

IDFC Contribution to the Standing Committee on Finance

Call for evidence: information and data for the preparation of the 2020 Biennial Assessment and Overview of Climate Finance Flows

Created in 2011, IDFC is the leading group of 26 national and regional development banks from all over the world, a majority active in emerging markets. IDFC is the largest provider of public development and climate finance globally, with USD 4 trillion in combined assets and annual commitments above USD 600 billion, including USD 150 billion of climate finance.

IDFC members have the unique function of supporting domestic policies while transferring international priorities into their own constituencies

Since 2015, IDFC publish a **Green and Climate Finance Mapping annual report** to illustrate the contributions that IDFC members provide to green and climate finance. The report is constantly improving the reporting methodology, and hopes to further member efforts in tracking and reporting on green finance flows. **The IDFC survey uses the Multilateral Development Banks (MDBs) and IDFC Common Principles for Climate Mitigation and Adaptation Finance Tracking.** Under the supervision of Climate Policy Initiative (CPI), data are checked for reliability and are then presented in aggregate form.

National and regional development banks have a huge potential to support the implementation of the Paris Agreement on climate, and to generate green and climate – public and private – finance at scale to address the specific needs of their national economies, societies and environments. Over the period 2014-2018, the national and regional development banks of the IDFC reported on average close to USD 150bn yearly of climate finance, representing about 20% of their total financial commitments. The IDFC members have also shown they have the technical and financial capacities to deliver even higher amounts of climate finance, as the USD 200bn mark of yearly climate finance was reached during this period.

While 2015-2017 saw strong, sustained growth in green commitments from IDFC members, findings from 2018 indicate a decrease from the record levels of 2017, in particular in the areas of mitigation and other, non-climate-related, environmental projects. Among other factors, the decrease is due to cyclical macroeconomic policy evolutions in some countries impacting development banks' overall financial commitments and hence green finance levels, in particular in the areas of urban development and hydro-power generation, which benefited from considerable support in recent years. However, many IDFC institutions show stable or increasing green finance commitments. **In 2018, IDFC members reported total green finance commitments of \$134 billion.** Although this represents a 39% decrease from commitments in 2017, cumulative green finance commitments by IDFC members are over \$670 billion since 2015.

On the occasion of the UN Climate Action Summit, IDFC has reaffirmed its role as a major stakeholder and solution provider in the financing for sustainable development and IDFC strengthened its quantitative and qualitative contributions to low carbon and climate resilient development.

Through its Communiqué, IDFC stated its potential to mobilize significant volumes - **more than USD 1 trillion of climate finance by 2025, including an increasing share for adaptation and resilience; - and to leverage financing from the private sector,** in order to help achieve the Paris Agreement objectives and contribute to redirecting other financial flows towards climate-compatible and

sustainable development pathways.

Beyond volumes, IDFC committed to further contribute to the quality and impacts of finance to implement the climate and sustainable development agendas. **IDFC commissioned a study by think tanks I4CE and CPI on aligning finance with the Paris Agreement published on the occasion of the Climate Summit**, which provides a robust framework usable by the financial community at large. It promotes (i) a comprehensive scope of action, i.e. screening all activities financed for positive or negative climate impacts; (ii) the contribution of near term actions to the achievement of long-term goals of the Paris Agreement and the SDGs; and (iii) a do no harm approach while aiming for deep transformations of systems and value chains.

IDFC further committed to working towards **reinforcing its collaboration** to play a key role and provide market signals to promote long-term carbon neutrality and resilience.

To achieve these targets, and to operationalize alignment with the Paris agreement, the members of the IDFC are implementing several concrete actions, such as:

- **Launching a USD10mn IDFC Climate Facility** to build collective capacities of all IDFC members to originate and finance climate activities, with effective operationalization before COP25, at the end of 2019, including the setting up of the Facility's Coordination Unit and related staffing arrangements as well as the implementation of initial knowledge sharing and analytical work;
- **Setting up a strategic partnership with the Green Climate Fund** with a view to achieving together the Paris Agreement objectives and promoting direct access to national and regional development banks to provide, intermediate, implement and/or mobilize domestic and international climate finance

IDFC members called for strong political support from governments and regulators to consolidate this momentum and unleash the potential of public national and regional development banks.

This may include the **explicit mention of climate and sustainable development considerations in the mandates of development banks** or in their business plans. It may also entail **evolutions in the regulatory frameworks** of such institutions to further enhance climate and sustainable development investments (SDI). It also implies **consolidating the international climate and sustainable development finance architecture**, to make it more collaborative and coordinated, in particular by making the best use of the resources, capacities and added value of local financial systems, national and regional development banks, multilateral development banks and the United Nations Agencies and financial mechanisms.

In that perspective, **the IDFC proposed that, under UN sponsorship, a Summit of Development Banks be organized in November 2020**, ahead of COP 26, to mobilize all development finance institutions worldwide as well as their broad stakeholders, with a view of further tapping their decisive potential to enable the implementation of the climate and SDGs agendas.