

Sustainable and Solidarity Investments

Coordinated by I4CE and the World Resources Institute

1. Background

Finding a way to finance transversal challenges and reach the Sustainable Development Goals (SDGs) is one of the greatest challenges faced by societies today. A new approach and new concepts to international public finance are needed to meet these global objectives. In particular, there is a clear need for a better characterization of what - and who - is contributing to the climate, biodiversity and SDGs agendas, and what - and who - is not. This issue is essential to ensure the financial system and all its stakeholders are working in the direction of sustainability, managing corresponding risks and fostering opportunities. Today, multiple initiatives are advancing in this area, but remain fragmented. There is a need to strengthen the analytical capabilities of international institutions (World Bank, UN, OECD and others), research centers and civil society, so as to explore more systematically and thoroughly this huge mass of global investments, show their breakdown by major players in the financial system, analyze their connection with country contexts and priorities, and qualify, according to common/cohesive standards to be stabilized (Sustainable Development Investment), their pro/neutral/opposite orientation to the SDGs, climate and biodiversity.

Following the 2023 Cartagena Summit, Finance in Common announced the creation of the SDG alignment coalition to define and mainstream sustainable investment principles for Public Development Banks. In this perspective, the Global Research Network on Public Development Banks (GRN) could contribute in exploring the interplay between environmental and social objectives. In particular, research is needed to inform PDBs' role in supporting sustainable impacts, while taking into account physical and transition risks. Moreover, issues related to multi-faceted vulnerabilities such as inequalities and human rights constitute a dead-angle of research on PDBs.

2. Objectives of the work stream

The objectives of the work stream are as follows:

- Produce original research and analytical papers on PDBs.
- Prepare the contribution of the GRN to the FiCS 2024 and subsequent international conferences (COP 16, COP 30, FFD 2025,...).

- Foster interactions between researchers, think tanks, policy makers and practitioners.
- Articulate research efforts to allow for continued exchanges and debates, and help structuring research projects that are useful to decision makers.

3. Research questions

The work stream could tackle the following research topics (complementary suggestions are welcome):

- **To what extent do strategies on climate and biodiversity objectives align throughout financial chains?**
The concept of alignment consists in mobilizing sustainable investments with consistency and transparency, while recognizing the heterogeneity of local contexts and development trajectories. More cooperation between financial institutions is needed to support the transition, yet, little is known about the degree of convergence of PDBs' investment strategies. Understanding the compatibility of PDBs' sustainability frameworks is necessary to better assess the impacts of international financial flows. This question is particularly interesting in the case of intermediated lending, for example through MDB and NDB cooperation.
- **What is PDBs' additionality with respect to environmental and social objectives? (Impact evaluation)**
Many PDBs recognize that sustainability has become an integral criterion that should influence investment decisions. However, only a handful possess the internal resources and financial capabilities required to thoroughly evaluate project to meet appropriate sustainability standards. In particular, "green finance" is characterized by a variety of taxonomies and methodologies, yet it often falls short in capturing tangible impacts. Further research is needed to demonstrate impacts that otherwise would not have occurred, and provide recommendations on the design of PDBs' programs.
- **To what extent do PDBs' investments target the most vulnerable actors and geographies?**
According to standard economic theory, PDBs' interventions are usually justified by their capacity to correct market failures in channeling financial flows towards underserved economic actors. More empirical research is needed to assess the extent to which PDBs' funds effectively benefit to the most vulnerable.
- **How does exposure to climate and biodiversity risks affect PDBs' financial position and their portfolios?**
A growing stream of literature focuses on the interlinkages between climate change, biodiversity loss and financial instability at the macroeconomic level. While PDBs exclusively invest in the real economy, little is known about their dependency on natural assets and the potential risks for their own balance sheet. This issue is particularly pressing in low income countries and Small Island Developing States where PDBs' size can be systemic.
- Finally, this workstream could also examine PDBs' engagement with various stakeholders, including non-governmental organizations (NGOs), civil society organizations, and local communities.

4. Expected deliverables for the FiCS 2025

The call for contributions launched by the GRN allowed to identify the following research projects related to the work stream:

Focal point	On-going research	Contemplated research projects
Valerie Laxton (WRI)	<ol style="list-style-type: none"> 1) MDB contributions in enhancing nature-based solution for climate adaptation 2) PDBs' role in greening financial systems: the case of the Amazon rainforest 	
Claire Eschaliere and Sarah Bendahou (I4CE)	<ol style="list-style-type: none"> 1) Position paper on PDBs' alignment on the Paris Agreement 2) Maximising the impact of financial intermediation on national low-emission and resilient pathways 3) Identifying triggers for National Development Banks' climate action 	
ALIDE	Survey about financing conditions including questions on impact measurement	
Ricardo Santos (EIB) and ALIDE	Climate risks and climate financing in Latin America and the Caribbean – The role of Public Development Banks	
Florian Léon (FERDI)	<ol style="list-style-type: none"> 1) Beyond Rhetoric: A Granular Assessment of Public Development Bank Allocations for Sustainable Development Goals 2) How do PDBs align their portfolios on the SDGs? 	
Lina Xie (Groningen University)	<ol style="list-style-type: none"> 1) Public financial institutions and climate disclosure 2) PDBs' impact in mitigation finance: does economic and financial development matter? 	
Juan Davila (Montreal Group)	Literature review on Montreal Group's members alignment	
Juan Martinez Alvarez (IDB)	Diferencial en los índices de mora dentro del contexto de la Taxonomía Verde	
Matthias	"The climate bank": an analysis of EIB	Additionality and impacts of European

Thiemann (Sciences Po)	climate strategy.	national development banks
Agnès Hallosserie et Juliette Landry (IDDRI)		PDBs' role in biodiversity financing in developing countries.
David Ramos Munoz (European Banking Institute)		<ol style="list-style-type: none"> 1) Comparative analysis of sustainable finance frameworks across the globe as used by PDBs/MDBs 2) Comparative analysis of legal structuring of sustainable finance instruments from the perspective of PDBs 3) The life-cycle of financial instruments to achieve sustainability (ESG) goals.
Clemente del Valle (Universidad de Los Andes)		Green investment gaps in Latin America: the role of PDBs
Laura Sabogal Reyes (E3G)		Nature and biodiversity finance in MDB-NDB partnerships
Alfredo Schclarek Curutchet (CONICET)		Funding strategies for development banks to finance the green transformation
Wang YAO & Shi LIN (International Institute of Green Finance)		<ol style="list-style-type: none"> 1) To what extent are PDBs' investments targeted towards the most vulnerable areas? 2) Navigating the climate and biodiversity risks: implications for PDBs' portfolios
Banban WANG (Huazhong University of Science and Technology)		Transcending Energy Poverty: Contributions and Characteristics of China's Overseas Development Finance

5. Interested contributors

The table below summarizes all the stakeholders that are explicitly interested in contributing to the work stream on “sustainable and solidarity investments”.

Other contributors are welcome.

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6. Contacts

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