

Key findings

Public Financial Institutions' Climate Commitments

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While public financial institutions are critical for driving climate finance, they've received little attention from the research community, stakeholders, and civil society compared to the private sector. Based on CPI's evaluation of commitments, climate finance goals, and institutional strategies of the 70 largest public finance institutions, much needs to be done to increase ambition across nearly all public financial institutions in line with the goals of the Paris Agreement.



Objectives and research questions

Significant knowledge gaps exist when it comes to the commitments and strategies of public finance institutions on climate, particularly for institutions beyond the MDBs. As shown in CPI's previous work tracking private financial institution commitments, understanding the current state of financial institutions climate commitments is crucial to measuring climate progress. Many public financial institutions have made climate statements in recent years, but it is difficult to distinguish what current leading practices are, who is making meaningful commitments, which announcements are ultimately effective for climate action, and 'how it all adds up' for 'real economy' impact.



Methods

To help close this information gap, CPI developed a taxonomy for tracking finance-related climate-commitments and strategies covering:

- Paris alignment, net-zero, and carbon neutral targets,
- Climate finance and sustainability goals,
- Exclusion and divestment policies, and
- Institutional climate strategies and related implementation actions.

CPI then created an automated data scraping and processing pipeline and utilized advanced data extraction and natural language processing tools to collect primary and secondary data for the 70 largest public financial institutions – national and subnational development banks, development finance institutions, export credit agencies, mortgage securitization and public housing agencies, and policy banks – and categorized the data according to the taxonomy.



Results

Our findings show that, while headway is being made in some public financial institutions, much needs to be done to increase ambition across nearly all public financial institutions in line with the goals of the Paris Agreement. Overall, just 20 tracked public financial institutions, holding 25% of tracked assets, have set net zero or Paris alignment targets. Outside of the MDBs, very few institutions are making commitments to align their operations and future investments to the goals of the Paris agreement.

On institutional strategy, less than half of the tracked institutions had announced climate and sustainability goals, and those that existed lacked sectoral or geographic specificity. Additionally, only six of the 70 institutions have climate finance goals that explicitly mention adaptation.

Our analysis identified insufficient accountability measures and lack of guidance from global coalitions and governments as key barriers to credible climate commitments by public financial institutions.



Recommendations

- For public finance institutions: set climate targets in line with the necessary actions outlined in CPI's [Framework for Sustainable Finance Integrity](#), with a particular focus on improving near-term, measurable actions. This includes committing to a timeline and strategic approach for Paris alignment.
- For global financial coalitions: Create a coalition to coordinate existing alliances and networks in the public sector, working to define and recognize ambitious public finance commitments, as well as provide benchmarks, guidance, and foster knowledge-sharing and capacity building across public finance entities.
- For governments: Actively engage with public financial institutions as shareholders to support the centering of climate action, implementation of the recommendations for public finance institutions above, and increased resources for climate action.

This one-pager is produced to disseminate research for the Finance in Common Summit 2022 and remain the responsibility of their authors.



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