

Joint IDFC-MDB Statement: Together Major Development Finance Institutions Align Financial Flows with the Paris Agreement

Statement | 12 December 2017

The global development agenda is being transformed in fundamental ways. The Sustainable Development Goals (SDGs), agreed upon by the international community, constitute a universal compass, highlighting the need for systemic and collective action for sustainable, equitable, and inclusive development for everyone on this planet. The imperative for mobilizing and shifting financial flows, public and private, towards sustainable development was highlighted by the 2015 Addis-Ababa Financing for Development Conference. The Paris Agreement reached at COP21 recognized that all countries and stakeholders must act to combat climate change. Since the Agreement's entry into force in 2016, the momentum for climate action has become irreversible.

Development Finance Institutions (DFIs) play a pivotal role in scaling up and directing climate finance, and in helping shape the policies and regulations needed to transition to low-carbon, climate-resilient development, including achieving net zero emissions in the second half of this century. Development banks—national, regional, international, and multilateral—represent some of the largest providers of public finance for sustainable development. Together, they can facilitate and accelerate the implementation of the Paris Agreement, continuously raising their ambitions.

Members of the International Development Finance Club (IDFC)[1] and the multilateral development banks (MDBs) play a fundamental role in directing capital towards sustainable investments by demonstrating the opportunities and potential returns, and by reducing the risks associated with them. At the same time, IDFC members and MDBs can actively contribute to mainstreaming the sustainable development and climate agendas across all sectors, in accordance with their mandates. Their total annual climate finance commitments have increased over the last few years, and continue on an upward trend.[2]

Members of the IDFC and MDBs are increasing their climate financing in mitigation and adaptation. They also continue to mobilize external investments for climate actions; jointly lead on the transparent tracking and reporting of climate finance flows and impacts; support the implementation of the Nationally Determined Contributions (NDCs); and facilitate activities that transition development to low-carbon and climate-resilient pathways.

Today, at the 2017 One Planet Summit organized in Paris, building on their proven capacity and combining the power of DFIs worldwide and at all levels, IDFC and MDBs commit to deepen their collaboration, with each other and with other interested entities, in order to:

- Further embed climate change considerations within their strategies and activities, and promote the mainstreaming of climate action throughout the financial community, inspired by the five voluntary Principles for Mainstreaming Climate Action within Financial Institutions. Specific attention will be devoted to managing climate risk and to the integration of climate resilience and adaptation.
- Redirect financial flows in support of transitions towards low-carbon and climate-resilient sustainable development. Building on what is already being done, this will increase the overall amount or share of finance that goes towards climate action.

- Catalyze investments to address new economic, social, and environmental challenges and opportunities related to climate change, particularly by using their capital to mobilize additional private capital and to blend their financing most effectively with other sources to drive climate action and results.
- Pursue the development of processes, tools, methodologies, and institutional arrangements that make it possible to design and implement climate action at the required scale. This includes reinforcing the collaborative effort between DFIs to improve the quality, robustness, and consistency of climate finance tracking and reporting through the sharing of best practices and knowledge and by increasing the transparency and accessibility of their climate finance data. It also involves the development of a common framework for tracking progress towards achieving resilience, to be shared by COP24.
- Collaborate with national and sub-national governments in promoting the reduction of greenhouse gas emissions, including through developing sustainable alternatives to fossil fuel investments, based on national circumstances and contexts, and prioritizing the financing of these alternatives. This should involve the implementation of instruments or measures to shift investments to sustainable asset classes, such as the use of a shadow price of carbon; reporting of greenhouse gas emissions; assessments to avoid the potential for stranded assets; employing measures to avoid deforestation and encourage improved land use; or putting in place more explicit policies to significantly reduce reliance on fossil fuels and rapidly accelerate financing for renewables.
- Support the development of enabling policy and regulatory environments, at both national and sub-national levels, in conjunction with the private sector and civil society, while remaining focused on the most vulnerable populations. IDFC members and MDBs will continue to deepen this work and increase country-level coordination between institutions. As per their respective mandates, IDFC members and MDBs will continue to contribute to policy dialogues, develop technical capacities of clients, and strengthen institutions to enable the translation of NDCs into policies, investment plans, and financeable programs and projects, as well as into incentives for the business community.
- Further support countries and partners to accelerate climate action and ambition by 2020, including the development of long-term 2050 decarbonization pathways and strategies to reach zero net emissions and promote shorter-term actions that provide the building blocks for achieving these longer-term development pathways.

Poverty eradication and sustainable development goals cannot be met unless there is a collective push to address climate change at the same time. To accelerate impact, it is particularly important for all development partners to come together, move forward on their enhanced commitments, and raise the internal and external ambition on climate.

As public actors with long-term mandates, DFIs have a responsibility to contribute to the collective governance and action needed to fight climate change. Turning the Paris Agreement into concrete action requires new cooperative approaches. In this spirit of collaboration, the IDFC members and MDBs are teaming up, 2 years on from the historic moment at COP21, to reaffirm their joint commitment to align their financial flows with the Paris Agreement.

[1] See www.idfc.org.

[2] The MDBs annually publish the Joint Report on MDBs' Climate Finance. The 2016 report is available at: <http://www.ebrd.com/2016-joint-report-on-mdbs-climate-finance.pdf>

The IDFC reports Green and Climate Finance Data through the Green Finance Mapping reports (www.idfc.org/Our-Program/green-finance-mapping.aspx).