



Greening Development Finance Mainstreaming climate change within financial institutions

2015 is a critical year as the international community negotiates the international agreements that will help the world address the urgency of limiting the global average temperature increase to 2 °C above pre-industrial level.

All countries are confronted by the challenge of how best to place their economies and societies on a low-carbon, climate-resilient development path. Public and private financial institutions have a pivotal role to play in channeling short and long-term financing to investments and asset classes to support implementation of such pathways. To deliver financing at the necessary scale, financial institutions will need to deepen existing efforts to integrate climate change within their strategies, programs and operations, in order to ensure sustainable investments consistent with a low-carbon, climate resilient future.

Many public and private finance providers, from developing and developed countries, have significant experience in “greening” development finance, as illustrated by the accumulated experience over the past decade in integrating environmental, social and governance considerations into their activities.

Today, the *Climate Finance Forum* provided stakeholders from across the financial community with the opportunity to discuss the wide range of initiatives and tools that can be deployed to further mainstream climate adaptation and mitigation considerations within their strategies, programs, and operations, and thus deliver better development results. This includes a range of activities from the development of climate-informed strategies and priorities, to the development of tools at the project and program levels.

The *Climate Finance Forum* showcased a range of initiatives being undertaken by leading financial institutions such as setting quantitative targets and commitments for financing climate change activities, integrating climate change into core institutional priorities and goals, establishing organizational structures and staffing with climate change expertise and engaging in international climate change platforms.

Financial institutions also showcased work to assess and address greenhouse gas emissions associated with investment activities for example through greenhouse gas accounting, emissions caps, portfolio reduction targets, and decarbonization of assets. Various efforts to build climate risk management into investment decisions were discussed such as carbon pricing, screening for climate risk and/ or vulnerability at project and portfolio level, and improving the climate-resilience of investments and impacted communities. Other tools to guide and support climate investments were also identified, for example sector strategies that build in climate considerations, financial instruments/initiatives to support climate-relevant investments, monitoring and evaluation frameworks that incorporate climate change.

Today, several multilateral development banks (MDBs) and IDFC members (institutions including CAF, WBG, AFD, IDB, ADB, AFDB, EIB, JICA, ...) confirmed their interest to collectively work to establish a set of best practices on how to build climate considerations into development finance, drawing on the wide range of existing initiatives. Sharing best practices will help the development finance community at large to be better equipped and deploy new ideas to move progressively towards greener and climate friendly investments that support better development results.

The above mentioned institutions will work together to make a significant move towards developing a set of best practices throughout 2015 and before COP21, while ensuring strong links with other mainstreaming activities undertaken by private financial actors such as asset managers, investment funds, insurance companies, private banks. Other interested financial stakeholders are invited to join, contribute to and/or follow this process.

This initiative could eventually encourage financial institutions that are integrating climate change in their decision making processes, to voluntarily and progressively apply best practices and report on progress made on a regular basis.
