



Turning the Paris Agreement into Action IDFC takes the lead to promote low-carbon climate resilient futures

The development agenda is being transformed in three fundamental ways. The Sustainable Development Goals (SDGs) agreed upon by the international community constitute our new and universal compass, highlighting the need for systemic and collective action for a sustainable, equitable and preserved life for all on our planet. The Paris Agreement reached at COP21 last December recognized that all countries must act to combat climate change. A third paradigmatic shift occurred in July 2015 in Addis-Ababa, at the Financing for Development conference, where the imperative of shifting finance flows, public and private, towards sustainable development, as well as the key role of local financial institutions, was largely acknowledged.

Development banks (national, regional and international) must take leadership to facilitate and expedite the implementation of such decisions and continuously contribute to raise their ambition. Such financial institutions represent the largest source of public of finance for sustainable development. They therefore have the ability and play a pivotal role to direct capital and demonstrate to markets the opportunities, risks and potential returns of sustainable investments, while at the same time being active actors in policy dialogues to help mainstream the sustainable development agenda in all sectors.

Such is the vision of the International Development Finance Club (IDFC), a unique network of 23 likeminded national, regional and international development banks from all over the world, of which 19 are based in developing countries. Going way beyond the traditional North/South divides, IDFC members have bundled their global expertise and innovation, in-depth local know-how, and total assets of more than USD 3 trillion to promote a similar vision of low-carbon and climate resilient futures, while continuously pursuing poverty reduction, economic and social development and a fair and equitable design of the globalized economy.

With annual commitments above USD 630 billion/year, of which close to USD 100 billion help combat climate change and adapt to its effects as well as preserve our planet, IDFC is the largest provider of public climate finance globally. More than two thirds of green and climate financing provided by club members to developing countries originates from developing country banks, illustrating the importance of South-South climate funding. Climate finance is not only smart development finance but also a responsibility for all development banks like IDFC members worldwide.

Today, at the 2016 edition of the Climate Finance Forum held in Casablanca, Morocco, ahead of COP22, and as the Paris Agreement enters into force, IDFC pledges to further enhance its engagement and take a leadership role to promote the implementation of the NDCs and the necessary transitions to low-carbon and climate resilient development pathways.

IDFC will achieve this by bundling the power of development finance institutions worldwide, including at national and regional level, and build on their proven capacity to:

- Catalyze investment in new economic, social and environmental sectors, in particular through the development and dissemination of new financial products to scale up local and international, public and private sector climate-smart investments. Such products relate among others to the promotion of activities contributing to reduce climate-related risks; the

facilitation of private investment in climate-smart development programs in a variety of sectors; initiatives to strengthen local financial institutions as key actors to mobilize local and international, public and private sector investment; structured funds for climate investments in developing countries, to attract investors on less risky tranches or to provide more protection to private and institutional investors; syndication and aggregation platforms to facilitate co-investment; and/or instruments and facilities to bridge critical funding gaps of sustainable development projects and programs.

- Co-develop with national and sub-national governments, the private sector and civil society enabling regulatory and policy environments, including by contributing to policy dialogues, building technical competencies and strengthening institutions. Many of IDFC members are national development banks that are already pro-actively involved in the design and implementation of climate-smart development in their respective countries.

IDFC will also continue working intensively and in cooperation with other development finance institutions such as the MDBs to mainstream principles and methodologies throughout the financial community to increase transparency and efficiency, as well as build confidence that money is flowing to help deal with climate change. Several IDFC members contributed to the elaboration and were founding institutions of the five voluntary *Principles for Mainstreaming Climate Action Within Financial Institutions*, which were launched during COP21 and now serve as an aspirational guide for the financial community.

The potential to expand IDFC's climate activities will be maximized through robust strategic collaboration with other stakeholders of the financial system and beyond, as well as the full integration of IDFC members within a renovated international climate finance architecture. In particular, IDFC members are extremely well positioned to implement and intermediate - and several of them are already concretely working with - the Green Climate Fund resources, and help it achieve its paradigm shift objectives.

IDFC members are also committed to increase the sustainability of capital markets in general, including by actively contributing to the development of green and climate bonds, in an effort to stimulate the appetite of investors towards climate financing. An increasing number of IDFC members¹, including several from developing countries, have already issued green/climate or social bonds. These are benchmark transactions not only in terms of volume but also regarding quality standards, which is crucial for the credibility of such instruments. IDFC members intend to further develop such instruments and to be regular issuers into the green, climate and more generally sustainable development bond market.

With all these collective capacities, know-how and accumulated experience, and the sense of the urgency to turn decisions into short and longer term impactful action, IDFC pledges to be a lead contributor to the transformation of NDCs into policies, investment plans and financeable programs and projects, and into incentives for the business community. IDFC will do so in synergy with emerging NDC implementation initiatives and facilities including some being already promoted by IDFC members and other development banks, and by working collaboratively and contributing as practitioners to international platforms, in particular the NDC Partnership. IDFC will continuously strive to ensure countries receive the tools and expedited access to finance they need to achieve ambitious climate and sustainable development targets as fast and effectively as possible.

¹ KfW AFD, NAFIN, BCEI/CABEI, and TSKB already issued green/climate bonds, and JICA issued social bonds.