long Term Infrastructure Investors Association** (LTIIA)
- **Organization for Economic Co-operation and Development** (OECD Secretariat)
- **United Nations Development Programme** (UNDP)
- **United Nations Environment Programme** (UNEP)

Other Multilateral Development Banks:

- **Asian Development Bank** (ADB)
- **Asian Infrastructure Investment Bank** (AIIB)
- **Inter-American Development Bank** (IDB)
- **New Development Bank** (NDB)
- **World Bank Group** (WBG)

b) 2022 Summit Concept Note

Finance in Common Summit – 2022 Edition

"Green and Just transition for a sustainable recovery"

I. Overview

The third edition of the Finance in Common (FiCS) Summit will take place in Abidjan, Côte d'Ivoire 19-20 October 2022. The event's theme will be "Green and Just transition for a sustainable recovery". The Summit will provide an opportunity to highlight the key role of Public Development Banks (PDBs) in supporting the transformation of economies and financial systems towards sustainability, while addressing the most pressing needs of developing countries and vulnerable groups. As the COVID 19 crisis wrote off decades of economic investments and social progress, it is **crucial to mainstream green and just transition principles in all financial actors' investments and operations in order to build back greener and fairer**. The third FiCS Summit will therefore foster debates on the importance to finance in common resilience and adaptation, green and quality infrastructure, health and social protection, while supporting human rights-based approach and fighting against inequalities.

Looking ahead to key milestones such as COP 27 in November 2022 and the UN SDG Summit in September 2023, where progress will be expected from financial actors and notably PDBs, **the third edition of the FiCS Summit should signal a decisive shift towards a transformation of PDBs into SDGs enablers.**

II. Rationale and road travelled

PDBs need to better align their own mandates and business models with the SDGs, develop innovative and inclusive financial instruments and enhance their risk appetite in order to deliver tangible results where most needed (fragile countries; LDCs). FiCS 2022 provides an opportunity for PDBs to share experiences on improvements to their respective business models, including the development of innovative instruments or the access to new sources of funding, such as the use of Special Drawing Rights (SDR) to finance the Covid-19 recovery factoring in the Paris Agreement and SDG agenda.

During its launching phase in 2020-2021, the Finance in Common Coalition (FiCS) demonstrated PDB's countercyclical capacity linking public mandate and private sector investments, global and local priorities, short and long-term goals, and highlighted the commitments and activities of its thematic coalitions. **Thanks to its partnerships with multiple policy and financial actors, the FiCS coalition works as a platform to encourage all financial flows both public and private to align with the climate goals of the Paris Agreement and the SDGs** in order to build back better, smarter and greener.

The 2021 FiCS explored the specific issues of agriculture, agribusiness, and food security, as part of its contribution to tackling climate change and protecting biodiversity. The agriculture coalition provided substantive input to the United Nations Summit on Food Systems feeding the G20 Finance Ministers' Communiqué, in line with the Matera Declaration.

Finally, the 2021 **G20 Finance minister communiqué referenced the FiCS coalition asking for accountability and recognizing its work and relevance of its agenda** within discussion in place in the global financial architecture and governance.

III. Stakeholders/global agenda

For the third consecutive year, the 2022 edition of FiCS is an initiative of the World Federation of Development Finance Institutions (WFDFI) and the International Development Finance Club (IDFC) with the support of all the members of the FICS coalition, in particular the PDB networks, namely AADFI, ADFIAP, ALIDE, EAPB, EDFI, ELTI, ADFIMI and D20-LTIC.

The third edition of the Summit will be hosted for the first time by two major multilateral banks: the African Development Bank (AfDB) and the European Investment Bank (EIB). The EIB currently holds the chair of the Heads of MDBs Group.

The Summit will take place in the context of a critical year for climate and biodiversity with the organization of the three Conferences of Parties of the Rio Convention (UNFCCC COP27, UNCBD COP15 and UNCCD COP15). Most events of the year will take place in Africa, which is an encouragement to focus on certain Africa-related challenges and deliverables putting them in perspective with those faced by developing non-African countries.

Having the FiCS taking place back-to-back with the World Bank and IMF Annual Meetings will allow the Finance in Common Coalition to **convene PDBs from around the globe to continue contributing to the multilateral debate, including actions to be taken to shape the new international financial architecture**. At the same time, the G20 Leaders Summit in Bali and the COP27 Climate conference in Sharm El Sheikh will offer significant opportunities to highlight the accomplishments of the Finance in Common Coalition and the outcomes of the FICS 2022.

The 2022 event will gather the entire Finance in Common coalition, comprising 530+ Public Development Banks. As in previous years, other key stakeholders will play an active role in the preparatory work carried out throughout the year to convene an inclusive and effective summit: international and regional organizations, national and local governments, central banks, private sector corporates and financial firms, export credit agencies, philanthropies, civil society, think tanks and members of the academic community.

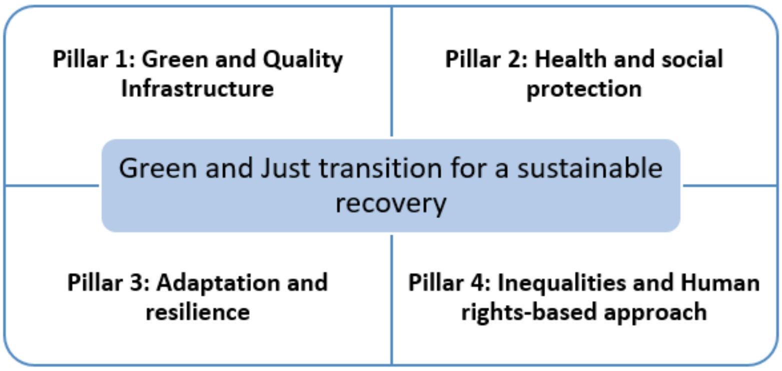
To ensure broad and effective engagement of all stakeholders, and in light of the logistical challenges related to the Covid-19 crisis, **the Summit will deploy a mix of in-person and digital sessions**.

IV. Themes/topics

The 2022 edition's theme will be "Green and Just Transition for a sustainable recovery". At COP26, multiple governments but also private actors and financial institutions announced their intention to reach carbon neutrality. Coordinated and collective approaches to a just, green and social transition are possible as demonstrated by the ambitious programme to support South Africa's new NDC and phasing out of coal, financed by multiple governments and their PDBs. **PDB's implication on long-term strategies** could be an interesting focus of renewed operational collaboration but also sharing of practices. The challenge of the **Green and Just Transition goes well beyond the energy agenda as it also encompasses climate adaptation and resorption of inequalities**. Climate change has multiple social and environmental consequences affecting fragile countries and the most vulnerable populations. At the same time, the pandemic showed that **greater resilience could be achieved through investments in strong social sectors and quality infrastructures**, which allow to efficiently face challenges, when crises arise. Taking into account those challenges is key in planning an efficient green and just transition to deliver food security and create the required enabling environment for youth and women empowerment. Addressing these issues would also be key in setting the ground for a fair, equitable post covid-19 recovery requiring a concerted strategic and financial approach to meet considerable needs. **Given its diversity, experience and collective strength and resources, the FiCS coalition is a perfect fit for this SDG oriented agenda.**

In addition, the war in Ukraine highlighted the urge to wisely direct investments toward green and just transition to set the base for a sustainable recovery through food security and access to energy. Because of its large dependence on Ukrainian and Russian wheat, oil and gas, the world is facing energy and food security challenges. The ongoing development of the crisis confirmed that, beside the Paris and SDG agenda, investing in quality infrastructure to green the energy mix while developing local expertise using technologies for agricultural transformation is vital to absorb unexpected crisis, ensure autonomy and building resilience.

FiCS 2022 will foster the debate around the below listed topics, in terms of the challenges that they represent for Paris Alignment and the UN 2030 SDGs. The objective is to steer debates on how to set up effective strategies, action plans and operations to finance the climate change agenda, while ensuring a global inclusive recovery and fast tracking the achievement of the most important SDGs goals. The Summit will also raise the major issue of supporting the development of local private sector and will focus on how to foster public-private collaboration and the mainstreaming of sustainability.



- **Pillar 1: Green and Quality Infrastructure**
  The Covid-19 crisis demonstrated how vital infrastructures are to absorb shocks as well as elaborating crisis response facilities. The crisis outbreak, responses and the deployment of vaccines is highlighting the importance of having well planned, smart and integrated investments in quality infrastructure. This theme will explore the importance of green and quality infrastructure in facilitating market access, urban development and regional integration. Thanks to the work of its "Resilient cities" thematic group, launched in 2022, the FiCS coalition aims to accelerate the financing of the just transition of cities and territories, as well as the financing of urban and territorial resilience to climate change. This involves enabling market access connection as well as regional integration.

- **Pillar 2: Health and social protection**:

Public Development Banks played a critical role in 2020 and 2021 in responding to the Covid-19 pandemic with significant investments and numerous new projects. These aimed at strengthening health systems, increasing patient screening and treatment capacity, strengthening epidemiological surveillance and alerting management systems and supporting medical research. These operations included projects, budget support programs to finance public health policies, bank credit lines to assist businesses weakened by the crisis as well as net cash transfer to compensate for loss of revenue. Northern economies injected billions to counteract the negative impact of lockdowns on employment and small businesses, outlining the importance of backing the most vulnerable to build sustainable and resilient societies able to absorb shocks. The crisis highlighted the lack of social protection in most developing countries limiting access to health and education for the poorest. The 2022 FiCS is an opportunity to deepen coordination of PDBs in the health sector and identify areas of improvement to increase their leverage and impact.

- Pillar 3 : Climate adaptation and resilience

As highlighted by the IPCC's Sixth Assessment Report, the detrimental impacts of climate change are observed across the world, but are more severe in developing countries, and especially in countries in Africa. Adapting to climate impacts and strengthening populations and ecosystems resilience are key priorities for many African countries as well as priority themes for the upcoming UN COP27 conference. While the Paris Agreement's global goal for adaptation recognized the need for greater adaptation ambition globally, adaptation progress is unevenly distributed. Adaptation finance – including by PDBs - has increased in recent years but remains far short of the need, especially in developing countries. PDBs collectively have a crucial role to play in bridging the financing gap and supporting investments that are resilient to weather variability and future climate change, perform well under a changing climate and contribute to protecting people, businesses, infrastructure and ecosystems from extreme weather events and slow onset climate hazards. The 2022 FICS provides PDBs a forum to strengthen their collective impact in delivering on these objectives. Clean oceans and a sustainable blue economy can build climate resilience, while providing critical resources for health, energy production and food security. Oceans provide not only billions of people with an income but also absorb about 30% of the planet's carbon dioxide. FICS 2022 will discuss to what extent PDBs can become more familiar with the blue economy and contribute ideas, technical innovation and financial solutions.

- Pillar 4: Human rights and inequalities

The respect and realization of human rights becomes both a means and a goal of sustainable development. Promoted by the UN from 2003, the Human Rights Based Approach (HRBA) has gradually been taken up by a growing number of development actors, including the European Union, which took a decisive step in 2021 by making the HRBA a legal requirement to be met in programs and projects funded by the NDICI instruments.

The realization of human rights is combined with the reduction of inequalities. Inequalities have a negative impact on development because they reduce well-being, slow down the pace of poverty reduction, lead to social and political instability and, in

the long term, are associated with lower economic growth. High levels of inequality can also reduce the effectiveness of development finance.
Development institutions have a special role and responsibility in ensuring that the projects financed do not violate human rights and contribute to reduce inequalities. The 2022 FiCS will be an opportunity for the PDBs to discuss the future agenda for a rights-based approach to development, which should incorporate the question of environmental rights and ecological issues. It will also provide an opportunity to discuss how gender equality and youth empowerment contributes to faster social cohesion, peace-building and, overall, more stable societies.

V. Objectives

- In relation to FICS contribution to the G20:
  - Take stock of the commitments made in the framework of the 2021 FiCS Summit and accordingly report to the G20 finance track. Push the challenge of strengthening/reorienting the PDBs' mandates in the G20 agenda. Engage further in the International Financial Architecture Working Group and the Sustainable Finance Working Group of G20.
  - Explore the possibility and means to use Special Drawing Rights (SDR) to finance the post covid-19 recovery and green growth agenda. The G20 communique of the IMFC (International Monetary and Financial Committee) chaired by the Minister of Finance of Sweden on October 14th, 2021 encouraged "exploring viable options for channeling SDRs through multilateral development banks".
  - Following the recommendations of the G20 high-level panel on investments in the health commons, develop a health system investment framework and develop regional investments agendas and roadmaps based on an analysis of investments needs to ensure health security, and preparedness to pandemics and climate related health risks.

- In preparation for the COP27:
  - Strengthen FiCS coordination with the COP 27 and other international fora of interest, especially related to biodiversity such as COP15 Biodiversity and COP15 Desertification. Holding 2022 FiCS in Côte d'Ivoire with the COP27 hosted by Egypt a couple of weeks later offers a unique opportunity to take into account PDBs strategic contribution and concrete solutions on climate related topics, especially on the social and economic dimension of climate finance, adaptation, alignment with the Paris Agreement, renewable energy, and the role of ocean and Nature based solutions for low carbon and resilient development.
  - Accelerate mobilization of green financing: reflect the on-going and effective cooperation between PDBs and key private finance actors, to drive a low carbon, climate resilient, environmentally sustainable and socially inclusive transition. In 2022, the FiCS coalition has given additional momentum to an expected rapprochement between international coalitions of private actors and FiCS. Indeed, with the substantial support of UNEP-FI, FiCS 530+ public development banks have the ambition to develop a closer cooperation with the Glasgow Financial Alliance for Net Zero (GFANZ) 450+ financial institutions (commercial banks, insurers, investors), in order to jointly develop and implement credible plans for the transition towards a net zero world.

- Promote the greening of the financial system on the regulatory side and provide an overview of the work undertaken with central banks and regulators. These actors have been involved from FiCS inception and have actively contributed to the debate on PDBs external environment, mandates and resources. After having welcomed the Alliance for Financial Inclusion (AFI) in 2021, the FiCS coalition is ambitioning to draw close linkages with the Network for Greening the Financial System (NGFS).

- Structure the dialogue and demonstrate greater level of cooperation between PDBs and Civil Society Organizations (CSOs), in order to go beyond the existing good communications between PDBs and CSOs under the FiCS umbrella. To make space for a strategic and operational dialogue, a new FiCS group of PDBs and CSOs is working on a range of issues relevant for both sides, in particular on biodiversity, Human Rights and development finance.

- Share regional experiences of MDBs in their interactions with NDBs, including through research papers and the sharing of good practices (for instance with AfDB, EIB, IaDB, CAF, AsDB)

VI. Expected deliverables

The third edition of the FiCS aims to deliver on the possible following outcomes, among others:

- ⇨ Specific commitments, actions, deliverables and operations related to the 4 thematic pillars.
- ⇨ Deliverables on FICS progress (annual report, additional commitments, governance, progress on PDBs database).
- ⇨ A possible joint-declaration regarding channeling SDR through MDBs in order to improve PDBs capacity to address the green and just transition agenda for sustainable recovery.
- ⇨ Production of new research papers and studies written by economists and think-tank experts from the FiCS academic community. These papers will be sponsored and/or labeled by the FiCS coalition (knowledge pillar teams) and shared during the Summit.
- ⇨ Launch of the African Subnational Development Banks (SDBs) Alliance, a platform for knowledge-sharing and technical assistance. SDBs are national or federal/infranational public banks with a mandate to finance local governments and sub-national actors. Thanks to their knowledge of local contexts and their capacity to lend in local currency, SDBs, as "last mile experts", can play a key role in bridging the market gap in sub-national financing.

VII. Program highlights

Various high-level sessions will help deepen the dialogue between the PDBs coalition and other stakeholders, notably Central Banks, private investors and CSOs– taking stock of the various ongoing initiatives in the field of blended finance and sustainable investment.

In order to strengthen the echo between research and policy dialogue, the knowledge team of the FICS 2022 will organize research sessions in advance. The main results and recommendations will be disseminated throughout the two-day Summit.