

Finance in Common

The first global summit of all Public Development Banks

PARIS

**12
November
2020**

**BUILDING
RESILIENCE
FOR PEOPLE
AND PLANET**

ORGANIZERS

OF THE FINANCE IN COMMON SUMMIT

Under the high patronage of Mr Emmanuel Macron, President of the French Republic, and with the participation of UN Secretary-General António Guterres, the Finance in Common Summit is:

- an initiative of the World Federation of Development Finance Institutions (WFDFI) and the International Development Finance Club (IDFC),
- taking place during the 3rd Paris Peace Forum,
- convened by the Agence française de développement (AFD), with the support of:
 - Multilateral Development Banks,
 - regional associations of Public Development Banks (ALIDE, AADFI, ADFIAP, ADFIMI, ELTI, EAPB, EDFI, D20-LTIC),
 - relevant international institutions (UNDP, DESA, UNEP, OECD and the European Commission),
 - Caisse des dépôts et consignations,
 - and the COP26, the COP15 and the Generation Equality Forum.

“

We must get there collectively by organizing the decisive role of our Development Banks.

”

President of the French Republic
Emmanuel Macron

“

PDBs deliver a unique service, that of linking governments and the private sector and turning domestic and international policy signals into local solutions.

”

WFDFI Chairperson
Thabo Prince Thaman

“

IDFC members have collectively mobilized their financial capacity and expertise to provide an immediate response to the short-term health challenges as well as to prepare for a post-Covid-19 world that will require a long-awaited paradigm shift.

”

IDFC Chairperson
Rémy Rioux

BUILDING RESILIENCE FOR PEOPLE AND PLANET

The first global summit of all Public Development Banks, taking place during the Paris Peace Forum in November 2020, will address our common need to build new forms of prosperity that take care of the living (people and planet) in a resilient manner.

In the context of the Covid-19 pandemic and subsequent global socio-economic crisis, the Finance in Common Summit will stress the crucial role of Public Development Banks (PDBs) in reconciling short-term counter-cyclical responses to the crisis with sustainable recovery measures that will have a long-term impact on the planet and societies. Gathering PDBs from around the world, the Finance in Common Summit is an opportunity to:

- gather for the first time the world's 450 PDBs and discuss their role, their ambition, their challenges and opportunities;
- bring together the financial community at large to design a financial system whereby Public Development banks would have the ability to reorient and leverage all financial flows in the direction of climate and the SDGs; and
- contribute to supporting and reinventing multilateralism by promoting new forms of cooperation.

FOSTERING COLLECTIVE ACTION

The Finance in Common Summit is taking place 12 November 2020 during the Paris Peace Forum, an annual event focused on improving

global governance. The Summit is intended to contribute to the COP26 agenda and the G20 Summit. To ensure broad and effective engagement with all stakeholders, and in light of the Covid-19 crisis and its consequences, the Summit will deploy an innovative mix of in-person and enhanced digital session formats.

Leading up to the Summit, a research conference will be held on 10 November, during which a consortium of prominent academic institutions will present papers and share insights about how PDBs can produce better finance over the long term. Summit participants are most welcome to join.

The reorientation of global finance towards climate and SDGs needs a deeper and more coordinated effort. Public Development Banks are a significant part of the solution.

A KEY TO DELIVERING THE FINANCE WE NEED **FOR THE FUTURE WE WANT**

With their public mandates and counter-cyclical role, Public Development Banks are more relevant than ever to contribute to the reconciliation of economic recovery and sustainable development.

Public Development Banks have a key role to play in reorienting existing investment patterns towards – and facilitating increased investment in – sustainable development.

There are about 450 Public Development Banks (PDBs, also called Development Finance Institutions) around the world, operating at sub-national, national, regional, international and multilateral levels. PDBs share three main attributes:

- They enjoy independent legal status and financial autonomy.
- They are controlled or supported by central or local governments.
- They execute a public mandate, addressing market inconsistencies – notably for the financing of small and medium enterprises, essential infrastructures, local financial markets, housing, small agriculture, and regional and international trade – to the benefit of entrepreneurs, rural households, and the most vulnerable, including women and young people.

They are *not* engaged

in commercial banking, individual bank accounts or consumer credit.

The volume of activity of these institutions amounts to about USD 2 trillion annually – a staggering 10 percent of the total amount invested in the world every year by all public and private sources combined. With their public mandates and counter-cyclical roles, PDBs are more relevant than ever to help reconcile necessary short-term responses to Covid-19-related crises with solutions for long-term sustainable development. These institutions represent a “visible hand” that can help mobilize and direct the finance we need for the future we want.

A COURSE OF ACTION TO RESPOND TO NEW CHALLENGES

What type of collective action is required to avoid a long recession and make the post-Covid-19 recovery a sustainable one? How can PDBs help economies cope with short-term employment support and long-term necessary transformation of industries? How can they implement the transition towards a low-carbon and resilient economy? These questions will be at the core of the Finance in

Common Summit.

PDBs are already supporting the climate and SDG agendas. They provide long-term or concessional resources, initiate knowledge-sharing and technical-assistance programs, and promote private-sector involvement. In their effort to align with the goals of the Paris Agreement and the SDGs, a growing number of PDBs are also setting new requirements for the allocation of their own funding. However, the reorientation of global finance towards climate and SDGs requires a deeper and more coordinated effort to profoundly transform harmful practices.

CONCRETE AND SUSTAINABLE SOLUTIONS

In a world awash with liquidities, there is an urgent need for a coalition of financial institutions able to transform public resources into concrete and sustainable projects on the ground. Such coordination among PDBs would eventually link international policy issues with local solutions, and governments' ability to identify sustainable development trajectories with private-sector opportunities.

As public institutions, they represent a modern and large coalition of actors. PDBs are organized by region, with deep roots in local economic and social fabrics, and with historic support from regional Multilateral Development Banks. They play a vital part among local stakeholders and can deploy a wide range of powerful instruments in order to bridge market failures, mobilize domestic resources, redirect investments, support private sector mobilization and promote sustainability. PDBs are able to deliver both the "first mile" and the "last mile" of funding, connecting policy intentions with results on the ground – before, after, or in conjunction with

financial markets.

A NEW VISION OF DEVELOPMENT FINANCING

Some PDBs have already been active for decades, and an increasing number of governments are either strengthening them or establishing new ones. Their legitimacy is reinforced by a new vision of development financing – one that extends beyond the scope of infrastructure investment or other traditional mandates and that is capable of mobilizing both government institutions and financial markets.

On the ground, PDBs can help deliver the institutional change and real economy outcomes that are required to turn the UN SDGs into reality. For example, their funding and advice to governments can boost investment in social infrastructure, notably for healthcare. They can also help build the confidence to achieve carbon neutrality by 2050, while increasing the use of nature-based solutions.

PDBs' VOLUME OF ACTIVITY



≈ **\$2,300 BILLION**
invested annually



10%
of the total amount
invested in the world
every year

On the ground, Public Development Banks can help deliver the institutional change and real economy outcomes that are required to turn the UN SDGs into reality.

OVERVIEW

PUBLIC DEVELOPMENT BANKS AT A GLANCE

There are about 450 Public Development Banks (PDBs) in the world. Where are they, in which sectors, how much do they disburse?

WHAT'S A PDB?

Public Development Banks (PDBs) are a vast family of institutions at the intersection between finance and public policy. They share three characteristics:

- They enjoy independent legal status and financial autonomy.
- They are controlled or supported by central or local governments.
- They execute a public mandate, addressing market inconsistencies – notably for the financing of small and medium enterprises, essential infrastructures, local financial markets, housing, small agriculture, and regional and international trade – to the benefit of entrepreneurs, rural households, and the most vulnerable, including women and young people.

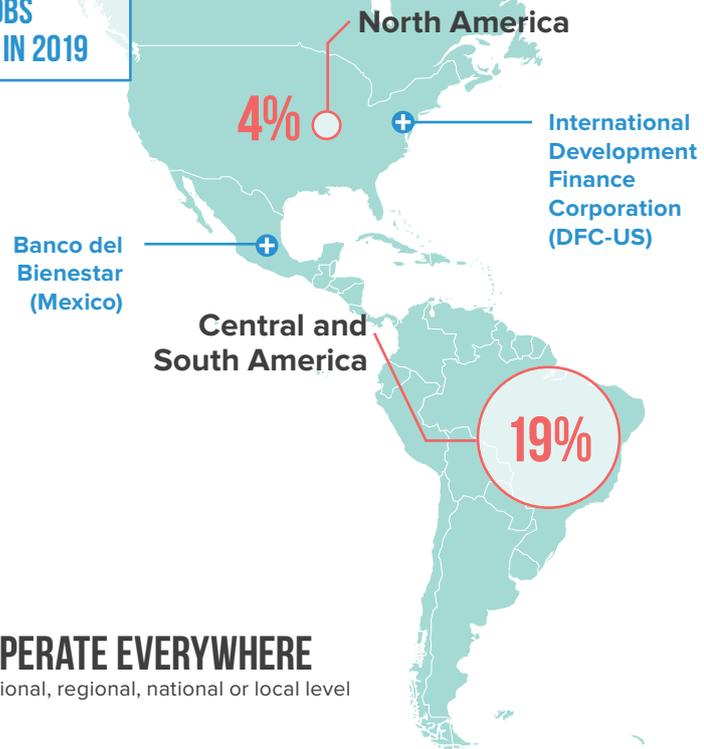
They are *not* engaged in commercial banking, individual bank accounts or consumer credit.

WHERE IN THE WORLD

ARE PDBs?

+ 5 NEW PDBS CREATED IN 2019

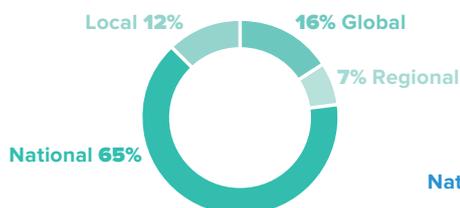
Global distribution



PDBs OPERATE EVERYWHERE

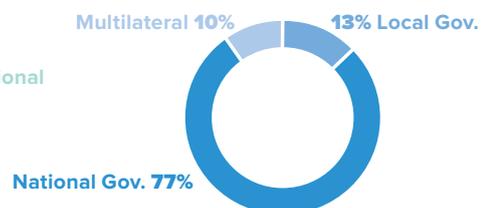
at the international, regional, national or local level

GEOGRAPHIC MANDATE
(% of institutions)

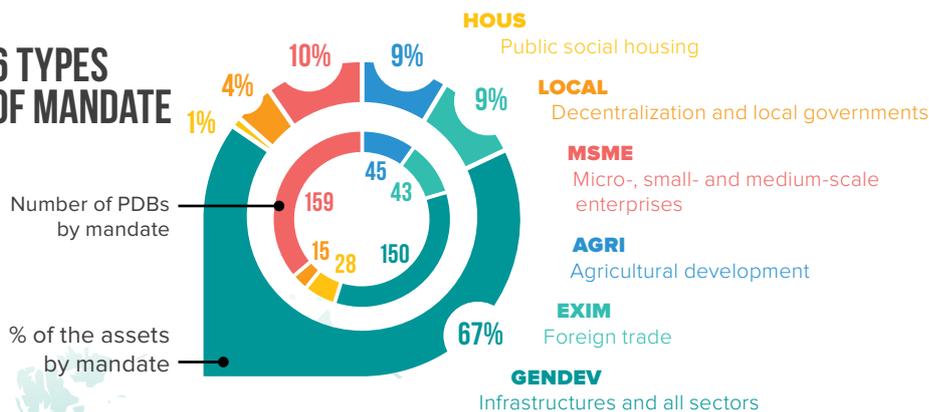


OWNERSHIP

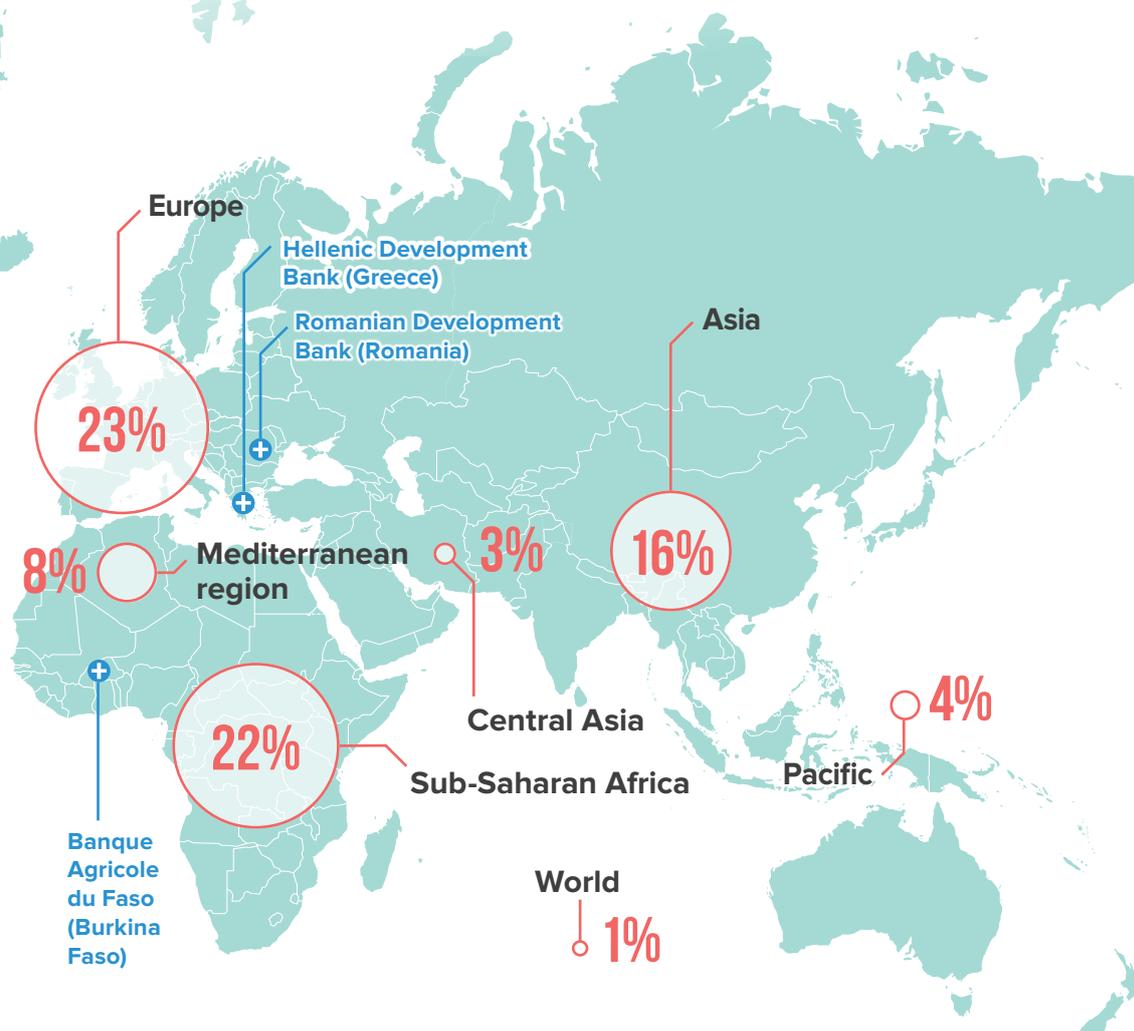
(% of assets by nature of owner)



6 TYPES OF MANDATE



About **450 PDBs** in the world in 2019. **30%** of them were created after 2000



\$11.2 TRILLION in assets in 2018



\$2,300 BILLION average annual investments, representing around **10%** of world gross capital formation



AMAZING FACTS

- **The World Bank**, created at Bretton Woods in 1944, is a global reference for governance, strategy, efficiency and international cooperation
- **China Development Bank** is the largest PDB with 2.4 trillion in assets (2018)
- **Caisse des Dépôts et Consignations** (France), created in 1816, is the oldest PDB
- **21 PDBs** make Brazil the country with the most numerous institutions
- **European Investment Bank**, the regional bank for Europe, is a reference for the development of European economies and infrastructures
- **Scottish National Development Bank**, to start operations in 2020, is the newest PDB



90% OF TOTAL ASSETS (\$10.2 trillion) are owned by the 50 largest PDBs

GLOBAL CHALLENGES, PRACTICAL SOLUTIONS

By taking part in the Paris Peace Forum, Public Development Banks have an opportunity to showcase innovative projects.

For the third year, the Paris Peace Forum is convening all actors of global governance, from heads of state to civil society, to push forward projects and initiatives meant to improve collective action. Public Development Banks are invited to apply to the Call for Projects to present and advance their initiatives.

The challenges the world faces – climate change, pandemics, terrorism, cyber insecurity and inequalities, especially based on gender – ignore borders. But whereas addressing them would require international cooperation and collective action, collaboration seems to be increasingly difficult as countries are turning inward. Today, the international community struggles in finding the appropriate responses.

GLOBAL PROBLEMS CALL FOR GLOBAL SOLUTIONS

The mission of the Paris Peace Forum is to contribute to bridging this global governance gap. It is based on a simple observation: global problems without cooperative solutions can lead to conflicts.

To advance concrete practical solutions where there are none, the Forum fosters hybrid coalitions by

bringing together old and new actors of global governance: states and public entities, multilateral organizations, NGOs and private-sector, foundations, civil society at large, and this year, Public Development Banks (PDBs).

Most of all, the Forum is project-oriented: every year, its Space for Solutions showcases concrete governance solutions that take on global challenges. These initiatives can be normative – instruments of law, standards and good practices – or oriented towards capacity-building – new institutions, mechanisms and innovations.

PDBs have also been invited to submit their projects focused on the operational response to the Covid-19 crisis.



PARIS
PEACE
FORUM

PDBs, COME AND PROMOTE YOUR INITIATIVES

By taking part in the Paris Peace Forum, Public Development Banks have the unique opportunity to showcase their innovative solutions and push their projects forward. A chance for them not only to increase the visibility of their projects, but also test it before diverse audiences, all the while connecting with potential partners and sharing their experience and knowledge with other project leaders and participants from all over the world. Last but not least, some projects from the Space for Solutions will be selected to receive additional resources with an ongoing support during the whole first year of their implementation.

Projects leaders who will not be able to travel to Paris because of health restrictions will be able to showcase their project online.

SPACE FOR SOLUTIONS

EXHIBITING INNOVATIVE SOLUTIONS FOR CONCRETE ACTION

An international Call for Projects gave special consideration to initiatives addressing the following objectives:



BOUNCING BACK AFTER CORONAVIRUS AND IMPROVING TOOLS OF RESILIENCE



CONSTRUCTING MORE SOLID SECURITY ARCHITECTURES



RECONCILING DEVELOPMENT FINANCE WITH CLIMATE EFFORTS



CRAFTING SUSTAINABLE CAPITALISM



PROTECTING THE OCEANS



IMPROVING ACCESS TO CLEAN WATER



MAKING OUTER SPACE SAFE AND SUSTAINABLE



SECURING CYBERSPACE



REGULATING THE USE OF DATA AND AI



ENHANCING THE GOVERNANCE OF EDUCATION



ENSURING GENDER EQUALITY

FOR MORE INFORMATION ABOUT THE 2020 PARIS PEACE FORUM CALL FOR PROJECTS:

parispeaceforum.org

The Call for Projects was open to all key actors of global governance: States, international organizations, NGOs, companies, foundations, philanthropic organizations, development agencies, religious groups, trade unions, think tanks, universities, and more.

THE VISIBLE HAND DEVELOPMENT BANKS IN ACTION FOR CLIMATE AND SDGs

On 9-10 November 2020, a research conference will take place in Paris, gathering a community of researchers as well as Public Development Banks representatives. In the context of the Covid-19 crisis, this conference will be an opportunity to exchange insights and findings, clearing the way ahead.

The research conference aims to deliver concrete, evidence-based recommendations for the consideration of decision-makers.

An international group of prominent researchers has been constituted to support the Finance in Common Summit with a series of academic papers. They will liaise closely with senior officials from Public Development Banks (PDBs), including members of the International Development Finance Club (IDFC) and the World Federation of Development Finance Institutions (WFDFI), as well as with other stakeholders, notably from the private sector. The event will be broadcasted and its material published in a conference proceedings booklet.

OPENING A PATH FOR MORE RESPONSIBLE BANKING

The research group will present its work and findings during a conference on 10 November. This conference will aim to deliver concrete, evidence-based recommendations for the consideration of decision-makers who will be participating at the Finance in Common Summit. That includes governments,

Development Banks and regulators. The paramount question concerns the scaling up of the Development Banks' contribution to the action plan for climate and SDGs. The severe crisis affecting the world, which follows the Covid-19 disruption, is indeed opening an avenue for better, larger, and more responsible banking in order to rebuild our economic systems in a more sustainable way.

5 KEY CHALLENGES

The research group aims to deliver key contributions on:

- 1. The inclusion of Development Banks** in the architecture of global finance and the efficient use of the various types of Development Banks (multilateral, international, regional, national, and local).
- 2. The business model of Development Banks.** The research group will aim to evaluate which of the Development Banks' instruments are best suited to maximize their impact on sustainable development. An important task being also to catalyze funds from the private sector and to take into account the different levels of development or priorities of the countries.

3. Alignment with long-term climate and SDG trajectories.

A primary challenge for coherent action is to find common frameworks to guide all investments – public and private, in higher- as well as lower-income economies – from all actors in the direction of the SDGs and the Paris Agreement. On SDG alignment and among many other ongoing initiatives, the G7-mandated initiative led by the UNDP and the OECD will present its first results at the end of 2020. The use of robust taxonomies, including the framework for sustainable investment developed by the European Union, can also be a useful basis to support investment in certain assets or to support climate-related risk analysis. Multilateral Development Banks and the IDFC, committed to aligning with the Paris Agreement, are also making progress in defining the appropriate methodology.

4. Regulatory frameworks and public incentives.

These frameworks will be examined in their capacity to provide a relevant set of incentives in order to engage in climate and SDGs.

5. Mandate and governance.

Aside from international and multilateral development banks, very few PDBs currently benefit from mandates explicitly related to the climate and SDG agendas. Best practices on how to effectively govern Development Banks (financial autonomy, transparency, accountability, etc.) will be discussed.

REACHING OUT FOR A STRONGER COORDINATED EFFORT

Along with the research group, additional institutions may contribute to the conference with their own studies

reflecting their vision of the role PDBs could play for an efficient financial architecture. These institutions may include the IDFC, the Overseas Development Institute (ODI) of London, the OECD/UNDP, the Institute for Climate Economics (I4CE) in Paris, the World Resources Institute (WRI), and the Green Climate Fund. Other research centers, think tanks and practitioners are invited to participate and share their findings on the role that DFIs may play in achieving the SDGs. Smaller institutions prominent in their home country will be specifically included.

The AFD, the IDFC and the Ford Foundation have confirmed their support for the Research Program.

RESEARCH GROUP

COORDINATORS

- **Jiajun Xu**, Executive Deputy Dean at the Institute of New Structural Economics (INSE) at Peking University, China; leading, along with the AFD research department, the construction of the first comprehensive database on DFIs worldwide
- **Stephany Griffith-Jones**, Financial Markets Program Director at the Initiative for Policy Dialogue at Columbia University, United States; co-author of *The Future of National Development Banks*
- **Régis Marodon**, Sustainable Finance Advisor at the Economic Research Department of the AFD, France

RESEARCH PROGRAM

MAIN PARTICIPANTS

THE INCLUSION OF DEVELOPMENT BANKS

- **Jose Antonio Ocampo**, former Colombian Finance Minister; professor, Columbia University, United States
- **Alfredo Schclarek Curutchet**, associate researcher, National Scientific and Technical Research Council (CONICET), Argentina

THE BUSINESS MODEL OF DEVELOPMENT BANKS

- **Stephany Griffith-Jones**, research group coordinator (*see above*)
- **Jiajun Xu**, research group coordinator (*see above*)
- **Shari Spiegel**, Chief of the Policy Analysis & Development Branch in the Financing for Sustainable Development Office of the UN-DESA
- **Eduardo Fernandez-Arias**, former Principal Research Economist, Inter-American Development Bank
- **Patrick Guillaumont**, president, and **Laurent Wagner**, research fellow, Foundation for studies and Research on International Development (FERDI)

ALIGNMENT WITH LONG-TERM CLIMATE AND SDG TRAJECTORIES

- **Kevin Gallagher**, Director, Global Development Policy Center of Boston University, United States; co-chair, T-20 Task Force on International Financial Architecture
- **Sébastien Treyer**, Director, and **Damien Barchiche**, head of Agenda 2030 program, Institute of Sustainable Development (IDDRI)
- **Harvey Himberg**, Environmental and Social Safeguard Consultant, Green Climate Fund
- **Ian Cochran**, Director of Financial Institutions Program, I4CE

REGULATORY FRAMEWORKS AND INCENTIVES

- **Ulrich Hege**, Vice-President, Toulouse School of Economics, France
- **Ricardo Gottschalk**, Economic Affairs Officer, UNCTAD
- **Lavinia Barros de Castro**, researcher and manager, BNDES

MANDATE AND GOVERNANCE

- **Tianyang Xi**, political scientist, National School of Development, Peking University, China
- **Samantha Attridge**, Senior Research Fellow, ODI

MOBILIZING A NEW GLOBAL COALITION

By challenging a new and significant global community with enhanced capacity of action, the Finance in Common Summit will be a key milestone on the way to the crucial events of 2021, notably the COP26, the COP15, and the Generation Equality Forum.

Expected outcomes for Public Development Banks (PDBs) during the Summit and beyond:

➤ **Presentation of an overview of the action of PDBs**, describing the complementary role of domestic and international finance as well as public and private finance in meeting the Paris Agreement's goals and the SDG agenda. A Public Development Banks research paper (or series of papers) – explaining the role and business model of PDBs, their governance and stakeholders, their operations and their impacts – will be released during the Summit, along with other contributions from various partners on their vision of the role PDBs could play for an efficient financial architecture.

➤ **A collective statement from all Public Development Banks** declaring their willingness to actively contribute to the recovery while aligning with sustainable finance principles and incorporate the goals of the Paris Agreement, the Convention on Biological Diversity, and the 2030 Agenda into their business strategy, core standards and impact analysis. In addition, the statement would account for progress made.

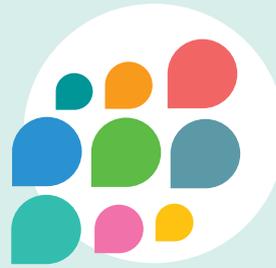
MAKING THE MOST OF OUR MOMENTUM

Within the Paris Peace Forum, whose purpose is to advance practical governance solutions and scale-up projects, the Finance in Common Summit is an opportunity to launch concrete measures and innovative initiatives. The Forum will showcase a specific Call for Projects that focuses on the operational response to the Covid-19 crisis, and PDBs have been invited to submit projects. Donors might also very well take the Summit as an opportunity to announce initiatives that support and incentivize the alignment of PDBs with SDGs.

Moving forward, the Finance in Common Summit could also welcome individual statements from a number of Heads of State and government leaders, as well as from all willing stakeholders, notably the private sector and civil society, outlining concrete commitments to adjust their mandates and support the work of their PDBs towards climate and SDGs.

By rallying and challenging a new and significant global community with enhanced capacity of action, and by promoting sustained collective action, the Finance in Common Summit seeks to contribute substantially to the success of the UNSG's "Decade of Action".

Moving forward, the Finance in Common Summit could also welcome individual statements from a number of Heads of State and government leaders.



Finance in Common

The first global summit of all Public Development Banks

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