



Finance
in Common

FICS REPORT

2023

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I. FOREWORD

Rémy Rioux
Chairman,
Finance in Common



As we enter the second half of the journey towards the 2030 Agenda, the world faces a confluence of crises, from rising inflation and environmental and climate distress, to social conflicts and geopolitical instability. So we must speed up progress on mutually reinforcing global commitments like the Sustainable Development Goals (SDGs), the Paris Agreement and the Global Biodiversity Framework.

In 2023, thanks to the willingness of Public Development Banks (PDBs), Finance in Common (FiCS) supports cooperation and collaboration among strategic players of the financial and political landscape. It brings together the ‘next generation of change makers’, driving investments and lasting impact on biodiversity & climate solutions, just transitions and SDG implementation. By working together, PDBs, whether they are multilateral, international, regional, national or sub-national, can contribute to a much more cohesive international financial architecture.

FiCS role is to help unleash PDBs’ potential to make sustainability the new norm of finance, from origination to deployment, from the first mile to the last.

It operates as a dialogue platform steeped in a spirit of cooperation and partnership, as a knowledge-generating hub, and as a broker of alliances between financial and non-financial players. In addition to its annual summit, FiCS works all year long to develop a marketplace of projects and co-financing opportunities. It acts as a platform to review policy positions and global agendas, present a united voice by and for the PDB community, and issue joint calls to action to feed into other global platforms.

A lot has been achieved since the movement was launched in 2020. As an actively engaged practitioners’ community, FiCS participates in key global fora, demonstrating the potential to use PDBs as change-makers. Our movement has now reached

a new level of cohesion with the affiliation of all Multilateral Development Banks (MDBs), and the trust that political leaders have placed in us. This entails strategic duties that involve the harmonization of taxonomies and methodologies to align with the SDGs, enhancing our members’ project preparation capabilities, developing new research to better equip PDBs and expanding innovative tools. Our dozen thematic coalitions serve as specialized knowledge hubs where practitioners and researchers come together to discuss and develop innovative solutions. Likewise, the creation of the new Sustainable Blue Finance Coalition and the Coalition for Sustainable Development through Culture and Arts, or the Declaration on the role of Sports and Cultural Industries for sustainable development demonstrate a strong interest in collaborative engagements.

In 2023, the annual summit took place in Cartagena, Colombia, for the first time in Latin America and the Caribbean. It recorded exceptional attendance levels and delivered a robust roadmap to 2024, echoing the strategic challenges we must tackle to mobilize and transform the financial sector as a whole toward greater sustainability. This could help provide relief facing debt crises, and start to build a system that will help avoid crises in the future. If properly mandated and incentivized, such a system can also mobilize private finance and all their stakeholders to help reorient the financial system towards the SDGs.

Going forward, FiCS will work on developing new initiatives, to which all relevant contributions are welcome, such as expanding our SDG alignment efforts; Technical Assistance for sustainable finance; or a Financial Innovation Lab as stated in the Final Communiqué.

You can count on FiCS to steer profound transformations of our societies and economies, and to form a comprehensive and seamless global architecture for sustainable investment.



II. EXECUTIVE SUMMARY

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Finance in Common: state of play & main achievements in 2023

- FiCS is **the global movement for all PDBs** – around 530 PDBs from about 154 economies – which **manage approximately \$23 trillion in assets and \$2.5 trillion in annual investments**, more than 10% of total public and private investment flows. It gathers regional associations of PDBs from the World Federation of Development Finance Institutions (WFDI), members of the International Development Finance Club (IDFC) and **all MDBs, as well as key stakeholders from civil society organizations (CSOs), philanthropies, regulators, the private sector, think tanks and international organizations**.
- FiCS operates through a **dozen thematic coalitions and two regional alliances**, which **serve as the engine for cross-cutting knowledge production and discussions throughout the year**. In 2023, existing coalitions were further strengthened, welcoming new members, deepening their research agendas, and promoting peer-to-peer and multi-stakeholder discussions.
- The yearly Finance in Common Summit became **part of the international financial architecture agenda**, coupled with the FiCS Secretariat's year-round strategic involvement in key global fora. As a result, FiCS and its members are becoming **partners of choice to implement the 2030 Agenda and its SDGs, the Paris Agreement and the Montreal/Kunming Biodiversity Framework**, facilitating the emergence of a global framework for sustainable investment.
- The fourth edition of the Finance in Common Summit took place **from 4 to 6 September** in Cartagena de Indias, Colombia, for the first time in Latin America and the Caribbean (LAC), bringing together more than **1100 delegates in person and 1500 online**, representing close to 70 countries, around 110 PDBs and a variety of key stakeholders.
- The resulting **roadmap** of this year's edition, which focused on how to **build new alliances for the future of development finance**, sets out a plan for achieving systemic changes across strategic pillars **in 2024 and beyond**.

Aligning with the 2030 Agenda, Paris Agreement, and the Biodiversity Framework

- PDBs are already **delivering transformational investments that capture the interconnected and transversal nature of global climate, biodiversity and sustainable development agendas**. FiCS works to help them better fulfil this role through research, dialogue and peer-learning, so that banks can deeply reshape investment practices and further **align their financing and operations with the 2030 Agenda and the Paris Agreement**. According to an IDFC position paper this needs to happen both strategically by revisiting their strategies, mandates, human resources and external and internal incentives, as well as operationally by revisiting their approach to projects, processes, and products. And if PDBs were asked to mobilize 20% of their funding to climate finance, similarly to IDFC members on average, they could mobilize up to \$500 billion per year, and much more through the private sector.
- PDBs are already mobilizing at-scale climate finance for adaptation, biodiversity, and nature conservation. IDFC members alone reported a record high of \$288 billion in total green finance commitments in 2022, a 29% increase from 2021, of which \$32 billion were allocated for adaptation finance, an increase of 50%. PDBs are also **incorporating nature-based solutions in their portfolios, identifying biodiversity-related risks and opportunities and assessing vulnerability** to uplift the social wellbeing of communities and promote economic growth.
- PDBs can play a **key role in increasing social investment and economic opportunities for smaller businesses, women, or vulnerable populations that are traditionally excluded from the formal financial system**. They need to **originate more quality bankable projects tailored to the needs of local markets, corporate finance and end-beneficiaries**. The Gender Coalition presented a study covering more than 50 PDBs worldwide to review best practices on gender financing and support to women's entrepreneurship, and the first IDFC Gender Finance Mapping reported that volunteer members committed close to 10 billion euros to reach SDG 5 on Gender Equality in 2021.



Financial tools & innovative solutions for PDBs

- PDBs are **exploring innovative strategies to leverage their balance sheets, take on more risks and share them better** –using securitization, loan syndication, sustainability-linked bonds, and sovereign guarantees-, while also helping develop enabling environments and market infrastructure to facilitate the flow of private capital.
- Guarantees –often underutilized by PDBs– have proven to be powerful instruments to facilitate the financial closing of large infrastructure projects and to support SMEs. **Moving from project-by-project financing to portfolio financing can be a good option to aggregate individual projects** and make them more attractive to large institutional investors.
- **Delivering debt market innovations** is also a key priority for FiCS members. PDBs are structuring debt conversions –including **debt-for-nature or climate swap** mechanisms–, and introducing **climate-resilient-debt clauses in contracts** to support their governments/clients in the event of climate disasters or using novel tools to **assess the risk profile of their loan portfolios**. Factoring in climate change and ecosystems' degradation risks and impacts in strategies, financial analysis and operations will yield strong portfolio outcomes for PDBs.
- **Currency mismatch is a significant barrier** to scaling cross-border capital flows from developed countries to low and middle-income countries. FiCS and its members are considering options to better **cover foreign exchange risk in order to facilitate private investment**, building on the experience of the Currency Exchange Fund (TCX) and other existing models.
- FiCS and its members foster capacity building, knowledge sharing and technical assistance (TA) to **better equip PDBs in delivering on their objectives**. FiCS will continue to enhance TA for driving transformation, facilitating effective implementation of innovative financial solutions, and ensuring adherence to international standards.

Mobilize and join forces with all other willing stakeholders

- FiCS **brokers alliances** between PDBs and their stakeholders. It helps **create a more seamless financial architecture, to jointly deliver streamlined financing** in support of the Paris Agreement, biodiversity protection and fulfilment of the SDGs.
- It **strengthens its ties with other coalitions of financial actors**, including the Berne Union, the One Planet Sovereign Wealth Funds, and the Glasgow Financial Alliance for Net Zero (GFANZ), with whom a Joint Declaration¹ was signed at the Summit for a New Global Financing Pact.
- FiCS recalls the importance of **converging towards common methodologies and taxonomies**, working together with rating agencies and standard setters to improve the integration of ESG considerations in their methodologies.
- The 2023 Finance in Common Summit illustrates how a **'science-policy-society'** interface can be effectively steered to offer concrete ways forward. **A Knowledge Pillar was set up to** ensure policy coherence, and provide expertise to practitioners. It presented an updated database and a memo of policy recommendations for decision-makers, building on a bibliography of 140 academic papers or reports constituted since 2020.
- **PDBs and philanthropies** could work more closely together to leverage their comparative advantages and support sustainable local funding, according to a new White Paper.
- **Technical assistance benchmark study for PDBs** to be launched during Brazil's 2024 G20.

THE CARTAGENA WORK PROGRAM

1 To target key sectors, FiCS will advance financial tools and innovative solutions for PDBs

- Create a **Financial Innovation Lab** to incubate innovations such as the expansion of contingent debt clauses linked to disasters, parametric contingent financing, local currency risks, as well as credit lines and innovative risk transfer solutions for vulnerable communities.

2 To contribute to a new global framework, FiCS will help align public and private finance with the SDGs

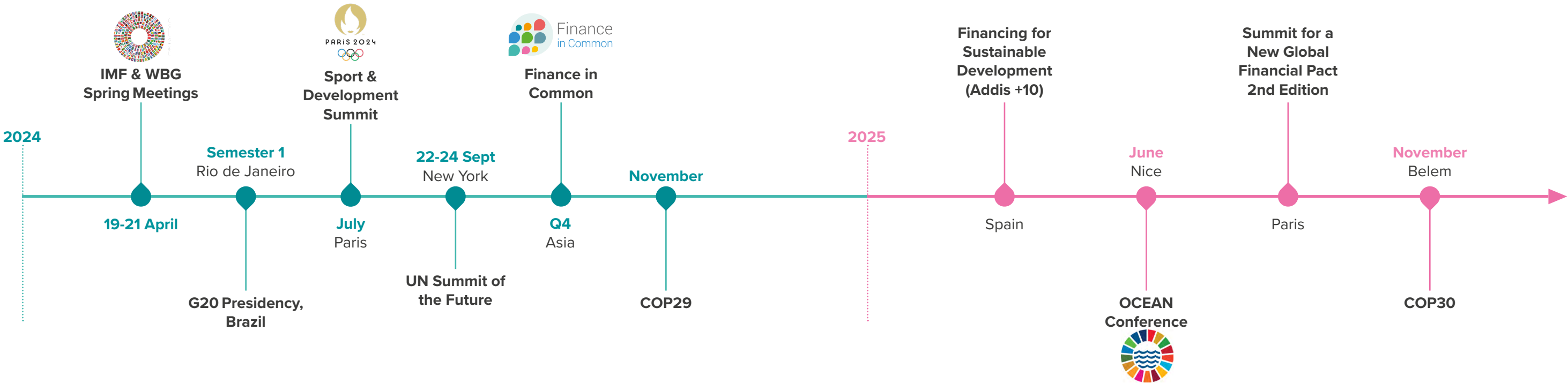
- Expand **SDG alignment work**, to further define and mainstream sustainable development investment principles, approve common methodologies for SDG-compatible investments, enhance monitoring and evaluation mechanisms.

3 To improve PDBs' practices, FiCS will further technical assistance and project preparation

- **Technical assistance benchmark study for PDBs** to be launched during Brazil's G20 presidency (2024), feeding in the G20 Sustainable Finance Technical Assistance Action Plan (**TAAP**).
- Peer-to-peer exchanges and technical workshops to strengthen PDBs' capacity and project preparation skills.

4 To overcome collective challenges, FiCS will advance the voice of PDBs at multilateral level

- Enhance **participation and influence at key international events**, bringing a unified and stronger voice from the PDB's community.
- Support the upcoming **UN Addis + 10** Conference in 2025.
- **Develop new knowledge** on PDBs and for PDBs, and enhance dialogue between the researchers and practitioners.





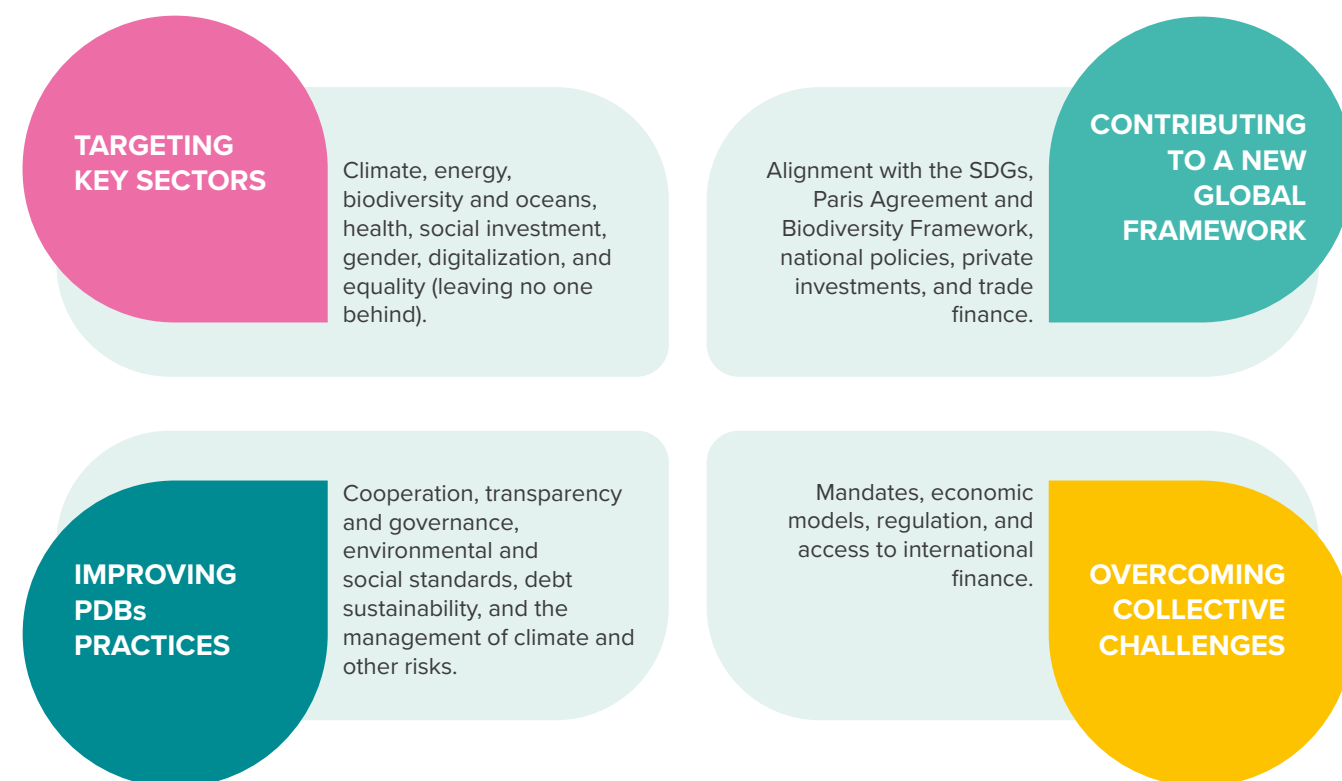
III. THE FINANCE IN COMMON MOVEMENT

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In 2020, Finance in Common established itself as a pioneer, launching an unprecedented movement, with all public development banks signing a [Joint Declaration](#) at the first FiCS Summit that year. It has gathered all Multilateral Development Banks (MDBs)² regional associations of PDBs from the World Federation of Development Finance Institutions (WFDI) and the members of the International Development Finance Club (IDFC), as well as key stakeholders from civil society organizations (CSOs), think tanks and international organizations.

As a group, FiCS members manage approximately \$23 trillion in assets (about \$2.5 trillion in total annual investments) and their investments represent nearly 10% of global investment flows.

Figure 1: 2020 Joint Declaration Pillars



FiCS leads strategic initiatives to help reorient the financial system towards sustainability, positioning PDBs as partners of choice. Actions driven by FiCS members aim to accelerate the energy transition in a just manner, boost climate finance including by focusing on adaptation and resilience, protect lives and livelihoods, and ensure that public resources reach the most vulnerable.

FiCS' distinctive feature has become its ability to be a proxy of global cooperation among the entire PDB community, as well as its capacity to steer collective leadership across the wider financial ecosystem.

The FiCS Secretariat closely monitors progress towards implementing the different pillars of the declaration on an annual basis.

² At the [Special Event hosted during the Summit for a New Global Financing Pact](#), the Asian Development Bank (ADB), Asian Infrastructure Investment Bank (AIIB), Inter-American Development Bank (IDB), New Development Bank (NDB) and the World Bank Group signed up to the FiCS 2020 initial Joint Declaration.

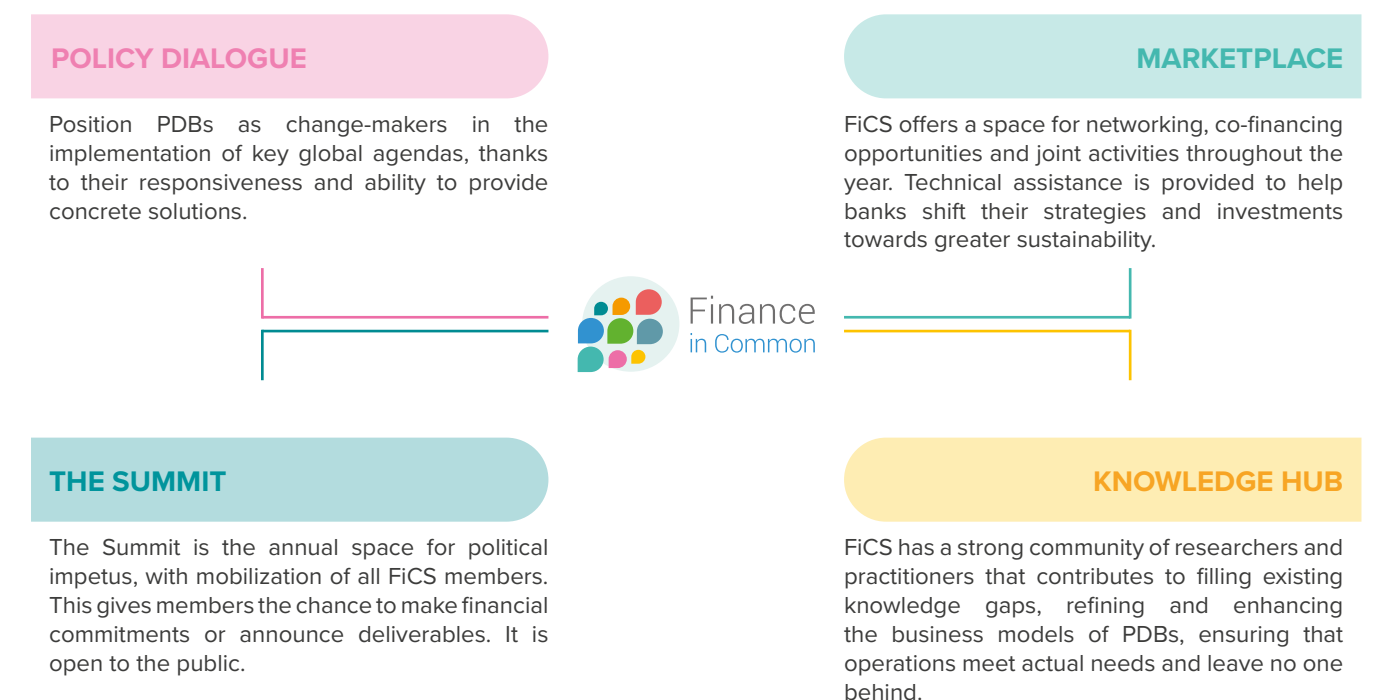


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A. FINANCE IN COMMON COMPASS

After three years of cooperation, FiCS has developed a wide range of work streams, relying on four cardinal points. It operates **as a dialogue platform steeped in a spirit of cooperation and partnership, as a knowledge-generating hub and as a broker of alliances between financial and non-financial players, striving to provide and catalyze sustainable finance, both locally and at a global scale.**

Figure 2: FiCS' Compass





B. MAIN OUTCOMES FROM THEMATIC COALITIONS

FiCS' thematic coalitions and alliances are crafting collective solutions and ways forward to ensure tangible and operational impact from PDBs on key themes. FiCS has now a dozen thematic coalitions, including new coalitions on oceans and blue economy and development through art which were created at the Cartagena Summit. FiCS also entails two alliances of Subnational Development Banks (SDBs). All these work on diverse topics, such as gender equality, access to clean water, food security, and many more. These coalitions foster **peer-to-peer exchanges and knowledge sharing** not only among participating financial institutions, but also with international organisations, regional associations, academics and think tanks.



Throughout 2023, FiCS Coalitions achieved significant progress across various critical areas. They have ambitious plans to continue their work in 2024:

On social issues

The Coalition for Social Investment made significant strides in 2023, facilitating discussions on PDBs' role to strengthen resilience, social justice, and climate transitions, including during an in person pre-Summit on "Leveraging Public Development Banks for resilient communities: towards social justice and just climate transitions". It organized webinars on "The role of education, skills and training in making the ecological transition socially just", as well as a discussion together with ALIDE on "Social Investment in Latin America and the Caribbean (LAC)". It also delved into health and social protection, particularly in the context of climate-related challenges, hosting a get-together in person seminar between AFD and ILO teams, and facilitating a secondment opportunity to develop social metrics. Notably, these efforts sought to quantify PDBs' contributions to social investment, promote alignment with the Sustainable Development Goals (SDGs), and pave the way for future investment agendas.

The Gender Equality and Women's Empowerment in Development Banks Coalition co-chaired by UN Women and the IDB, advanced efforts on gender disparities by mapping trends in programs supporting women's financial inclusion and women-owned businesses. The Coalition is set to embark on a transformative agenda in 2024, with a primary focus will be on financing the care economy to alleviate gender inequalities and boost women's participation in the workforce. The Coalition aims to deepen the understanding of gender equality in climate negotiations and ensure that PDBs' green investments integrate gender equality objectives.

The Sustainable Development through Sport coalition launched a roadmap to leverage sport as an innovative tool for development. Its members also employed innovative financing tools and forged partnerships to sustain the impact of their investments. In 2024, their objectives include participating in the Olympic Summit on Sport & Sustainable Development, and launching a feasibility study for a sport-for-development pilot project using the Social Outcome Contracting Model. These initiatives aim to harness the power of sport for development and promote sustainability and social impact.



For the planet

The Adaptation and Resilience Investors Collaborative (ARIC) has appointed UNEP FI to host the Secretariat, establishing a dedicated body to address challenges in scaling up private finance for climate adaptation and resilience. Notable achievements encompassed the development of guidelines for assessing physical climate risks, with a specific focus on the agriculture and food systems sector. Furthermore, work was undertaken to create a consistent methodology for measuring the positive impact of investments on climate adaptation and resilience. In 2024, ARIC plans to expand its network, establish strategic partnerships, and attract new members to strengthen its climate adaptation and resilience initiatives.

The Water Finance Coalition made substantial progress by publishing an additional collective declaration containing a comprehensive strategy and action plan for 2023-2025 and actively engaging new PDBs. In 2024, the Coalition is poised to create a stable and growing organization, focusing on raising awareness about PDBs' pivotal role in water security financing, fostering peer learning, attracting financing for water security, and ensuring the Coalition's stability and growth, with initiatives such as an events calendar and knowledge database. A water toolkit was launched, to inform PDBs on the benefits of financing water for climate, and offer small-scale technical assistance to a selection of banks.

Throughout 2023 the Financial Institutions Group on Aligning Financial Chains with the Paris Agreement conducted peer-to-peer workshops on aligning financial counterparts and institutions with the Paris Agreement's goals, emphasizing methodological and implementation topics. In 2024, the Coalition is poised to take stock of recent developments and discuss perspectives regarding the operationalization of the alignment of financial counterparts and entire financial chains, aiming to foster this new frontier of ambition. Its work will encompass further assessment of alignment methodologies, reinforcement of coherence between existing approaches, and exploring regulatory incentives for the alignment of financial chains.

The Agriculture Coalition (PDB Platform for Green & Inclusive Food Systems): witnessed impressive growth in 2023, with over 130 PDBs from various regions joining forces. This collaborative platform facilitated the sharing of experiences through dedicated working groups and conducted studies to promote sustainable agriculture. In 2024, the focus will be to work in 4-5 African, Caribbean and Pacific (ACP) countries, through national-level services and capacity building to PDBs to support green and inclusive financial tools, strategies, climate finance, and improved impact measurement. The development of synergies with other Coalitions in the food system and expansion of membership is also planned with the objective of having operational tools available by the end of the year.

The Forum on Foresight for Sustainable Finance organized peer-to-peer and multi-stakeholder workshops throughout 2023 to help mainstream forward-looking and anticipation approaches and capacities in sustainable development finance. As requested by FICS 2022, the Forum also organized a first series of creative foresight workshops to explore different futures for sustainable finance. Advocacy efforts will continue in 2024, encouraging PDBs to be more future-aware and integrate uncertainty, in the complex contexts of sustainability issues. The Forum will also expand the work initiated on the futures of sustainable finance so as to collaboratively think about possible future roles, architectures and activities of sustainable finance in a world in transformation.

The Coalition for Resilient Cities and Regions has now formalized its governance structure, approved an action plan, and conducted workshops under the aegis of COP27 and FICS 2023, focusing on sustainable infrastructure projects and subnational climate financing. The Global Fund for Cities Development (FMDV), as the technical secretariat, initiated the mapping of tools and services provided by coalition members in the field of financing sustainable and resilient urban transition and development. In 2024, the Coalition will host a workshop on "Accelerating public and private investments in sustainable and resilient urban infrastructure," continue its work and publication of mapping funds, tools, and mechanisms, and actively participate in international events to advocate for the solutions provided by PDBs to finance resilient urban development at the subnational level. The two Alliances of Latin American SDBs & African SDBs focused on advancing sustainable, equitable, and resilient urban development, spanning mechanisms for financing, alignment with global agendas, and bridging climate transitions. They organized peer-to-peer workshops, expanded their memberships, and disseminated insightful publications aimed at enhancing comprehension of alignment strategies and climate transition financing. In 2024, the Alliances will define comprehensive work plans and roadmaps to guide their initiatives.





C. PDB'S CONTRIBUTION TO REFORMING THE INTERNATIONAL FINANCIAL ARCHITECTURE

The yearly FiCS Summit has become an integral part of the annual international events calendar. It brings together a diverse group of stakeholders, making it an ideal platform to:

1. Review PDBs' policy positions and contribution to global agendas
2. Present a united voice from the PDB community
3. Issue joint calls to action to feed into other global platforms

Involvement of the FiCS movement in the international agenda

Finance in Common actively participates throughout the year in global climate and sustainable development events, effectively representing the voice of PDBs, notably calling to:

- **From a financial perspective**, if PDBs were properly mandated and incentivized, they could mobilize private finance and all their stakeholders to contribute to reorient the financial system towards the SDGs
- **From an operational perspective**, NDBs are the missing link between MDBs and other regional/sub-national development banks. By working as a system, they can build on each other's strengths and originate way more quality projects tailored to the needs of local markets, up to local communities and beneficiaries
- **From an institutional perspective**, some level of coordination, to provide incentive to the community of all PDBs, is necessary. FiCS can provide this much-needed inclusive and cooperative space

In addition to Abidjan in 2022 and Cartagena in 2023, FiCS, via its members, participated in the following fora:

- **The Summit for a New Global Financing Pact in Paris**
- **The EU-LAC Summit in Brussels**
- **The Amazon Summit in Belem**
- **The BRICS Summit in Johannesburg**
- **The G20 Leaders' Summit in Delhi**
- **The UN SDG Summit in New York**
- **IMF-WB Annual Meetings in Marrakech**
- **COP 28 in Dubai**

From Nairobi to Cartagena. Participants of FiCS 2023 welcomed the Africa Climate Summit, hosted in Nairobi by H.E. President Ruto, which focused on Africa's pivotal role in confronting the climate crisis, whereas the FiCS Summit hosted in Cartagena under the auspices of H.E. President Petro demonstrated the operational role and added value of PDBs. These summits, taking place in parallel, complemented each other by demonstrating that Africa's and Latin America and the Caribbean's challenges are not confined within their borders, just as the effects of financial decisions reverberate across continents.

G20 SUMMIT - BRAZILIAN G20 PRESIDENCY: A SOLUTIONS-BASED PRESIDENCY

What has been asked of PDBs in New Delhi

At the Summit in New Delhi, India, a joint agreement calling for "better, bigger and more effective" MDBs was endorsed by G20 Leaders.

G20 members believe stronger, more proactive and responsive MDBs could help developing countries advance faster towards the SDGs and Paris Climate Agreement targets. They commissioned expert panels to review the capital adequacy frameworks of these institutions (2022)³. More recently, under the auspices of the India G20 Presidency, Finance Ministers tasked an Independent

Expert Group (IEG) with the creation of a roadmap for an updated MDB ecosystem for the 21st century. The resulting report recommends, among other things, a triple mandate to harness the potential of MDBs to (help) eliminate extreme poverty, boost shared prosperity, and contribute to global public goods. It also identifies ways in which MDBs can coordinate their activities with each other and with all public development banks, and calls for a strengthened presence of MDB heads within FiCS, to build partnerships and continue to scale up impact.



FiCS' contribution

From the views of PDBs gathered within FiCS, three levers could be further activated by G20 Members, to unleash their full potential and **work as a system**:

- From a financial perspective, **FiCS supports the extension of the recommendations from the G20 Capital Adequacy Framework (CAF) report to all PDBs**, to mobilize the capital base of PDBs currently under-leveraged. By calling all PDBs to work as a system, recognizing and embarking National Development Banks (NDBs), FiCS can help avoid fragmentation and broaden financial sector transformations. Currently, MDBs account for roughly 10% of the total financial weight of FiCS, presenting significant opportunities for soliciting contributions from non-MDB sources going forward.
- From an operational perspective, **FiCS can identify, scale up and suggest innovative modalities of collaboration between MDBs and NDBs**, as well as other regional/sub-national development banks to complement MDBs'

actions, thereby offering a unique capacity to operate from the first to the last mile. The international financial architecture needs to rely on a strengthened machinery to originate more quality projects tailored to the needs of local markets, local communities and beneficiaries. By participating in the G20 Technical Assistance Action Plan, it will be possible to ensure that PDBs can access sustainability assistance and better measure its outcomes/impacts.

- From an institutional perspective, **the G20 International Financial Architecture Working Group, the Infrastructure Working Group, and the Sustainable Finance Working Group could invite representatives from FiCS, PDB associations and other categories of PDBs to actively participate in conversations⁴**. Together with key multilateral funds dedicated to the main SDGs, MDBs and other PDBs could form a seamless global financial architecture at the disposal of the G20.

³ G20 Eminent Persons Group on Global Financial Governance (2018): "An Independent Review of Multilateral Development Banks' Capital Adequacy Frameworks" (2022).

⁴ National Development Banks: building markets for a net-zero world | ODI: Think change



EU-CELAC Cooperation Agenda

PDBs' role

2023 has been key for the consolidation of a joint agenda between the EU and Latin America & the Caribbean (LAC), especially following the Summit held in Brussels and, most recently, in Santiago de Compostela under the European Union Spanish Presidency. CAF has been vital in building bridges and orchestrating effective discussions. For its part, the EIB as executor of the EU Global Gateway has also been strategic in identifying concrete projects that will obtain financing through this window for LAC - bringing over €45 billion of high-quality European investment to Latin America and the Caribbean, with more than 135 projects already in the pipeline.

FiCS' contribution

FiCS is fully aligned with this investment agenda. As part of this commitment, a special event was co-hosted by AECID and the European Commission as part of the Spanish Presidency of the EU, under the title “ The Global Investment Agenda and Beyond: Strengthening the EU-LAC Partnership For Sustainable Development. The priority is now to ensure a quick operationalization of the Global Gateway flagship projects to materialise engagement and credibility. The FiCS Annual Summit can serve as a rendez-vous between EU and LAC representatives, as was the case during this fourth edition, and possibly other regions upon interest.

Summit for a New Global Financing Pact (NFP)

PDBs' role

On the occasion of the Paris Summit for a New Global Financing Pact (22-23 June 2023), H.E Emmanuel Macron brought together the members of FiCS to discuss PDB's role in financing the fight against inequalities, supporting a just transition and stimulating private investment in vulnerable geographies. During the event, the Asian Development Bank (ADB), Asian Infrastructure Investment Bank (AIIB), Inter-American Development Bank (IDB), New Development Bank (NDB) and the World Bank Group (WBG) endorsed the FiCS 2020 initial Joint Declaration, meaning that all MDBs have now rallied the FiCS movement.

FiCS was called upon to make progress and propose solutions on four key themes:

1. SDG alignment;
2. Project preparation, with a focus on infrastructure;
3. Build consensus on scaling up instruments to address debt, climate and nature, such as debt swaps, credit enhancement mechanisms and other debt instruments and reforms needed to face the consequences of climate change;
4. Technical assistance for sustainable finance.

Progress on the task list at FiCS 2023

1. On alignment: IDFC published a [position paper](#) with a proposed framework to make the financial system consistent with achieving the SDGs. This is coupled with key published studies on alignment with the Paris Agreement (net zero, alignment of financial chains) and tools launched by the IDB (green-climate self-assessment, a climate tagging model, and heat maps). A FiCS working group will be created to further define and mainstream sustainable development investment principles among its members.

2. On project preparation and technical assistance: Various discussions took place on the issue of improving project preparation, with a focus on infrastructure. Public Development Banks shared views with other partners, such as the Sustainable Infrastructure Foundation (SIF) and the multilateral platform SOURCE. These partners can play a significant role to bolster project preparation, pipelines and processes for sustainable infrastructure. FiCS will commission a comprehensive study aimed at further identifying the technical assistance needs of PDBs and establish a dedicated technical assistance and capacity building program for PDBs, closely aligned with the newly adopted G20 Technical Assistance Action Plan (TAAP).

3. On scaling up innovative instruments: FiCS will curate a Financial Innovation Lab with the support of IDB, IDFC, and philanthropists to strengthen PDBs capacities in contingent debt clauses linked to disasters, parametric contingent financing and credit lines, local currency risks, and innovative risk transfer solutions for vulnerable communities.



IV. THE “CARTAGENA WORK PROGRAM”: MAIN CONCLUSIONS AND DELIVERABLES



IV. THE “CARTAGENA WORK PROGRAM”: MAIN CONCLUSIONS AND DELIVERABLES

The fourth edition of the Finance in Common Summit took place from 4 to 6 September in Cartagena de Indias, Colombia, for the first time in Latin America and the Caribbean. Co-organized⁵ under the overarching theme of “Building new alliances for the future of development banking”, the Summit focused discussions around four key topics: 1) climate and biodiversity; 2) sustainable infrastructure; 3) SMEs and financial inclusion; and 4) equipping PDBs to support them as SDG enablers.

The event recorded exceptional attendance levels and delivered a robust roadmap to 2024 and beyond that will help position PDBs as change makers for sustainable development. More than 1100 participants from 66 countries attended the event in Cartagena, with another 1500 participating remotely. There were more than 200 speakers, and nearly 110 PDBs were represented, with several hundred delegates also representing a wide range of stakeholders from international organizations, the private sector, civil society, central bank, governments and municipalities, philanthropists as well as think tanks and academics.

The Summit produced a Cartagena Work Program which focuses on three key objectives:

1. Aligning finance with the 2030 Agenda and its SDGs, the Paris Agreement and the Global Biodiversity Framework
2. Further increasing cooperation between all PDBs by deploying innovative tools
3. Joining forces and mobilizing all other willing stakeholders

Participants shared a common sense of urgency and stood ready to do more to protect the most vulnerable populations and preserve the global commons. Members reaffirmed their commitment to share and apply best practices and internationally accepted norms and standards on environmental, social and governance (ESG) in their policies and to actively manage debt sustainability. They called on their shareholders and governments to overcome the remaining challenges faced by PDBs, such as limitations imposed by their mandates, implementing the no-harm principle, protecting human rights, and mobilizing private finance. The Summit's deliverables presented below constitute a decisive step forward in the implementation of the 2020 Joint Declaration.

⁵ Organizing team (alphabetical order) : Agencia Española de Cooperación Internacional para el Desarrollo (AECID), Agence Française de Développement (AFD), Bancolombia, Caribbean Development Bank (CDB), CAF - development bank of Latin America and the Caribbean, Cassa Depositi e Prestiti (CDP), European Investment Bank (EIB), International Development Finance Club (IDFC), International Fund for Agricultural Development (IFAD), Inter-American Development Bank (IDB) and Latin American Association of Development Financing Institutions (ALIDE).

Figure 3 : Summit deliverables contributing to the Joint Declaration’s main pillars

Alignment with SDGs, Paris Agreement and Biodiversity Framework

- IDFC’s position paper to make the financial system consistent with achieving the SDGs
- Launch of a FICS working group to further define and mainstream sustainable development investment principles
- The Cartagena Ocean Action Declaration : Public Development Banks call for Action on sustainable blue finance to deliver positive action for the ocean
- Green Coalition’s Roadmap for PDBs to work on the Amazon
- SDG Prospector

Social investment & inclusion

- IDFC gender tracker
- Declaration on Art and Development
- Roadmap to support PDBs, with the aim of leveraging sport as an innovative tool

Technical assistance

- Financial Innovation Lab, with the support of IDB, IDFC, and philanthropists, to strengthen PDBs capacities in: contingent debt clauses linked to disasters, parametric contingent financing and credit lines, local currency risks, and innovative risk transfer solutions for vulnerable communities
- A new commissioned study for Technical Assistance to be developed by FICS

Contribute to debt sustainability

- TCX/FICS/Deloitte study on local currency risks
- Joint Declaration on the Global Green Bond Initiative (GGBI): A common objective between AECID, CDP, EBRD, EIB, IDB, IDB Invest, KfW, Proparco (on behalf of AFD Group), GCF and signed in presence of the European Commission.
- Joint Declaration by the Multilateral and Bilateral Development Institutions for the Global Enhancement of Accountability and Transparency In the Green and Sustainable Bond Market between IDB, EIB, KfW and AFD

Work as a system & enhance dialogue with all stakeholders

- Philanthropies position paper and call to create a Thematic Engagement Group under the FiCS movement to foster cooperation and collaboration between philanthropies and PDBs
- Declaration from Civil Society Organizations, emanating from CSOs, communities and human rights defenders calling to move from ambition to action
- Platform to unify voices and feed international discussions: G20 / EU-LAC Summit / Global Expert Review on debt, Nature and Climate led by Colombia, Kenya, and France



A. ALIGNING PUBLIC FINANCE WITH THE 2030 AGENDA, PARIS AGREEMENT, AND GLOBAL BIODIVERSITY FRAMEWORK:

FiCS members, in their initial [Joint Declaration](#), committed to collectively contributing to the preparation and implementation of common methodologies concerning SDG- and Paris Agreement-aligned investment; mainstream resilience and adaptation in their strategies and operations; and stand ready to help align all financial flows with the Global Biodiversity Framework. They also committed to promoting a biodiversity-positive economy as well as climate neutrality through the implementation of nature-based solutions, including by having a better consideration of nature-related risks. **In Cartagena, four years later, the PDB community has shown they are working hard to live up to their promises, and are delivering tangible solutions and innovative ways to move forward.**

PDBs – locally, nationally and globally – have the capacity and tools to build momentum, foster leadership, and advocate for the implementation of novel approaches that tackle the triple planetary crisis of climate change, biodiversity loss and pollution. To fulfil this role, most banks need to deeply reshape behaviors and investment practices, and **align themselves with the 2030 Agenda, the Paris Agreement and the Kunming/Montreal Biodiversity Framework.**

Progress towards the SDGs, climate and biodiversity objectives is hindered by the same crucial challenge: the significant size of the funding gap and above all, the need for a systemic approach to help make all financial capital and flows compatible with climate, biodiversity and the SDGs. **The financing gap to achieve the 2030 Agenda is estimated at \$3.9 trillion US dollars a year. In the case of Latin America, by 2030, the region needs to invest \$2.2 trillion in water and sanitation, energy, transportation, and telecommunications infrastructure to meet the SDGs, which amounts to at least 3.12% of its GDP each year. The most recent [Global Sustainable Development Report](#) confirms the alarming shortfall of the 2030 Agenda's goals: only about 12% of the targets are on track to be achieved by 2030. A [majority of global financial flows](#) continue to support activities that harm nature instead of protecting it.**

According to 2019 estimates, finance aiming to create positive outcomes for nature accounts for only \$124–143 billion per year⁶, whereas the OECD estimates the costs of ecosystem losses between \$4.3 and 20.2 trillion per year. Additionally, **most climate finance is still going to mitigation.** The Adaptation Gap Report published by UNEP in 2022 estimates **the adaptation and resilience financing needs to be \$340 billion per year by 2030, while documented financial flow.**

⁶ The Paulson Institute, The Nature Conservancy, and the Cornell Atkinson Center for Sustainability (2020): Financing Nature: Closing the global biodiversity financing gap, paulsoninstitute.org/conservation/financing-nature-report/.

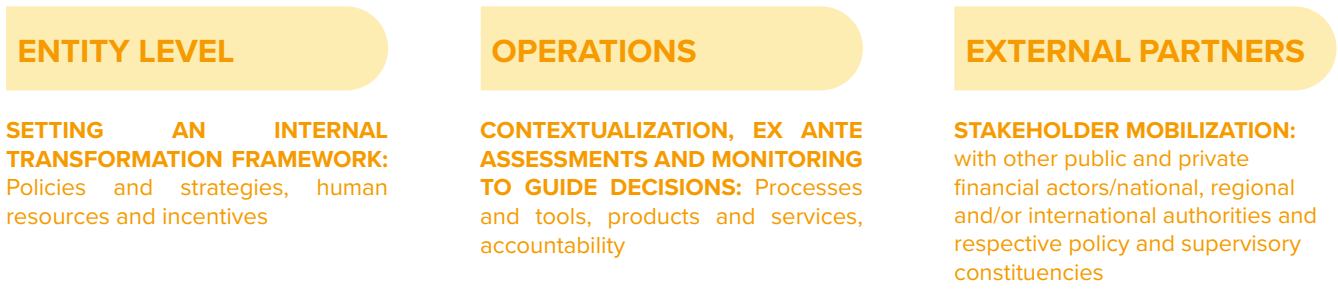
a. On the SDGs

In this alignment endeavor, FiCS is an advocate for change and serves as an ideal platform for collaboration and the promotion of best practices. At the Summit in Cartagena, IDFC published a [position paper](#) to make the financial system consistent with achieving the SDGs. The proposed framework⁷ offers a set of common guidelines for implementing the 2030 Agenda alignment, and aims to lead the way not only for IDFC's members -who provide more than \$800 billion in annual investment- but also for other interested PDBs and stakeholders of the wider financial community.

In addition, to support this process of fostering the SDGs, FiCS is leveraging the power of digital transformation in order to avail data on the degree of alignment of PDBs'

portfolios with these objectives. The [SDG Prospector](#) offers enhanced data analysis, and will support PDBs in screening how SDG priorities are embodied in the vast amount of their operational documents. Artificial Intelligence (AI) presents the opportunity to harness vast volumes of data, thereby ushering pioneering advancements across sectors, such as healthcare, agriculture, education, and transportation. The potential, among others, extends to faster and more accurate assessment of credit profiles, reducing risk and increasing returns on development investments, constructing more secure supply chains, managing renewable electricity networks, overseeing environmental regulations or refining weather forecasting capabilities.

Figure 4: IDFC SDGs Alignment Framework



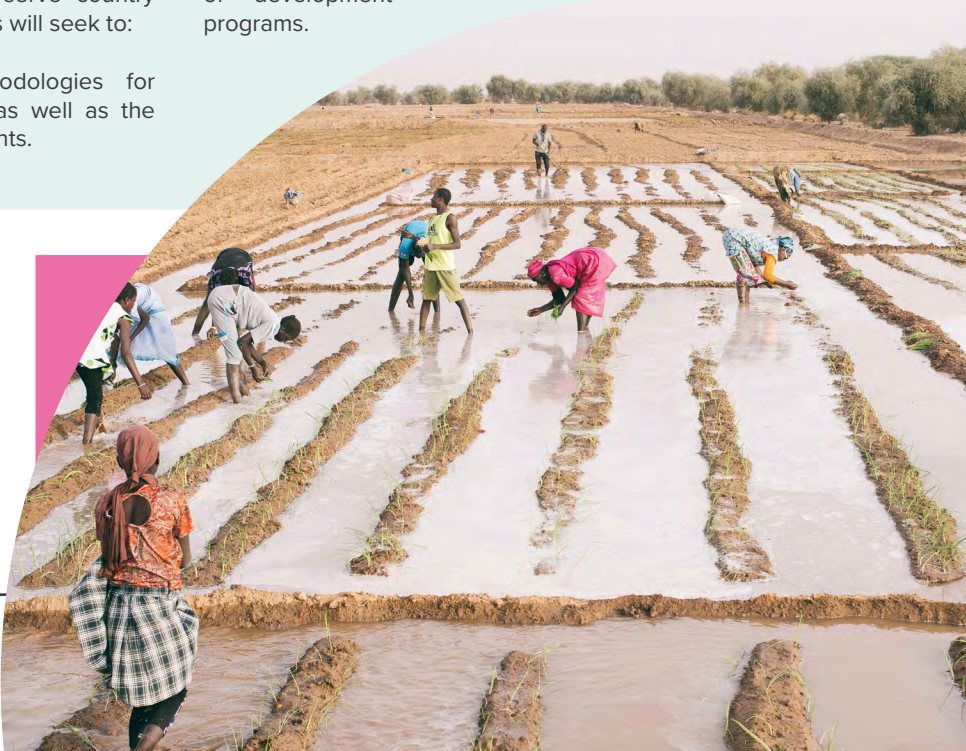
New FiCS Coalition to support PDBs' institutional alignment with the 2030 Agenda and its SDGs.

Drawing on IDFC's work, FiCS committed to set up a space to further define and mainstream sustainable development investment principles. It seeks to avoid the risk of fragmentation attached to the multiplication of specific frameworks and taxonomies on sustainable finance, and to serve country priorities and local contexts better. Discussions will seek to:

- Encourage and approve common methodologies for the institutional alignment with the SDGs, as well as the characterization of SDG-compatible investments.

- Enhance monitoring and evaluation mechanisms and improve executing and implementation capabilities to assess PDBs contributions to the SDGs, and evaluate effectiveness and impact of development programs.

⁷ IDFC based its work on recent research in this regard, including IDFC commissioned study on [PDB's catalytic role in achieving the SDGs](#) by Natixis-CIB, the study on [Financing the 2030 Agenda: An SDG alignment framework for Public Development Banks](#) by the European Think Tanks Group (ETTG), or [Scaling Up Public Development Banks' Transformative Alignment with the 2030 Agenda for Sustainable Development](#) by the Institute for Sustainable Development and International Relations (IDDRI).



b. On social issues

FiCS calls for a comprehensive social agenda to support a strong and just transition, while ensuring no one is left behind, in moving towards a low-carbon economy. FiCS is driving and encouraging PDBs to play a deeper role in increasing economic opportunities for smaller businesses, women and vulnerable populations traditionally excluded from the formal financial system. SMEs that receive support, accessible financing and guidance can act as catalysts for local economic growth and enhance employment opportunities. The current supply of lending to MSMEs falls short of the demand, which is 1.3 times higher, and developing countries estimate a financing gap of \$5 trillion per year for 131 million MSMEs, comprising 41% of all MSMEs. Gender mainstreaming and women's empowerment are a fundamental aspect of a just transition. According to the SDG Prospector, a fully-fledged artificial intelligence (AI) tool, presented to FiCS members during the Cartagena Summit, shows that more than 80% of the largest banks take climate into account, but less than 50% of them mainstream gender in their activities. PDBs still struggle to integrate gender issues into their strategies and operations, often due to a lack of data that hinder progress monitoring. The mainstreaming of gender in PDBs' operations and policies needs to be transformative. This means tackling the root causes of gender inequality and understanding that it intersects with other aspects of identity, such as race, ethnicity, abilities, roles and responsibilities associated with being a woman, man, girl, or boy.

c. On climate

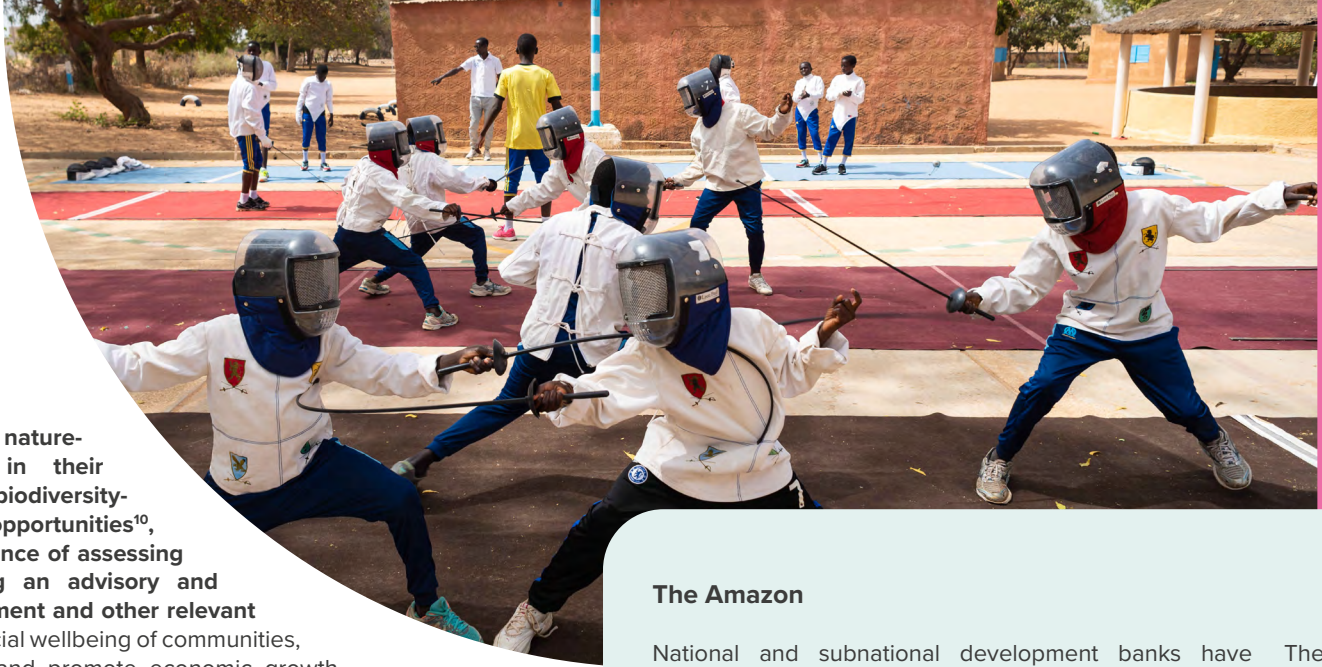
In terms of alignment of financial flows with the Paris Agreement, there is no single standardized approach yet. Financial institutions are either opting for a 'Net Zero Portfolio' (institution by institution) approach or a 'Paris-aligned Project' approach⁸. At the Summit this year the IDB launched three major tools to help PDBs with the Paris alignment, including a green-climate self-assessment, a climate tagging model and heat maps. Meanwhile, MDBs have recently published a set of Joint Principles for Paris Alignment to provide clear guidance on how new financing operations need to be structured to be aligned with the Paris Agreement's climate goals. The MDBs' Paris alignment approach supports the move to a low-carbon, climate-resilient future by helping clients align their development plans with the goals of the Paris Agreement and ensuring financial flows are in line with them. IDFC members are using these common principals to track their climate finance. They reported a record high of \$288 billion in total green finance commitments in 2022, a 29% increase from 2021, of which \$32 billion were allocated for adaptation finance, an increase of 50%. NDBs and SDBs have the power to build the business case for adaptation finance and enhance the understanding of private investors and other relevant stakeholders of its potential economic benefits, leading to unlocking additional investments. In low and middle-income countries, most public climate finance is provided by NDBs, which accounts for 22% of global climate financing⁹. Streamlining this financing potential to adaptation needs could be transformative. FiCS, through the Adaptation and Resilience Investor

Collaborative (ARIC) is leading cooperation between development finance institutions to improve information flows with the support of UNEP FI and Cadlas.

d. On biodiversity

PDBs are incorporating nature-based solutions (NBS) in their portfolios, identifying biodiversity-related risks and opportunities¹⁰, acknowledging the importance of assessing vulnerability, or exercising an advisory and educational role to government and other relevant stakeholders to uplift the social wellbeing of communities, preserve the environment and promote economic growth. Climate risk management and heat maps can help to understand risk distribution at portfolio levels by sector and financial exposure, to support PDBs' investments in climate change adaptation. Banks such as FIRA, DBSA, or TSKB are frontrunners in the implementation of ex-ante risk assessment tools that allow them to better deploy investments on the ground. Success lies in shifting investment mindsets and focusing on building resilience upfront so that when a nature-related shock strikes, the impact is as low as possible: it will definitely cost more to rebuild in the aftermath of such an event than invest in NBS beforehand.

However, a number of challenges exist in terms of project scale, such as the need for greater private sector involvement as well as the need for more flexible systems to cater to the diverse needs of different regions and ecosystems. A novel example in this regard is the EcoEnterprises Fund, which utilizes tailored mezzanine, quasi-equity, and long-term debt instruments together with technical assistance to support community-based, commercially-viable economic activities that encourage the sustainable use of natural resources. At the FiCS 2023 Summit, PDBs pledged to work together for the ocean and developed a Blue Finance Roadmap to take rapid action on its protection and sustainable use¹². This new Declaration encourages PDBs to scale up their coordination and contributions to an ambitious blue economy, to promote biodiversity, foster protection, restoration and sustainable use of marine resources.



The Amazon

National and subnational development banks have been addressing significant market failures to promote sustainable development in the Amazon, including gaps in financing, coordination issues and technical knowledge.

The Green Coalition of Development Banks¹¹ is the implementation support of the Amazon Forever Program, which aims to tackle two key challenges in the region: the lack of financial resources available for investments and the maturity level of existing project portfolios. The initiative has five pillars: combating deforestation, bio-economy, people, sustainable cities, and sustainable agriculture, livestock and forestry with low carbon emissions.

These efforts will consider local and regional characteristics with the goal of facilitating the expansion of companies prioritizing social, environmental and economic sustainability. These endeavors will promote inclusive and productive enterprises to foster the harmonious growth of the Amazon biome while simultaneously working towards reducing social and regional disparities.

The Green Coalition will provide financial and technical support to public and private projects that promote sustainable, inclusive, and climate-positive economic alternatives for the region. The Coalition will apply a holistic approach to projects that promote local employment and income opportunities, especially for low-income families.

New FiCS Coalition: 'A Call to Deliver Positive Action for The Ocean'¹³

PDBs can support biodiversity and a sustainable blue economy by financing ocean pollution reduction through wastewater, stormwater and solid waste infrastructure, but also when they invest in marine protected areas, eco-ports, greener shipping, renewable ocean energy, circular economy, and emerging sectors, such as sustainable aquaculture including seaweed and mariculture, blue biotechnologies, ocean data, restoration, and blue carbon sequestration.

The Blue Finance Roadmap will bring together the know-how and experience from all of the ocean investments carried out by the participating organizations, ensure accountability, and identify remaining financing gaps and realistic funding opportunities. The cooperation should help ensure a renewed ambition by public development banks regarding a sustainable blue economy. Updates on this roadmap's progress will be presented at the forthcoming United Nations Ocean Conference in France in 2025.

⁸ The Climate Policy Initiative has conducted research that assesses Paris-aligned project approaches within financial institutions: <https://financeincommon2023.com/climate-biodiversity-and-climate-change/>.

⁹ CPI (2022). Global Landscape of Climate Finance: A Decade of Data

¹⁰ These tools include the Integrated Biodiversity Assessment Tool (IBAT), foot printing through the Biodiversity Footprint FIs tool, the Global Biodiversity Score (GBS), or the ENCORE tool.

¹¹ This coalition of PDBs, with whom a collaboration has been initiated, is not formally part of the FiCS thematic coalitions, it is a result of the Amazon Summit.

¹² EIB, CAF, EBRD, KfW, BOAD, IDB, ADB, AFD

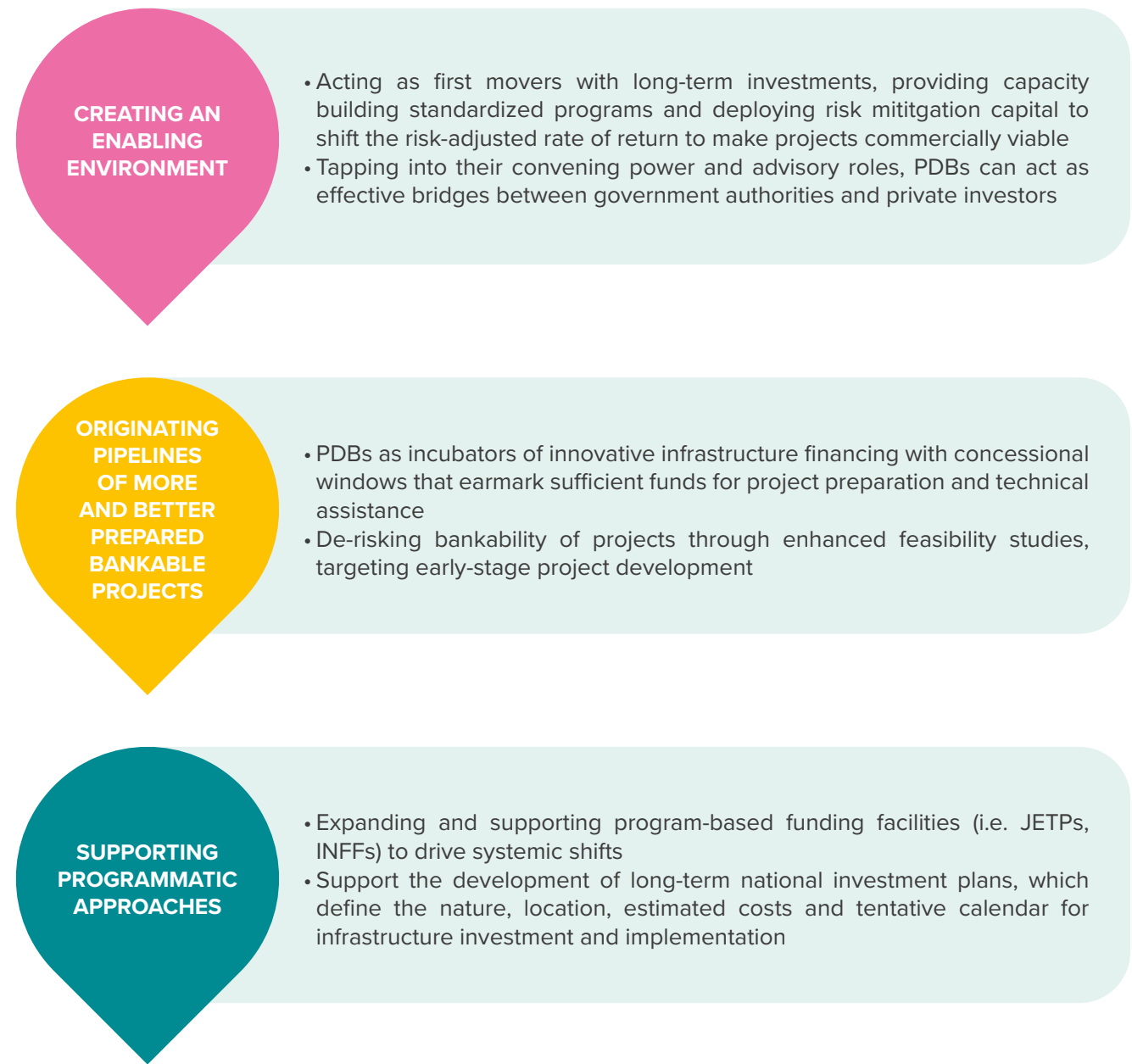
¹³ The Coalition was launched by AFD, ADB, CAF, CDP, EBRD, EIB, IDB, KfW and BOAD

e. Applying a local lens for resilient development

National, regional and sub-national development banks are strategically positioned to be real change makers in the development of local markets and financial systems. They can create a quality-enabling environment to reduce risk perception from private investors, originate pipelines of more and better prepared bankable projects, or even support the orchestration of programmatic approaches that divest from the business-as-usual ‘project-by-project’ approach as described in the figure below.

In that sense, the Coalition on Resilient Cities & Regions and the two Alliances of Subnational Development Banks (SDBs) for Africa and Latin America and the Caribbean compose a unique space for engaging together and in-depth localizing finance to ensure sustainable, just and resilient urban infrastructure and public service provision for all. During the last edition, members of this “urban finance tripod” have committed to strengthening their peer-to-peer, multi-stakeholder, multilevel and intercontinental cooperation on project preparation and aggregation/pooling, technical assistance, blended finance, risk mitigation, affordability, digitalization and innovation for urbanization financing.

Figure 5: PDBs’ key non-financial roles



B. DEPLOYING INNOVATIVE TOOLS TO BOOST PDB COOPERATION

PDBs are exploring innovative strategies to leverage their balance sheets and take more risks - green bonds, sustainability-linked loans, securitization, loan syndication, sovereign guarantees-, while also developing enabling environments and market infrastructures to facilitate the flow of private capital.

1. Enhancing the technical capacity of PDBs

The PDB system needs substantial capacity to face the challenges posed by climate change and meet the SDG targets. Technical assistance (TA) can be transformative to ensure the impact of innovative financial solutions and the adoption of international standards. The effectiveness of assistance provided relies upon its ability to be contextualized, customized, and demand-driven, one that responds to the real needs of PDBs. Building on the IDFC climate and biodiversity facility, FiCS will structure a dedicated program providing contextualized and customized technical assistance, especially in Africa. FiCS has also commissioned a study to map current technical assistance to PDBs, assess their needs for support and suggest improvements for future programs.

Partnerships to support technical assistance are crucial. These include partnerships among international organizations and PDBs, such as the EU Practitioner’s Network and EC Sustainable Finance Advisory Hub. They also include peer-learning partnerships among PDBs, across regional and national development banks, such as the significant role played by the Caribbean Development Bank (CDB) in its region. As they contribute to structure substantial projects, PDBs themselves should be recipients of sustainable finance initiatives. Their role should encompass not solely the provision of such financing but also receiving support aimed at refining their own operations. Partners, such as the Sustainable Infrastructure Foundation (SIF) or the multilateral platform SOURCE, can play a tremendous role to strengthen capabilities to manage the process of project preparation for sustainable infrastructure and to monitor project pipelines.

FiCS members will engage in new ways to originate more quality bankable projects tailored to the needs of local markets and beneficiaries. PDBs, in turn, must engage in meaningful consultations and foster active community and stakeholder participation. Local transformations that are just, equitable, and inclusive need to be rooted in social ownership. At this year’s Summit, participants emphasized the need to shift from mere participation to deeper collaboration, one that acknowledges communities as crucial partners in conservation. PDBs play an important role in protecting human rights. Their financing and projects can help to promote, uphold, and enforce human rights globally. Against this backdrop, FiCS has advocated for PDBs to adopt human rights-based approaches, as illustrated by 2022’s adopted statement. **FiCS members aim to progressively integrate the human right-based approach in their activities, cognizant of the two objectives of doing no harm and maximizing positive impact¹⁴.**

Investing more in project preparation facilities will also improve the quantity and quality of projects and increase the likelihood they will have a positive impact. These facilities can cover activities ranging from project conceptualization and feasibility analysis, and ESG assessments to deal structuring

and transaction support to get the project to be financially viable and bankable. NDBs such as NAFIN, PTSMI and DBSA are leading the way in this regard and have shown that being on board at the early-stage of project preparation makes all the difference in crowding in private finance. Likewise, MDBs have a role to play by bringing in the necessary concessional funding, both to support project development capabilities or bring down the cost of funding. For these facilities to be widespread across more banks, MDBs must team up with local PDBs.

Joint staff training and secondment also strengthen PDBs’ and local actors’ capacities for sustainable and bankable project origination and development. It is imperative to invest in the capacity building of banks’ human capital, to ensure that they have a clear understanding and the broad range of skills required to effectively implement policies that align with climate and SDG goals, promote gender transformative approaches, prioritize human rights-based strategies and strategically deploy innovative tools, such as debt contingent clauses, debt conversions or sovereign guarantees. As providers and recipients of technical assistance, PDBs should also ensure that their intermediaries and clients receive the appropriate information, education and training to ensure alignment of the entire financial chain. The Financial Institutions Group on Aligning Financial Chains with the Paris Agreement -one of the FiCS Coalitions- is actively working to mainstream alignment principles among PDBs’ intermediaries.

Going forward, a comprehensive program of assistance could be developed, building on the example of the **IDFC Climate and Biodiversity Facility**.

First, it allowed further cooperation on climate issues from a sporadic and often superficial exchange towards a structured and high-quality work on operational and strategic aspects of climate finance. Secondly, it developed practical tools needed for enhancing capacity of members in engaging in climate finance and organize capacity building activities to facilitate their internal mainstreaming. The Climate Facility also increased the visibility and the influence of IDFC in the international climate finance arena. This aroused from a strong presence at COPs, the institutionalization of knowledge exchange through regular meetings and publication of studies/ reports on topics of common interest. Moreover, the Climate Facility pushed for innovation, encouraged cooperation and developed trust between members, through call for proposals and/or joint project proposals which give more capacity to members to take the lead on new topics, and facilitate the direct exchange of experiences between members.

¹⁴ See ECDPM paper on how a human rights-based approach should be mainstreamed in European development finance institutions



FiCS will host a Financial Innovation Lab

The initiative will help to fill the gap in financial innovation incubation for public development banks, and support lasting changes to public finance operating models that facilitate the mobilization of private capital and rapid expansion of climate finance, through approaches that are tailored to the realities of development finance institutions, and with a focus on systemic solutions.

The Lab will scale up and incubate innovations, such as the expansion of contingent debt clauses linked to disasters, parametric contingent financing, credit lines and innovative risk transfer solutions for vulnerable communities, as well as currency risk solutions.

2. PDB's concerted effort to borrow from markets on better terms

Foreign exchange risk is a significant barrier to scale cross-border capital flows from developed countries towards low and middle-income countries. MDBs should prioritize the promotion of local currency-denominated loans, instead of hard currency loans, or at least a mix of the two. While the FiCS community acknowledges that this is a long-term journey, they are dedicated to facilitating the evolution of prevailing practices: approximately 60% of foreign currency debt issued by MDBs and DFIs is USD denominated, while an additional 23% is in Euros. This commitment involves fostering knowledge sharing and jointly developing new and innovative systemic answers. FiCS and TCX have published a [joint study](#)¹⁵ on this issue calling for the development of new and innovative systemic answers. Possible ways forward to be explored include:

1. **Scaling up regulatory frameworks** by strengthening capital markets, ensuring effective regulation and supervision
2. **Highlighting existing responsible financing solutions**, promoting local currency financing and lending from MDBs to PDBs, enhancing the use of solutions offered by FX hedging providers and emphasizing the role of blended finance in drawing in additional sustainable capital
3. **Improving PDBs' capacities to mitigate currency risk** by supporting and reinforcing internal capabilities through training, knowledge sharing and reinforced inter-PDB cooperation

PDBs need foreign currency financiers to fund major development projects. Depreciation of their local currency can lead to financial losses and complicate hard currency debt repayment. Foreign exchange volatility disrupts the financing pace. Still, most financing from MDBs to other PDBs are denominated in hard currency with limited or no availability of local currency loans or hedging products.

¹⁵ The study was made in collaboration with Deloitte and AFD Group. Data was collected through a survey held amongst 100+ representatives of PDBs in Africa, Asia and LATAM region.

3. Innovative tools to leverage on their balance sheets

One of the greatest opportunities for transformation lies in PDBs' engagement with the private sector via blended finance and de-risking activities: today, for every dollar lent by MDBs on their own account, they only mobilize 0.6 dollars in private capital. This ratio is even lower when extrapolated to the entire PDB community. FiCS advocates for innovative financing solutions to address the "Infra Gap" between private investor appetite for infrastructure and existing pipelines of bankable projects. It relies on others in the work led by D20-LTIC, and stresses the need for quality data to better assess risks, drawing on initiatives such as [Global Emerging Markets Risks Database Consortium](#) (GEMs).

Syndication and securitization structures offer a deeper form of cooperation between PDBs of different sizes and are effective means to mobilize private investment at scale. Finding ways to do more with their existing capital is a challenge that most NDBs and SDBs still face. The West African Development Bank (BOAD) is among those institutions moving forward in order to effectively optimize their balance sheet by actively leaning on [securitization](#) to lighten the pressure of shares of their capital and make it available for new debt issuances. This is part of its 'originate-to-distribute' strategy by which the BOAD seeks to distribute the risk, once they structure and underwrite the projects. Moving from project-to-project financing to portfolio financing can be a good alternative to aggregate individual projects and make them more attractive to large institutional investors. For instance, IFC's Managed Co-Lending Portfolio Program (MCP) offers portfolio syndication, which can be a great way to attract investors.

The [MDB Challenge Fund](#) aims to fund innovative solutions and approaches that empower MDBs to provide more financing to developing and emerging economies. The Caribbean Development Bank, one of the fund's grantees of this year, will explore new balance sheet solutions with a view to better cushion disaster-related shocks and provide financing tailored to its members' needs and challenges. A holistic balance sheet approach will consider innovation on both sides of the balance sheet, developing a framework replicable by other development banks.

FiCS encourages the increase of guarantees in PDBs' portfolios as another means to yield strong outcomes¹⁶. These instruments can support PDBs' balance sheet optimization—through lending growth, risk diversification and capital adequacy— while also supporting financial innovation and capital markets development by anchoring investors'

¹⁶ Guarantees have attracted more private finance than any other financial instrument, accounting for nearly 40% of total private finance mobilized for development in the last decade. However, the instrument only represents between 1% - 8% of MDB's portfolios, signaling an opportunity to scale up its use and narrow the financing gap to achieve the global commitments under the Sustainable Development Goals (SDG) and the Paris Agreement by 2030.

¹⁷ IDB, EIB, AFD, KfW.

¹⁸ To date, this is the largest debt-for-nature conversion completed in the world. The operation consists of an \$85 million IDB guarantee and a \$656 million DFC political-risk insurance to Ecuador to purchase existing public debt at better terms. <https://www.iadb.org/en/news/ecuador-completes-worlds-largest-debt-nature-conversion-idb-and-dfc-support>

confidence and reducing costs. Guarantees have also proven to be powerful instruments to facilitate the financial closing of large infrastructure projects, and support SMEs. This is the approach proposed under the European Union-supported European Fund for Sustainable Development Plus (EFSD+), which provides for up to €40 billion to invest in guarantees and blended finance through financial institutions. Through other initiatives like the Global Green Bond Initiative (GGBI) led by the European Commission and the IDB's [Green Bond Transparency Platform](#)¹⁷, regional and local development banks could work together with European partners, improve information and transparency and submit proposals.

Delivering debt market innovations is also a key priority for FiCS members. PDBs are structuring debt conversions (including debt-to-nature or climate swap mechanisms), sustainability-linked sovereign bonds (both of which rely upon credit enhancement mechanisms and guarantees), and introducing climate-resilient-debt clauses in contracts to support their governments in the event of climate disasters. Debt conversions related to climate or nature, despite attracting growing interest, have remained a 'niche instrument' due to the sometimes elevated transaction costs that may arise when trying to identify suitable projects, structuring, and monitoring them. Debt swaps can be particularly [useful for those countries that have high levels of debt but are not at risk of or in debt distress](#); for other countries with additional borrowing space, sustainability-linked sovereign bonds can be a more practical tool. The IDB has been prominent in structuring and financing debt-for-nature swaps in Barbados, Belize and, most recently in Ecuador¹⁸. **Future conclusions of the Global Expert Review on Debt, Nature and Climate, which is one of the outcomes of the NFP led by Colombia, Kenya, and France, and will be key to feeding these discussions.**





C. MOBILIZING AND JOINING FORCES WITH OTHER WILLING STAKEHOLDERS

Cartagena provided a vivid illustration of how a ‘science-policy-society’ interface can be effectively steered to offer concrete ways forward. The FiCS Knowledge Pillar has united think tanks, researchers, and academia with the broad FiCS movement since 2020. Its advisory group (Global Research Group) ensures policy coherence and provides expertise to practitioners. It presented an updated database¹⁹ and a Memo of policy recommendations for decision-makers, building on a bibliography of 140 academic papers or reports constituted since 2020. The Memo highlights, among other things, that the current global development finance structure does not adequately support public entrepreneurship and fails to provide accurate reports on the impact of financial investments on SDGs. It also calls for additional research to examine the conditions under which the private sector’s profit-driven logic, risk assessment, and fund allocation can significantly contribute to sustainability without running into moral hazards. PDBs welcomed this research program and called for more data availability and a dialogue with the chief economists of their institutions.

FiCS continues to strengthen its ties with other coalitions of financial actors, including the Berne Union – which gathers the export credit investment insurance industry– and Glasgow Financial Alliance for Net Zero (GFANZ), with whom FiCS signed a Joint Declaration in the framework of the NFP. Converging towards common methodologies and taxonomies among different financial players will ensure a greater collective impact. **Berne Union members are key pillars of the development finance ecosystem, connecting large pools of capital – collectively providing around \$2.9 trillion of payment risk protection to banks, exporters and investors annually.** Export Credit Agencies can support FiCS members to leverage private sector investment for projects with sustainable economic impact, and opportunities for a more integrated overall system of public finance to bring together export and development capital.

PDBs and philanthropies are working closer together to leverage their comparative advantages and support sustainable local funding, solving the challenge of ‘last mile investments’. A White Paper co-published by CEBRI with IDB, Wings and I4CE in the margins of the 2023 Summit, highlights opportunities and rules of engagement for scaling up blended finance between PDBs and philanthropies. PDBs and philanthropies can join forces to build strong pipelines of bankable projects tapping into their shared, vast knowledge of local markets and acting as enablers, policy influencers, conveners, and innovators of new financial mechanisms. Philanthropies can further strength blended-finance mechanisms by ensuring that they take into account the local context and the perspective of civil society, to promote an integrated development agenda where underserved communities and nature are at the heart of decision-making.

Call from the Philanthropic community: Moving forward from dialogue to action

Philanthropy representatives encouraged the creation of a Thematic Engagement Group under the FiCS movement to foster cooperation and collaboration between philanthropies and PDBs, test and prove solutions designed by philanthropic institutions together with PDBs and other partners of the financial system and private initiatives in the national context.

FiCS and its annual Summit serve as a gateway where PDBs and civil society can have fruitful interactions. At the Cartagena Summit, CSOs, communities and human rights defenders adopted a Declaration that provides recommendations on human rights, development finance, climate, biodiversity and sustainability as well as insights to strengthen PDBs and CSOs relationships.



¹⁹ The database was initiated by the Institute of New Structural Economics (INSE) at Peking University in 2017. Recognizing INSE’s pilot effort, AFD has joined hands to strengthen the first ever comprehensive database on PDBs and DFIs since November 2019. The dataset can be downloaded for free at <http://www.dfidatabase.pku.edu.cn/>.



V. NEXT STEPS FOR FINANCE IN COMMON

2023

2024

Launched at COP28 during special FiCS side event Progress to be presented by FiCS 2024 Summit

FiCS will set up a Financial Innovation Lab

This lab would, in priority, incubate the following innovations: the generalization of contingent debt clauses linked to disasters, of parametric contingent financing and credit lines and innovative local currency solutions. This initiative will facilitate peer learning, advance innovative financial solutions, strengthen cooperation between its members and better equip them in the face of climate or nature-related shocks:

- Improve the responsiveness and adaptability of financial instruments by sharing recent experiences of making available no-cost crisis-resilient debt clauses, as well as debt swaps combined with buyback to facilitate the use of these instruments by debtor countries and other innovative instruments, such as the Global Green Bond Initiative
- Examine options to better cover foreign exchange risk in low income and emerging economies in order to facilitate private investment, building on the experience of the Currency Exchange Fund (TCX) and other existing models
- Advance Loss & Damage agenda

By FiCS 2024 and beyond

FiCS will set up a working group to support PDBs' institutional alignment with the 2030 Agenda and its SDGs, including through updated mandates. Discussions will seek to:

For PDBs:

- Encourage and approve common methodologies for the institutional alignment with the SDGs, as well as the characterization of SDG-compatible investments (inspired from IDFC's SDG alignment framework and I4CE's study on Net Zero that provides guidance to Paris Agreement alignment), enhance monitoring and evaluation mechanisms, improve executing and implementation capabilities to assess PDBs contributions to the SDGs, and evaluate effectiveness and impact of development programs

For the private sector and other financial networks:

- Echoing the G20 Independent Expert Group's recommendations, FiCS could increase its linkages with the private sector in sovereign and non-sovereign activities for the SDGs to further cooperate with key private sector platforms and individual entities (mobilization targets, inter-operable taxonomies, among others)
- Strengthen ties with the main networks of financial institutions (such as GFANZ, OPSWF) to discuss common frameworks for SDG alignment
- Foster cooperation and collaboration between philanthropies and PDBs, test and prove solutions designed by philanthropic institutions together with PDBs and other partners of the financial system

2024

2025

TECHNICAL ASSISTANCE (TA) AND PROJECT PREPARATION/READINESS

Presentation at G20 Brazil

FiCS will launch a technical assistance study for PDBs and prepare the necessary conditions towards a future platform for sharing project preparation assessments and sectoral studies by countries.

It will assess TA provided to banks from different sizes and geographies and map current needs. Identified areas of work include: project preparation to ensure bankability of projects, grant applications and reporting to increase access to key multilateral funds (i.e. GCF, GEF GPE, FIF), SDG & Paris Agreement alignment mechanisms.

Throughout 2024

FiCS thematic coalitions & alliances will provide peer-to-peer exchanges and technical workshops to strengthen PDBs' staff technical capacity and project preparation skills.

2024 SFWG & TAAP meetings G20 Brazil + internal preparation meetings

In collaboration with the G20:

- Contribute to the SFWG and other Working Groups as required
- Provide contributions to the implementation of the G20 Sustainable Finance Technical Assistance Action Plan (TAAP)
- Contribute to the upcoming 2024 G20 presidency, including a special FiCS event in Brazil (1st semester 2024)

ADVANCING PDBS VOICE AT MULTILATERAL LEVEL

By FiCS 2024, UN Financing for Development Conference in 2025 and beyond

- FiCS will enhance its participation and influence in key international events, bringing a unified and stronger voice from the PDBs' community (Key events include: Annual meetings of MDBs and regional associations of DFIs, Global Water Summit 2024, Finance for Sustainable Development Forum, GEF/GCF General Assemblies, MDBs annual meetings, G20 Brazil, Summit for a new global financial pact in 2025, COP29, 2025 UN Ocean Conference, COP30)
- In the lead up to the UN Addis + 10 conference in 2025, FiCS will provide a platform for organizers to discuss and construct a robust agenda towards sustainable, just, and resilient societies and development, as well as the role PDBs can play for the transformation of the financial eco-system towards sustainability
- In cooperation with researchers and think tanks, FiCS will continue developing new research on and for PDBs, and will enhance dialogue between the knowledge community and practitioners

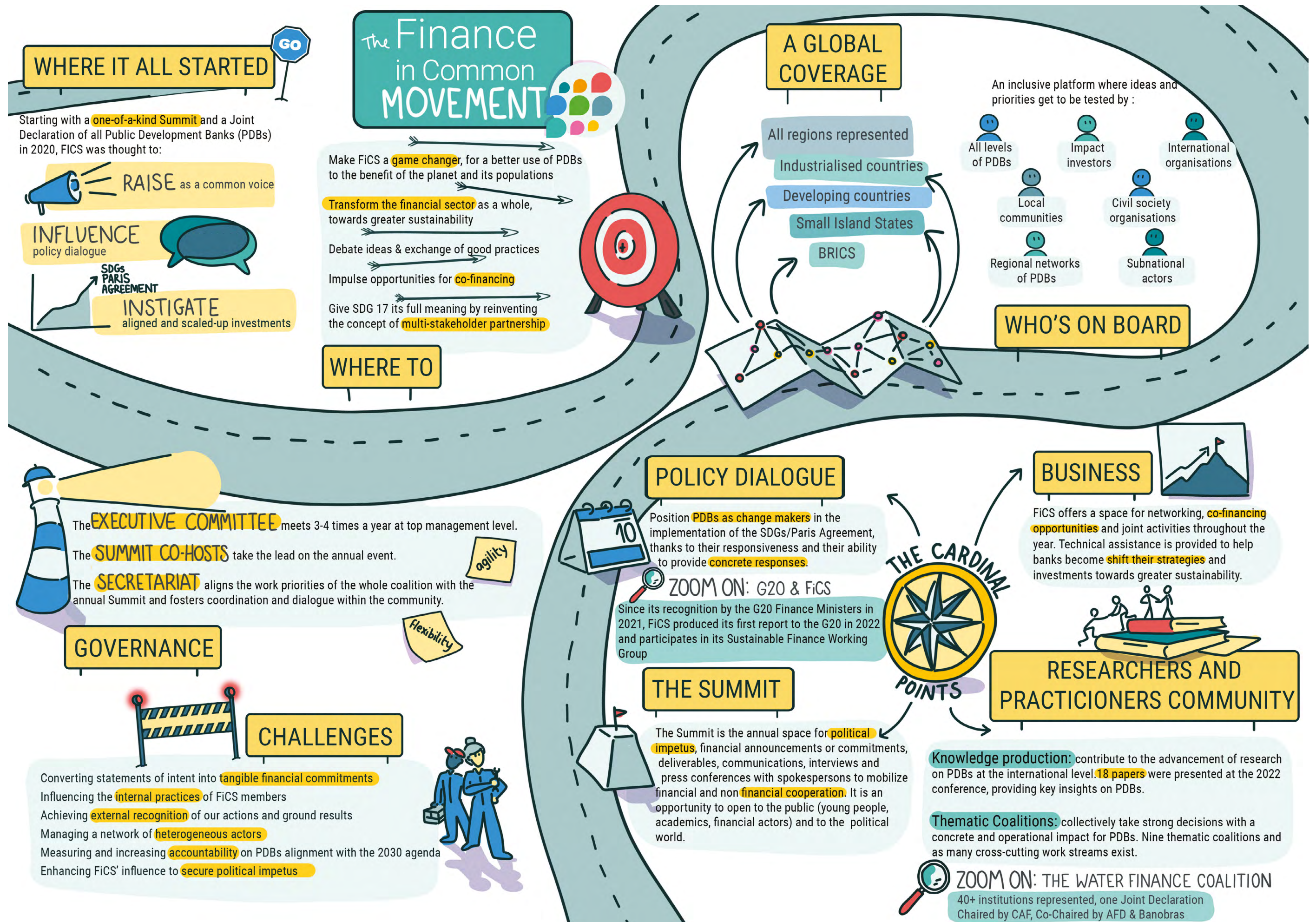


VI. GLOSSARY

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AECID	Spanish Agency for International Development Cooperation
AFD	Agence Française de Développement
ADB	Asian Development Bank
AIIB	Asian Infrastructure Investment Bank
ALIDE	Latin American Association of Development Financing Institutions
ARIC	Adaptation and Resilience Investors Collaborative
BOAD	West African Development Bank
CAF	Development Bank of Latin America and the Caribbean
CAF	Capital Adequacy Framework
CDB	Caribbean Development Bank
CDP	Cassa Depositi e Prestiti, Italy
CEB	Council of Europe Development Bank
CEBRI	Brazilian Center for International Relations
CLIC	Climate Shot Investor Coalition
CPI	Climate Policy Initiative
CSOs	Civil Society Organizations
DBSA	Development Bank of Southern Africa
DFIs	Development Finance institutions
D20-LTIC	Long-Term Investors Club
EBRD	European Bank for Reconstruction and Development
EETG	European Think Tanks Group
EFSD+	European Fund for Sustainable Development Plus
EIB	European Investment Bank
EU-CELAC	The European Union and the Community of Latin American and the Caribbean
ESG	Environmental, Social, and Governance
FiCS	Finance in Common Coalition
FIF	Financial Intermediary Funds
FMDV	Global Fund for Cities and Development
GBS	Global Biodiversity Score
GCF	Green Climate Fund
GEF	Global Environment Facility
GEMs	Global Emerging Markets Risks Database Consortium
GFANZ	Glasgow Financial Alliance for Net Zero
GGBI	Global Green Bond Initiative
GPE	Global Partnership for Education
GReG	Global Research Group (FiCS Research Program)
G20 TAAP	G20 Sustainable Finance Technical Assistance Action Plan
HLPF	High-level Political Forum on Sustainable Development
IBAT	The Integrated Biodiversity Assessment Tool
I4CE	Institute for Climate Economics
ICS	Istituto per il Credito Sportivo, Italy
IDB	Inter-American Development Bank
IDDRI	Institute for Sustainable Development and International Relations
IDFC	International Development Finance Club
IEG	Independent Expert Group

IFAD	International Fund for Agricultural Development
ILO	International Labor Organization
IMF	International Monetary Fund
INFFs	Integrated National Financing Frameworks
INSE	Institute of New Structural Economics
JETPs	Just Energy Transition Partnerships
KfW	Kreditanstalt für Wiederaufbau (German Development Bank)
LAC	Latin America and the Caribbean
LATAM	Latin America
MCPP	Managed Co-Lending Portfolio Program
MDB	Multilateral Development Banks
NAFIN	Nacional Financiera, Mexico
NDB	New Development Bank
NDBs	National Development Banks
NFP	New Financial Pact
OECD	Organization for Economic Cooperation and Development
OPSWF	One Planet Sovereign Wealth Funds
PDBs	Public Development Banks
PTSMI	PT Sarana Multi Infrastruktur, Indonesia
SDBs	Subnational Development Banks
SDGs	Sustainable Development Goals
SFWG	G20 Sustainable Finance Working Group
SIF	Sustainable Infrastructure Foundation
SMEs	Small and Medium Enterprises
TA	Technical Assistance
TCX	Currency Exchange Fund
UNEP	United Nations Environment Programme
UNEP-FI	United Nations Environment Programme Financial Initiative
WB	World Bank
WBG	World Bank Group
WFDFI	World Federation of Development Finance Institutions
WWF	World Wildlife Fund



NOTES



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