"Leveraging Public Development Banks for resilient communities: towards social justice and just climate transitions"

Key Takeaways

30 March 2023

Context

The Finance in Common' Coalition for Social Investment, co-led by the Council of Europe Development Bank (CEB) and the French Development Agency (AFD) held a conversation between Gilbert Houngbo, Director General of the International Labour Organization (ILO) and representatives of Public Development Banks and civil society organizations, to discuss the policies and investments needed to support social justice and just climate transitions.

The event gathered around 220 people representing more than 60 institutions (see below draft list of attendance), both in person and remotely. It served to showcase the critical role of PDBs, which are already financing projects globally (to support adaptive social protection, decent jobs, skills, urban development or energy transition e.g.), and which could do even more to accelerate the "just" components of these transitions, to benefit both people and the planet.

Main Messages

- Multiple crises show the need for more coordinated action and greater investments to reinforce the social and just components of sustainable development, in particular education, decent jobs, social protection, and formalization of employment and enterprises. Public development banks have a key role to play, and an enabling environment is needed to stimulate investments that advance social justice (ILO)
- Climate change is not just an environmental problem, but a social crisis as well. Development banks should address the nexus of climate and social impacts through project implementation, starting at the project's inception phase (CEB)
- The climate transition will be just, or it will not happen. One of the biggest challenges is the mismatch between the mobilized resources and the sustainability objectives. The OECD standards can help implement the right policies in terms of social protection, labour market and other dimensions (OECD)
- We need to reconcile long term vision with visible, tangible action, and act quickly. Public Development Banks can be an extraordinary lever to facilitate just transitions through social investments (French representative to the ILO)
- Just transition is a political matter. AFD and Public Development Banks are supplying modelling tools, mobilizing expertise and facilitate the leadership of civil society to strengthen their projects and financing (AFD)
- We need the right skills and the support of the private sector, to contribute to a green and socially just transition (Federation of Kenya Employers)
- Trade Unions are working to give working people a voice. They are willing to work with Public Development Banks, from the inception, to make sure that investments leave no one behind (ITUC)

- BNDES (Brazil) shared its experience to support bioeconomy chains in the Amazon, considering the need to bring development to local communities, with the maintenance of the forest standing.
- Bancoldex (Colombia) presented two programs (i) to fund adaptation measures for small producers located in post-conflict territories, financing 3,000 producers under a microfinance mechanism, who have protected their sources of income through the adaptation of climate change and (ii) to finance green businesses in territories that have traditionally had a mining vocation near the Santurbán wasteland, to develop new productive activities around water conservation, as is the case with ecotourism.

Assessment from a thematic point of view:

- Social investments are profitable investments, including for private investors, and represent returns on investment on a triple level:
    - The emancipation of citizens;
    - The sustainability of companies;
    - The future prosperity of countries.
- Successful transitions should consider the interlinkages between social, economic, environmental, and security aspects.
- The social and environmental aspects of major transitions are intrinsically linked. This impact can be direct or indirect, on workers, communities, and countries that are transitioning; and concern income, wealth, employment, or housing security.
- Social justice is an integral part of successful transitions. Disadvantaged groups are more vulnerable due to a lack of access to adaptation technologies and resources. According to a new ILO report, 2 billion people work informally and are present mainly in developing countries. Finding solutions on how to formalize these sectors and provide them access to financial capital is crucial.
- From a mobilization point of view, determining investment priorities and engaging civil society and employers/workers in the planning phase is crucial since it leads to more coherent and resilient strategies and more enforceable standards. Coalitions, such as Finance in Common and the International Development Finance Club, are important platforms to steer partnerships and help enrich PDBs' business models and impact.

Way forward:

- PDBs should further collaboration with private sector actors, and encourage them to adopt a different approach towards risk assessment, taking into account climate and social risks. They should also move away from conventional large-scale investments, and instead adopt a new approach centered around smaller proof-of-concept investments. This shift necessitates a change in strategy, including an increase in grant funding and the provision of guarantees.
- Governments and development finance institutions must pay closer attention to adaptive social protection systems, training, and decent work to prepare for the transition and support the most vulnerable.
- Importance of country contexts and community dialogue, notably on needed skills to transition, reskilling workers affected by energy transitions, and active labor market policies, to mitigate regional disparities. Any transition should include social investments.
- PDBs stand ready to scale up their activities on just transitions, and contribute to upcoming major events such as the Paris Summit for a New Financial Pact on 22-23 June, and the 2023 Finance in Common summit in Cartagena on 4-6 September 2023.

Draft List of Participants (in person and remotely)

International Labour Organization (ILO)	Council of Europe Development Bank (CEB)
Federation of Kenyan Employers	Agence Française de Développement (AFD)
International Trade Union Confederation (ITUC)	OECD
French Government representative to the ILO	UNDP
World Federation of Development Financing Institutions	Development and Investment Bank of Turkey (TKYB)
European Investment Bank (EIB)	World Health Organization (WHO)
Foreign, Commonwealth & Development Office, UK government	CSI-Afrique
European Commission, DG INTPA	Max Havelaar France
UNICEF	Force Ouvrière
New Development Bank	Bureau de l'OIT pour la France
African Association of DFIs	The World Bank Group
International Development Impact Investing Institute	Turkiye Sinai Kalkinma Bankasi (TSKB)
Germany, GiZ	Proparco
Global Fund for Cities Development	ALIDE
Global Steering Group on Impact Investing	Expertise France
Confédération générale du travail	OECD Trade Union Advisory Committee (TUAC)
South Pole	Ministry of Labour, DAEI, France
Initiative for Compliance and Sustainability	MEDEF
VŠB - Technical university of Ostrava	Paris Peace Forum
BANCOLDEX (Banco de Comercio Exterior de Colombia)	Development Bank of Southern Africa (DBSA)
IDFC	European External Action Service
COFIDE (Corporación Financiera de Desarrollo)	BDP (Banco de Desarrollo Productivo)
Banco de Crédito de Comercio	Fira (Fideicomisos Instituidos en Relación con la Agriculturan)
BNDES (Banco Nacional de Desenvolvimento Econômico e Social)	Banco Nacional de Costa Rica
Christian Aid	Institute Open Diplomacy
BICE (Banco de Inversión y Comercio Exterior)	Banco do Nordeste do Brasil
FOD Financiën	Industrial Development Corporation of South Africa Limited (IDC)
Università di Bologna	Oil Change International
Ministry of the Economy and Finance, France	Kenyatta University
Gulf African Bank	Expedia Group
Ministry of Foreign Affairs, France	Banco Portuges de Fomento