International Development Finance Club

IDFC

Making the financial system consistent with achieving the SDGs

Elements for the implementation of SDG alignment by Public Development Banks

04/09/2023



The adoption of the Sustainable Development Goals (SDGs) in 2015 set a common agenda to be achieved by 2030, providing a systemic framework for sustainable development.

Achieving the SDGs requires **making worldwide financial capital and flows** compatible with these goals. Recognized on the climate aspect through Article 2.1.c of the Paris Agreement, in the Sendai Framework on Disaster Risk Reduction through Part 3 and more recently in the Montreal/Kunming Global Biodiversity Framework through Goal D, this need to redirect financial capital and flows is also making its way into the SDGs as a whole. It is emerging as the new frontier within the financial community for implementing the 2030 Agenda.

Public Development Banks (PDBs) have a unique role to play in helping to reorient economies towards the SDGs, in line with countries' strategies and action plans. They can do so by addressing market failures, mobilizing governments and public institutions, financial markets, the private sector, civil society, and by linking global issues with local solutions. In an increasingly complex and volatile world, where economic and geopolitical instabilities, climate and environmental decline, social, health crises as well as technological acceleration are reshaping the future, PDBs are more relevant than ever. They can contribute to the reconciliation of short-term priorities with longer-term visions and impacts on the people and the planet.

With their long-term public mandates and key position, IDFC members have a critical economic and financial role in the areas they operate in. They provide more than USD 800 billion in annual investment, of which an average of 20% is dedicated to green financing, and they have the potential to mobilize significantly higher amounts.

Eleven years ago, IDFC members pledged[1] to contribute to accelerating the transition towards sustainable development, to leveraging public and private resources in that sense, and to aligning themselves with corresponding principles that would enable them to play a catalytic and coordinating role. Since then, IDFC members have continuously advanced their commitment to aligning with climate, biodiversity and the SDGs[2], reinforcing the volume, quality and impacts of their activities, in support of international initiatives.

Furthermore, building on the commitments made in the Joint Declaration of All Development Banks in the World at the initial Finance in Common Summit in 2020, regarding contributions to the emergence of a global framework for SDG-compatible finance, IDFC and its members reaffirmed their pledges to continuously raise their ambitions relating to the alignment of their own activities, as well as their support to the alignment of the wider financial system, with the SDGs.

Today, in the context of the September 2023 UN SDG Summit, with the imperative of a concrete operationalization of the 2030 agenda in terms of scale and speed, and based on existing principles, common accumulated experiences and recent studies, **IDFC adopts a framework of implementation elements** for the alignment of Public Development Banks with the SDGs**.**

IDFC also commits to promoting its concrete **application by its members** as well as **other interested Public Development Banks and financial institutions**, and to regularly report on progress made, with a first milestone in 2025 at the Addis+10 conference.

---

[1] IDFC Rio+20 Declaration, 2012

[2] IDFC References: 2018 Position paper on alignment with the Paris agreement; 2020 Position paper on SDG alignment; 2021 State of ambition an climate; 2022 Position paper on biodiversity

This framework for SDG alignment of PDBs, based on the principle of making all financial flows compatible with achieving the SDGs, comprises concrete elements for implementation at three different levels: (1) **entity** (policies and strategies, human resources and incentives), (2) **operations** (processes and tools, products and services, accountability) and (3) **external** partners (mobilization of stakeholders).

1- ALIGNMENT AT ENTITY LEVEL: SETTING AN INTERNAL TRANSFORMATION FRAMEWORK

Aligning with the SDGs is a process of internal transformation of the institutions. Building upon existing principles and/or practices[3], and inspired by recent analytical work by prominent organizations and think tanks[4], IDFC promotes the following pillars **for PDBs' institutional alignment:**

a) Developing a holistic strategy and long-term vision aligned with national roadmaps, including SDGs' roadmaps, Nationally Determined Contributions (NDCs), National Biodiversity Strategies and Action Plans, and long-term strategies. This entails basing the long-term vision on a broad consultation process and seeking to co-design it with relevant national authorities and partners to ensure ownership and efficient implementation. It also involves inter alia assessing and/or rethinking the bank's mandate, defining corresponding strategies and policy frameworks and setting objectives and targets.

b) Fostering a sustainable development culture (including enhancing SDG qualifications among decision-makers and an SDG culture among employees, creating SDG-related governance structures, setting up applicable career incentives and recognition programs, facilitating knowledge sharing related to SDGs, and developing SDG champions among different internal teams, etc).

c) Developing an implementation roadmap in order to mainstream the SDGs at both entity and operational level.

d) Continuously seeking to (i) promote increased SDG alignment ambition of national roadmaps and strategies, as well as among clients and partners; (ii) mobilize and provide transformational activities, investments and impacts for sustainable development pathways; and (iii) reflect such efforts in result frameworks to ensure outcomes are progressively made more ambitious and lead to reaching the SDGs.

e) Reflecting the sustainable strategy in corresponding financial and non-financial activities, including the funding plan with the issuance of sustainable finance products and bonds, as well as in risk management by adjusting policies and processes, as applicable, to maximize SDG contributions.

For example, approaches and types of tools that inform and give traction to the actions above, could include the diagnosis Canvas "Stop Adjust Amplify Undertake

[3] Such as, in the area of climate change, the 6 IDFC principles on operationalizing alignment with the Paris Agreement, or the support and implementation by several IDFC members of the 5 voluntary principles for Mainstreaming Climate Action in Financial Institutions.
[4] Including IDFC commissioned study on PDB's catalytic role in achieving the SDGs by Natixis-CIB, or the study on Financing the 2030 Agenda: An SDG alignment framework for Public Development Banks by the European Think Tanks Group (ETTG)

(SAAU) Framework" or the "SDG Integration Trackers"[5] at entity level developed in the study commissioned by IDFC on PDB's catalytic role in achieving the SDGs by Natixis-CIB.

2- ALIGNMENT AT OPERATIONAL LEVEL:
CONTEXTUALIZATION, EX-ANTE ASSESSMENTS AND MONITORING TO GUIDE DECISIONS

a) Ensuring geographic contextualization

Through their networks of local offices, stakeholders, or a wide spanning portfolio of clients, including local government and businesses, PDBs, and in particular national and sub-national development banks, usually have in-depth knowledge of the social and economic fabric of the countries/regions where they operate. Knowledge of the country context, stakeholders and political economy provides essential insights to identifying risks and opportunities in implementing SDG-oriented policies and investments that are consistent with national strategies and priorities.

Additionally, PDBs are part of an ecosystem of financial stakeholders operating in a given country/region, and can develop exchanges and common analytical diagnostics, further contributing to the dissemination of local knowledge with them.

By anchoring their strategies and activities into the national or local roadmaps (according to principle 1-a) above), by considering the needs and characteristics of the contexts where they are operating, and by joining forces with other PDBs and stakeholders of the local financial system to do so, PDBs can focus on the most critical and actionable/investable SDG implementation issues, and target the most vulnerable or deprived populations.

b) Assessing ex-ante SDGs' impacts to guide decisions and ensuring their monitoring

PDBs need concrete and harmonized tools to characterize at an early stage of the project/activity cycle how and to what extent an investment is aligned with the SDGs, aimed at improving the overall SDG quality of their investment portfolios.

The use of ***ex-ante* SDG-impacts assessment tools**, applied to all activities financed, thereby facilitating, and influencing financial decisions, is a fundamental element for actual and efficient operational alignment. IDFC members' practices regarding the development, promotion and implementation of such tools highlight the importance of providing:

- **explicit "do no significant harm" criteria;** as well as
- quantitative and qualitative synthesis reflecting the positive or negative balance of a project or investment, **including the synergies and trade-offs between the various SDGs and sub-goals**; and
- an analysis of the expected **impact intensity** of the operation (limited to the perimeter of the project or having effects on the counterparts and/or other

[5] Among which, countercyclical intervention, accountability practices, strategic alignment with countries' roadmap, risk policies adjustment.

stakeholders involved, or even on sectoral or territorial pathways), with a view to promoting **transformational operations**.

It also proves essential **to ensure that all decision-making committees are informed of the SDG-characteristics of all operations considered**, including both negative and positive impacts.

In addition to *ex-ante* tools to improve SDG-alignment of operations, ***project* monitoring** and ***ex-post* assessment tools** are also essential not only to assess actual impacts but also to fine-tune parameters used in the *ex-ante* assessments.

To be fully SDG-compatible, these SDG tools should cover the entire financing and investment portfolio, and be consistent in their methodology **with the multi-dimensional impacts of the SDGs**. A process to ensure regular updates and improvement of such tools is also recommended, including a view of promoting their coherence with other similar and best-practice approaches developed by other financial stakeholders.

For example, approaches and types of tools that inform and give traction to the actions above could include the SDG Adjusted Return Tool (SART) developed in the study commissioned by IDFC on PDBs' catalytic role in achieving the SDGs by Natixis-CIB or the Sustainable Development Analysis and Opinion (SDAO) mechanism, implemented by AFD since 2014.

3- ALIGNMENT AT EXTERNAL LEVEL: STAKEHOLDER MOBILIZATION

PDBs benefit from a specific positioning, at the intersection of the different parts of the financial system, at local as well as global levels. They can therefore play a major role regarding stakeholder mobilization for the SDGs and contribute to the development of consistent enabling environments. Incentivizing frameworks are essential to unleash this potential. Building on the corresponding call made by the Finance in Common Summit of 2022[6], PDBs should actively engage:

a) with other public and private financial actors:
   - to encourage the definition and implementation of common guidelines and methodologies for the institutional alignment with the SDGs, as well as the characterization of SDG compatible investments, with a view to ensuring a certain level of standardization while also factoring in flexibility according to mandates, specific strategies, activities, and local contexts;

b) with national, regional and/or international authorities and respective policy and supervisory constituencies, to:
   - strengthen PDBs' mandates to systematically align their operations with the SDGs through incentivizing policies and regulatory frameworks, including for instance by fostering the market transparency of sustainable finance and related disclosure requirements, elaborating frameworks on asset-based criteria, and/or through other guidance including incentives to fully mobilizing PDBs for the reorientation of private financial flows and capital and, more generally, of the financial systems;
   - enhance PDBs' capital base and financial capabilities at scale, by (i) facilitating access to concessional finance; project preparation, technical

[6] FICS 2022 Final Communiqué.pdf (financeincommon.org)

assistance and/or capacity building funds; a greater use of blended finance products; and the better channelling of local savings through local PDBs; (ii) incentivizing the piloting and development of innovative financial instruments and structures as well as non-financial activities, and the corresponding peer learning, to foster transformative impacts and/or private and institutional investor mobilization; and (iii) granting them access to key multilateral funds (such as the GCF, GEF, GPE, FIF, etc.), as well as Special Drawing Rights - supported resources, when they satisfy proper standards and procedures.

4- REPORTING AND BEING ACCOUNTABLE FOR PROGRESS

The regular publication of progress made on the above elements for alignment and corresponding approaches, methodologies, and tools, including reviews of their implementation and results, also represents a key element for the reinforcement of SDG alignment. Robust and transparent reporting and accountability is not only useful at PDB level but also to facilitate cross-capitalization and overall consistency of the different approaches used, and to keep these elements scalable in the future.

FINAL CONSIDERATIONS

Fostering a sustainable development culture across the PDBs ecosystem and implementing the above framework for SDG alignment requires both mindset changes and reinforced capacities. IDFC has already set up its own IDFC Climate Facility, which aims to strengthen corresponding capacities of public development banks and local actors and facilitate sustainable and bankable project origination and development. The Summit for a New Global Financing Pact of June 2023 highlighted the importance of- and further encouraged- such initiatives.

IDFC invites other PDBs as well as stakeholders of the wider financial community to join these efforts and consider the above elements for SDG alignment implementation. The development, continuous improvement and mainstreaming of consistent practical approaches for the alignment of financial institutions with the SDGs, and the setting up of corresponding collaborations, are essential to make sustainability the “new normal” of finance.

Annex 1
Compilation of individual information and recent commitments by different IDFC members to promote the implementation of SDGs

CDG Group

In 2021, CDG group set up a sustainable charter based on five pillars: (i) Contributing to economic development and long-term value creation (ii) Preserving the environment and addressing climate change (iii) supporting well-being, inclusion and social cohesion (iv) promoting good governance and internal exemplarity and (v) enhancing human capital. The charter also highlights the 12 top priority SDGs the group has committed to supporting in its operations.

TSKB

TSKB as the first and only privately-owned development bank in Türkiye, mainly provides long-term financing from development finance institutions (DFIs). The themes of these funding are in line with climate-focused global sustainable finance and parallel with our Country's economic priorities. 80% of our funding structure is composed of sustainability linked funding instruments.

On the entity level activities, TSKB has a holistic strategy such as setting mid/long term SDG related KPIs, enhancing company level SDG related policies and transform activities. We have a strong sustainability management structure represented by nearly 20% of the Bank's employees and senior management. The sustainability committee is formed within Board of Directors including CEO and Executive Vice Presidents. Under this committee, members of the working groups varies from department head to junior analysts representing all related departments. All of the related departments and employees have sustainability linked performance indicator. Also, we promote our clients to have a better practice for supporting SDGs thus having a better condition of credit terms (SDG Loan model and SDG linked credit disbursement activities).

Our current SDG related targets (we state regularly in our Integrated Report) and recent performance figures are stated below:

- To keep the ratio of SDG linked portfolio to total risk portfolio at or above 90% - The actual figure is 91% as of March, 2023. Top SDGs that TSKB contributes as follows: SDG 7, SDG 8, SDG 9, SDG 13 and SDG 1.
- To keep the ratio of loans extended on the basis of climate and environment related SDGs to the total portfolio at 60% and above - The actual figure is 62% as of March, 2023
- Disbursement of USD 8 billion of SDG-linked loans in the period of 2021- 2030 - the cumulated result is 2,5 billion $ as of March, 2023.

At operational level, we apply a concrete SDG mapping for all projects during project appraisal processes. Afterwards we monitor and report SDG mapping of those projects all along the credit term. Also monitoring is done by our engineers in terms of environmental and social risk assessment.

For external level activities, we play an active role both with global and local stakeholders such as Clients, Mission Clubs, Regulatory Bodies and Ministries, NGOs and DFIs&FIs.

JICA

JICA published SDGs position paper in 2016 detailing its basic strategy for accelerating achievement of the SDGs, under its twin missions of human security and quality growth. The paper underscores that various partnerships, including those that mobilize funds from the private sector, are essential in achieving the SDGs since public funding alone

is insufficient in terms of scale. In 2021, JICA has published 20 strategies to address global issues in accordance with SDGs' Prosperity, People, Peace, Planet and Partnership. JICA aims to increase its impact vis-à-vis the SDGs through greater collaboration and mobilization.

DBSA

At entity level, a statement on Net Zero was published as DBSA aims to play an active role in a Just Transition that achieves net zero emissions by 2050. We also make use of an Integrated Biodiversity Strategic Framework that provides guiding principles, priority interventions, interim measures and targets, as well as high-level roles and responsibilities to guide in our internal and external efforts to comply with climate change and sustainable financing activities. This framework must fall within a broader Environmental and Social Risk Framework that is yet to be developed in line with DBSA's overall Sustainability strategy. A green building framework has also been approved and will be implemented soon. The purpose of the framework is to provide a comprehensive set of guidelines, standards, and practices for designing, constructing, and operating buildings in an environmentally responsible and sustainable manner. The framework aims to minimize the negative impact of buildings on the environment while maximizing their positive contributions to human health, resource efficiency, and overall sustainability.

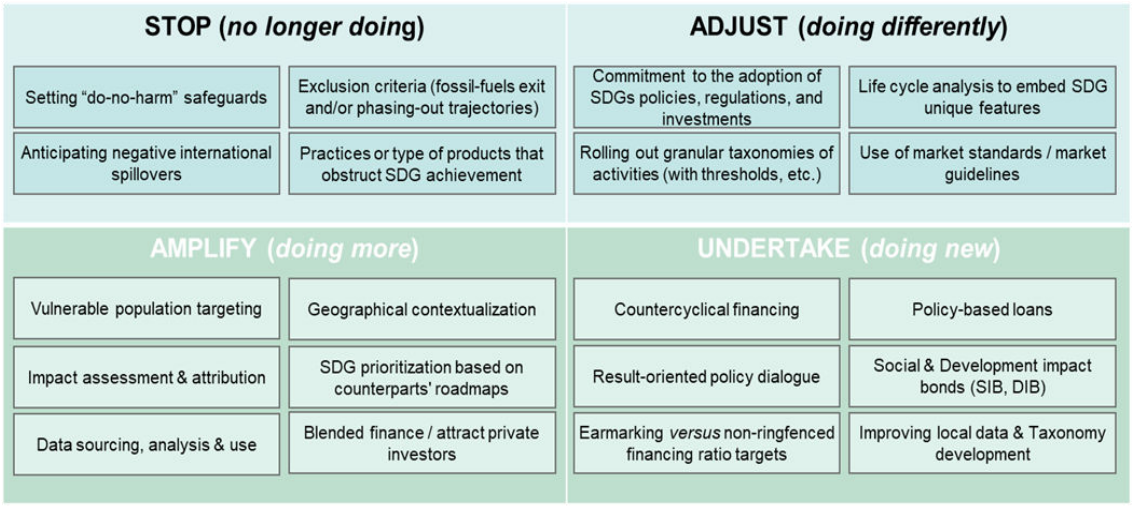
At operational level, mainstreaming of climate and biodiversity into investment appraisal processes through the designated working groups. This proactive approach of incorporating climate and biodiversity considerations into investment decisions is aimed to assist in identifying and managing risks associated with climate change and the degradation of ecosystems at investment level. As a next step, it will enable the DBSA to anticipate potential impacts on our portfolios, such as physical risks from extreme weather events, identifying potential investment opportunities and improving long-term value creation through enhancement of resilience and adaptability of the underlying assets; thereby leading to improved financial performance over time. The DBSA also intends to develop a greenhouse gas accounting tool to measure its own operational activities, as well as a climate risk assessment tool, which will help advance climate and biodiversity mainstreaming objectives at an investment level.

Islamic Corporation for the Development of the Private Sector (ICD)

ICD is a unique DFI, as it offers exclusively Shariah-compatible financing for private sector in its member countries. Moreover, the promotion of Islamic finance and the deepening of Islamic financial intermediation objectives add to ICD's uniqueness. In doing so, ICD focuses on a broad definition of development effectiveness. It takes into special account the United Nations (UN) Sustainable Development Goals (SDGs). ICD applies a holistic approach in the sense that it tries to capture all impacted SDGs; directly and indirectly, intended and unintended.

Moreover, ICD as a member of the International Development Finance Club (IDFC), took part in the SDG Alignment study entitled "PDBs' catalytic role in achieving the UN SDGs". The study was authored by Center of Expertise of Natixis CIB Green and Sustainable Hub (GSH).

The study spelled out a set of "SDG contribution principles" and "integration trackers" at entity and activity levels. It proposed a practical and simplistic canvas designed to accommodate different maturity levels or starting points: the SAAU Framework (Stop, Adjust, Amplify, Undertake). It can be used by an individual bank for diagnosis and strategy setting purposes, but also by coalitions or clubs looking for collective commitments.



As an enabler of alignment, the priority for ICD is to identify to what extent and how best it can contribute to SDG gap bridging. The use of the SAAU Framework as a diagnosis and guidance tool helped identify how ICD could become a better SDG alignment corporation. Led by the DEO team, the ICD used the SAAU Framework and began by filling the four categories to design a coherent and consistent action plan. The SAAU framework (see figure) recognizes different levels of contribution to achieving the SDGs.

The SAAU Framework proposed by Natixis in the conceptual framework is meant to be used at any level of the entity, from the HR department to the different business lines. The ICD-DEO team decided to start by doing its self-assessment thanks to the original version of the SDG Integration Trackers. Then, the ICD-DEO team picked the two most lagging trackers at entity level and did the same at activity level. Finally, the ICD-DEO team decided to apply the SAAU canvas on those SDG trackers to find potential solutions to increase these scorings. The SAAU framework's application was therefore used with a concrete end goal: improve ICD's strategy to incorporate the SDGs in a robust manner.

Circulating these frameworks across the organization also opened discussions and knowledge sharing, whilst the framework really helped to classify everyone's ideas in a coherent way, collect and gather information. The discussions therefore represented quality time spending for ICD. By doing so and by asking participants to identify opportunities and challenges under one single framework, the exercise allowed ICD participants to start having a clearer idea of what activities ICD needed to stop and what activities ICD needed to pursue for better SDG alignment.

Ultimately, the use of the SAAU Framework allowed the ICD internal teams to:

- Make sure that every facet of ICD activities or operations do not directly or indirectly hinder progress towards the SDGs;
- Finance activities and entities that contribute substantially to meet the 2030 targets; and
- Deconstruct and rethink ICD activities with the sole purpose of contributing to the SDGs.

AFD

To align with the SDGs, the French development agency (AFD) has engaged in four different levels: 1. Alignment at entity level, 2. Alignment at operational level, 3. Stakeholder mobilization and 4. Internal transformation.

At entity level, AFD is reviewing its 5-years strategic orientation plan, with the overall objective to be 100% aligned with the SDGs for the end of the decade. It specifies what AFD will do in concrete terms at project level, stakeholder mobilization and internal transformation. This new strategy represents a challenge to accelerate and increase AFD's action for Sustainable Development.

At operational level, "Sustainable Development Analysis and Opinion" (SDAO) is a critical instrument to guarantee the alignment to the Agenda 2030 and Paris Agreement. It helps investment decision-making by ensuring that all operations support 3 core objectives : i) conceive high quality, impactful projects that comply with the "do no harm" principle, ii) foster synergies between SDGs and different sustainable development dimensions, iii) promote context-tailored responses to development challenges – both geographically and sector-wise. In concrete terms, an ex-ante impact assessment (Analysis) is carried on by the operational team, using 7 sustainability grids articulated around 3 pillars: i) Planet – including biodiversity, climate mitigation and climate adaptation, ii) Human – including social inclusion and gender equality, iii) Economy and governance. Impacts are graded on each of the seven dimensions, to avoid masking sustainable development trade-offs and allow for debate. This analysis is reviewed by an independent team, which delivers a sustainable development alignment Opinion (ranging from negative to favorable), formally presented to credit committee and attached to the Board documents. Sustainability is thereby embedded throughout the whole project cycle, in dialogue with AFD's clients and partners. In an ever-evolving context, the tool was designed to be easily updated, sector-agnostic and context-responsive, in coherence with AFD's strategy and ambitions on sustainable development.

SDAO is complemented by i) a sectoral SDG mapping exercise and ii) alignment of AFD's operations with sustainable development trajectories that partner countries have set themselves. To do so, teams analyze the plans issued by these countries (e.g. Nationally Determined Contributions, Long-Term Trajectories, or Voluntary National Reviews) and determine how the Agency's financing can tie in with these plans.

Regarding stakeholder mobilization, in addition with funding provided to mobilize public and private partners, AFD Group has also developed a non-financial approach by hosting coalitions of public development banks with the aim of bringing members into alignment with the Paris Agreement and the 2030 Agenda, through exchange of practices and shared commitments. Examples include the Finance in Common coalition and IDFC, of which AFD administers secretariats.

In terms of internal transformation, AFD Group has made ambitious internal commitments in order to limit its environmental and societal footprint and increase its internal ESG performance. That includes reduction of internal GHG emissions, reduction of business trips, designing of an internal energy efficiency plan etc. In addition, AFD has taken action in favour of staff training, e.g. a training cycle on SDAO has been developed for operational teams. Executive committees on the SDGs, chaired by AFD's Chief Executive Officer, have also been set up (approx. 10 each year). Lastly, a seminar was organized to inform and get feedback from Board members on the new strategic orientation plan based on SDGs alignment.

Cassa Depositi e Prestiti (CDP)

At entity level, sustainable development is a key element of CDP's strategy, which, as reported in the Article of Association, aims to promote economic, social and environmental sustainability for the benefit of shareholders and taking into account the interests of other stakeholders relevant to the company. The company embarked on a constantly evolving process to integrate sustainability into corporate governance, company processes, business activities and corporate culture. To ensure an appropriate approach to the management of ESG issues, CDP has adopted the "Sustainability Framework", which establishes guidelines and operating methods to integrate sustainable development factors and enabling CDP's contribution to SDGs' achievement.

CDP Strategic Plan defines Group guidelines for Italy's sustainable growth and for bridging Country's gaps. The plan identifies multiple priorities for action related to four major challenges and strategic directives in line with the 2030 Agenda for sustainable development: 1. Climate change and ecosystem protection, 2. Inclusive and sustainable growth, 3. Digitization and innovation, 4. Rethinking value chains.

To this end, the ESG Plan represents the first piece of the 2022-2024 plan for the definitive integration of sustainability into the Group's everyday operations. In line with the sustainability Framework, it establishes goals and commitments based on the UN 2030 goals, the requirements of the market and of the NRRP, and dialogue with stakeholders.

To guide business decisions and monitor their outcomes on the four major challenges identified in the Strategic Plan, CDP's BoD approved Sectoral Strategic Guidelines (10 documents detailing the CDP investment strategy in 10 key sectors),"Methodological Guidelines for Monitoring and Impact Evaluation" and specific policies that define how to integrate ESG factors into business. Since 2022, seven policies have been adopted and many other policies are being prepared. (https://www.cdp.it/sitointernet/en/governance_e_politiche.page).

Moreover, CDP is a leading ESG issuer in Italy and Europe (i.e. 2022 sustainability bond which is aligned with several SGD's).

Concerning the operational level, as of 2020, CDP has structurally incorporated the ex-ante assessment of positive and negative impacts related to ESG aspects into its lending operations with private and international cooperation counterparties to raise awareness and focus efforts on the areas and actions of the most significant potential impact. The evaluation is based on a qualitative/quantitative analysis methodology (Sustainable Development Assessment or SDA – a proprietary CDP model) – regularly updated – that assigns a score expressing the expected impact of projects and initiatives that CDP can finance. The SDA model informs the internal decision-making process, from the origination to the approval phase. Among its outputs, the model provides an ex-ante classification of the SDGs related to each operation.

Reporting and being accountable for progress: through an internal methodology, CDP annually reports the mapping between resources committed by the Group in the year and their potential contribution to the SDGs by analysing each transaction carried out and its potential match with the relevant SDG. To this end, the SDGs assigned in the ex-ante evaluation converge in this mapping.

To ensure transparency and accountability of decision-making processes, CDP measures the quality and the actual impact of its strategic interventions by carrying out a monitoring and an impact evaluation activity. The reporting of non-financial performance is part of the CDP's commitment on SDGs. One of the aims of the monitoring and evaluation process is timely and effective communication of the results. This allows to strengthen a result-oriented culture and ensures greater accountability in

the use of company resources. At the same time, it increases awareness among employees and external stakeholders of the projects' strengths or critical issues.

Stakeholder mobilization:

Sharing knowledge, expertise and opinions with stakeholders is essential to the CDP strategy. The internal and external stakeholders are involved in several initiatives, such as dedicated Forums or structured feedback sessions, including closed-door consultations, on the CDP Group policies or strategic guidelines. This approach builds a more suitable environment for fruitful discussions on future intervention strategies and further strengthens CDP's contribution towards achieving the 2030 Agenda.

BICE

At entity level, we are currently developing our sustainable strategy, which should be approved by the end of 2023. This strategy aims to consolidate a sustainable business model by creating value while guaranteeing the viability and resilience of the bank in the long term. It is based in 4 pillars:

- Financial and economic framework: Contribute to long-term economic development and value creation.
- Environment: generate positive environmental impact and wellbeing through the protection of natural capital.
- Social and Gender framework: generate positive social impact and create an internal and external sustainability culture.
- Governance: promote good governance and transparency and build a solid sustainable organization.

Stakeholder mobilization:

Also, in May 2023, Argentina approved the National Strategy for Sustainable Finance. BICE not only approved and financed the development of this Strategy but also contributed actively to its entire evolution through the Technical Group for Sustainable Finance. Since 2020, the Group has brought together the sector's regulators with the purpose of developing sustainable finance in Argentina and promoting appropriate management of risks associated with social, environmental, and governance-related factors the parameters and guidelines for identifying and approaching risks and opportunities related to climate change, thus contributing to the strengthening, development, and stability of the Argentine financial system. The National Strategy revolves on five main parameters that include both financial and non-financial aspects: 1) regulatory framework; 2) common language and taxonomy; 3) production of information, transparency, reporting, indicators, and data analytics; 4) incentives; and 5) sustainable financial instruments.

Reporting and being accountable for progress: Furthermore, we are developing a greenhouse emissions accounting tool to measure our own operational activities, we are in the first phase of incorporating climate risk in our operations and improving the measurement of the SDGs in our portfolio. What we are using now, is an in house tool that link the specific disbursements to a specific SDG. We seek to improve this and standardize it in our entire portfolio. In order to do so, in the beginning of the 2023, and with the support of the London School of Economics (LSE), we designed a new SDG impact tool. The purpose was to answer the following question: "How do BICE credits contribute to the achievement of the SDGs?". To carry this out, the LSE designed a methodology based on a scoring system that relates certain metrics from Argentina, Latin America and the Caribbean with those from BICE. In this way, it allows to identify BICE´s situation regarding SDG´s impact, always considering the average observed for the region (if BICE is in the left side, it would be a worse situation, but if it is in the right side, it would be a better one). Once the scale was defined, the sets of metrics were

linked to each of the SDGs, in such a way that it can be obtained, for the achievement of each objective, what was the contribution of BICE.

It should be noted that this is an ex-post analysis, and it has not been implemented yet. The main challenge for BICE is to design a data collection system at the client level during the credit process that will allows us to have better accountability and external validity of the degree of impact on the SDGs.

PT Sarana Multi Infrastruktur (Persero) (PT SMI)

PT SMI, established in 2009, specializes in infrastructure financing. As a State-Owned Enterprise (SOE), PT SMI is owned by the Republic of Indonesia under the Ministry of Finance, in accordance with Minister of Finance Regulation No. 100/PMK.010/2009, governing Infrastructure Financing Companies. To align with the achievement of SDGs 2030, PT SMI has identified three levels of engagement:

<u>On entity level:</u>

To fulfil its mandate as a catalyst for development financing in Indonesia, PT SMI is currently designing a Long-Term Corporate Plan with two primary objectives in mind: maximizing social and economic benefits for the community and supporting the achievement of Sustainable Development Goals (SDGs) and climate change mitigation.

To effectively support these goals, PT SMI has developed the following corporate strategies:

1. Creating innovative financing products to support the achievement of sustainable development goals, such as: green facility; loan programs in the water sector, urban infrastructure, health and education; a blended finance scheme with various funding sources, one of which is by mobilizing donor funds channeled through Trust Funds to support the development of SDG-related infrastructure projects that have high socio-economic impacts.
2. Become an enabler for accelerating infrastructure development.
3. Optimizing fundraising: Utilization of the SDG Indonesia One (“SIO”) platform; Thematic funding; National Economic Recovery (PEN) Revolving Fund; Optimizing strategic cooperation; Accelerating regional infrastructure to support the transformation of public financing; Carrying out a corporate role as "ETM Country Platform Manager" where PT SMI adheres to the principle of "Just Energy Transition" to support green economic growth through 2 streamlines, namely (i) decommissioning inefficient coal-fired power plants and (ii) increasing development of renewable energy projects.

<u>On the stakeholder mobilization:</u>

PT SMI is aware of the importance of stakeholder relations in its operations. Here is an overview of PT SMI's stakeholder relations:

1. Government Institutions: PT SMI engages with government institutions at various levels, including the Ministry of Finance and other relevant ministries, regulatory bodies, and local government. PT SMI collaborates closely to align its activities with government policies, regulations, and development priorities.
2. Project Owners and Implementers: PT SMI works with project owners which may include government agencies, private sector entities, and public-private partnerships.
3. Financial institutions: PT SMI maintains the relations with financial institution who provide different type of source of fund. These stakeholders may include domestic and international financial institutions, development banks, and philanthropies. PT SMI seeks to provide transparency and accountability.

On the operational level:

In 2018, PT SMI was entrusted with establishing a blended finance platform called SDG Indonesia One, aimed at closing the financing gap for Sustainable Development Goals (SDGs). Through SDG Indonesia One, PT SMI facilitates the mobilization of private capital and public funds within a blended finance framework, directing these funds towards projects that contribute to climate change mitigation and the advancement of sustainable development goals. SDG Indonesia One offers four pillars: Development Facilities, De-Risking Facilities, Financing Facilities, and Equity Fund. These facilities are tailored to raise funds for development projects in Indonesia, with a focus on sustainability.

To illustrate the implementation of the SDG Indonesia One platform, PT SMI has collaborated with various partners (which includes IDFC members), such as AFD (French Development Agency). The projects involve mini hydro and biomass. AFD provides concessional loans to PT SMI, complemented by AFD and EU grants in the form of Technical Assistance to support green projects. Additionally, investment premiums in the form of grants are used to de-risk projects. One such project has a credit facility of USD 150 million, with a seven-year term including a grace period. Eligible projects cover adaptation and mitigation activities, including extensions to health and COVID-19 recovery programs, up to a maximum of 30% of the total number of technical assistance and grant credit facilities. This facility can support the achievement of SDGs 2030, such as Goal 3 – Good Health and Well-being, Goal 5 – Gender Equality, Goal 7 – Affordable and Clean Energy, Goal 13 – Climate Action.

West African Development Bank (BOAD)

Reporting and being accountable for progress:

BOAD has been tracking and reporting how its projects contribute towards the SDGs since 2016. Since 2020, the Bank has expanded its reporting to include more information and to demonstrate the full impact of its investments throughout the states of the West African Economic Monetary Union (WAEMU). As one of the top climate bank of the region, climate action naturally lies at the heart of the BOAD's mission but the Bank's activities also have an impact on many of the Sustainable Development Goals.

The BOAD's methodology for SDG reporting, in financial terms and in terms of project outputs and outcomes, is comparable to methodologies adopted by other multilateral development banks.

All the projects that the BOAD supports are designed to have a positive socioeconomic impact as well as sound financial returns. The impact of the Bank's work is measured by gathering a detailed set of output and outcome data for all its projects. This ensures that the tangible benefits of the Bank's activities are calculated not only in the context of each project, but also at the sectoral, national and international level. The BOAD's mapping methodology defines the relationship between the BOAD's project-level indicators and the SDGs. All indicators are mapped to the appropriate SDGs independently of project context, and each indicator may be mapped to up to three different SDGs. Each project thus contributes to all of the SDGs to which its data has been mapped. This approach takes into account the full range of interactions and interlinkages among the SDGs and minimises the number of arbitrary decisions required in the mapping process.

To further expatiate on this approach, and to align its activities and financial flows with the SDGs, the BOAD has engaged in three different levels: 1. Entity level-through its 2021-2025 strategic plan; 2. Operational level and 3. External level.

At entity level, BOAD 2021-2025 strategic plan shows that the bank's 2021-2025 strategy supports all 17 SDGs and BOAD's results framework are well aligned with the SDGs (https://www.boad.org/wp-content/uploads/2021/06/RA-Djoliba-anglais-11-mai.pdf).

Furthermore, BOAD has a Sustainability Bond Framework aligned with the Green Bond Principles (GBP), Social Bond Principles (SBP) and Sustainability Bond Guidelines (SBG) of the International Capital Markets Association (ICMA). Further information are provided via https://www.boad.org/wp-content/uploads/2021/01/FrameworkBOAD.pdf

At entity and operational level, it will require continued strengthening of skills for the Bank's staff and the acquisition of new skills in the fields of finance/financial engineering, social sectors (health and education, in particular) and digitalization/ICT. This will also encompass a perfect capacity building and existing and newly recruited staff on the mapping of SDG's through projects financed by the Bank. Furthermore, the Bank has made an ambitions commitment to the UNFCCC to become carbon neutral. Therefore, significant efforts have been conjugated internally to limit the BOAD's environmental and societal footprint and increase its internal ESG performance. That includes reduction of internal GHG emissions, reduction of business trips, integration of renewable energy into the energy mix etc., efficient usage of water resources and lighting.

At external level with stakeholder's engagement and mobilization, the BOAD has been providing funding to mobilize both public and private sectors actors, and is engaged in directly financing projects that help achieve the SDGs. It is to be noted that the 2025 strategy implementation will require that BOAD's equity structure be strengthened by a significant increase in capital, which could be complemented, if required, by an institutional reform allowing for the admission of new well-rated shareholders. The implementation of these actions would have a positive impact on the Bank's intrinsic investment grade rating, thereby enabling the continuation of easing of interest rates applied to all borrowers since 2016 and help in efficiently contributing in achieving SDGs.

The bank is also a member of various coalitions of public development banks with the aim of improving its alignment approach of the UN 2030 agenda and the Paris agreement based on other member's experiences.

KfW

KfW is strongly committed to contributing to the achievement of all SDGs by promoting and financing states, municipalities, companies and private individuals in Germany, Europe and worldwide. It embraces the messages of this position paper. Due to the lack of standardised methodologies, KfW has developed its own group-wide SDG mapping. This creates transparency regarding the contribution of KfW's annual new commitments to achieving the SDGs. In total, the SDG mapping uses over 1,500 sets of standard financing data. The next step is getting from SDG mapping to a group-wide impact management system. This will anchor sustainability even more deeply in KfW.

In order to present KfW's SDG contribution in a transparent manner, KfW analysed its standard data for new financing activities with regard to data fields which enable a statement on the intended, positive effect on sustainable development in the sense of KfW's understanding. In other words, it was determined for each business area which data fields are available at outcome, output, activity and input levels of the KfW impact chain. The specific characteristics were assigned to the SDGs based on KfW's understanding of the SDG if a directly intended, positive effect can be derived. Additionally, further reference documents like i.a. the 2030 agenda and the German Sustainable Development Strategy were taken into account.

Due to the heterogeneity of KfW's operational business areas and the corresponding reporting obligations, four "mapping keys" specific to the business areas were developed. However, they are all based on the uniform SDG understanding throughout group in accordance with KfW's understanding of impact.

All in all, KfW's SDG mapping offers a standardised procedure for transparently reporting annually on the intended, positive contributions of KfW's newly committed financing activities to achieving the SDGs.

China Development Bank (CDB)

CDB, with a mission of supporting national development and delivering a better life for the people, has integrated the philosophy of sustainable development into its business management. Capitalizing on the development finance, CDB contributes to the 2030 Agenda and the Global Development Initiative (GDI) for a better and more sustainable future.

Committed to high-quality economic and social development, CDB delivers strong financial supports to infrastructure, high-tech innovation and manufacturing, balanced and synergistic development between regions, MSMEs and the Belt and Road Initiative.

Committed to green development, CDB implements a green and low-carbon financing strategy and increases its green finance supply. CDB steps up its external cooperation with stakeholders, such as local governments, for key areas of carbon peak and neutrality, ecology protection and restoration, and sewage treatment in rural areas. Leveraging diversified instruments, such as green loans, green bonds and support tools for carbon emission reduction, CDB contributes to clean energy, pollution control, and ecological conservation. Putting in place an action plan for carbon peak and neutrality and an ESG rating model, CDB keeps improving its governance system of green finance.

Committed to a people-centered approach and livelihood improvement, CDB finances urbanization, rural revitalization and social housing, offers student loans to those in need, supports the health and aged care system, and helps respond to natural disasters with emergency loans.

Committed to a modern governance system, CDB improves its corporate governance system, optimizes its internal control, aligns its comprehensive risk management with its mandate as an infrastructure bank, develops a corruption-free culture for financial services, implements the talent strategy, and organizes charitable donations and voluntary services.

CDB started to publish its annual Corporate Sustainability Report in 2007 and upgraded it to Sustainability Report in 2012. The reports disclose the commitments and efforts made by CDB for sustainable development. For further information, please refer to the annual China Development Bank Sustainability Report available on the CDB website (www.cdb.com.cn/English).

CAF

At entity level

CAF was founded by and for Latin American and Caribbean countries, over 50 years ago with a clear mission to foster sustainable development and regional integration through financial, technical and knowledge resources. As of early 2022, all 19 member countries committed to a 7-billion-dollar capital increase, vowing to transform CAF into the green and sustainable growth bank of the region. This entails accompanying the transition to low-carbon production models that are resilient to the impacts of climate change, and to increasing the value of their biodiversity and natural capital necessary for the well-being of people, in addition to fostering projects and policies that increase productivity, spur growth and social inclusion and lead to a greater welfare for all citizens. CAF is committed to become the green bank of Latin America and the Caribbean for all 20 countries, which includes, among other aspects, the target adopted and endorsed by all its member countries of ensuring at least 40% of green approvals by 2026, in addition

to increasing its private sector and subnational portfolio. This entailed building a five year institutional strategy with concrete action plans and commitments to reach these targets and work with member countries to fulfill their SDG agenda. In addition, as part of its contribution to the 2030 Agenda, CAF committed to adopt a methodology in 2024 for alignment with the Paris Agreement in line with the methodological frameworks proposed by the development finance community, aspiring to have all its new operations aligned from 2026 onwards.

In terms of the mobilization of climate and biodiversity resources, CAF is certified as an implementing agency by the main global funds linked to the environment and climate: the Green Climate Fund, the Global Environment Facility and the Adaptation Fund, making us a privileged ally for funding sustainable development in Latin American and the Caribbean. Finally, from a corporate sustainability standpoint, our Institutional Environmental Management System (SIGA), in accordance with the ISO 14001 technical standard guidelines, enables us to guarantee the development of our internal operations within the framework of environmental risk management and the protection of natural resources. We are committed to remaining carbon neutral through rigorous monitoring of our corporate carbon footprint and the adoption of offsetting mechanisms that, in addition to the inherent environmental benefits, contribute to the economic and social development of the region.

Moreover, CAF's funding using thematic bonds, specifically its Green and Social Bond programs, have an array of eligible categories of projects' "use of proceeds" that are linked directly with various SDGs as detailed in their frameworks. Since the creation of its programs, the issuance of CAF's thematic bonds has reached over USD 3 billion in worldwide capital markets, making CAF a reference in the Latin American region for these types of issuances. Some of the environmental objectives addressed through CAF's Green Bonds are oriented to achieving SDGs 6,7,9,11,13 and 15. In the case of the Social Bond program, its objectives are aligned with SDGs: 1,3,8 and 10.

At operational level

CAF seeks to be an increasingly evidence-informed organization, and this cuts across all areas, including sovereign lending, but also partnering with the private sector for promoting development. Our initiative ImpactoCAF leverages the best available scientific proof to illustrate CAF's impact on development, and to help inform our conversation with our allies on the selection and design of the most impactful projects. The initiative covers sovereign and non-sovereign projects in an integrated platform that supports our strategy.

CAF aligns with best practices of other PDBs by integrating the expected impact of each potential private sector financing deal into its core decision making process. The expected impact is tracked throughout each project's lifecycle through our system MIDES. The latter considers information on the nature of the operation, data on contextual factors and the best available scientific evidence on the impact of similar projects. This way, we can frame risks and returns of our operations alongside their standardized and comparable measures of expected impact, provided by MIDES, which is the goal of the Operating Principles for Impact Management. The system provides a value before the project begins and gets updated as the project is implemented and all the way to completion; this, in turn, feeds the ex-post evaluation of private sector projects. Ex post evaluation is carried out annually for all eligible (sovereign and non-sovereign) projects, covering 4 of the OECD Development Assistance Committee evaluation criteria: relevance, effectiveness, efficiency, and sustainability.

Reporting and accountability

CAF has been working on a framework with a common set of rules and guidelines that will allow its operations to be aligned with the SDGs. This framework considers 4 aspects:

1. SDG alignment model: This model establishes a set of guidelines for classifying CAF's operations.
2. SDG review and validation process: A series of rules and procedures are put in place to review and calibrate previous classifications. This process involves the review and validation of the mentioned classifications and, at the same time, the training of credit evaluators.
3. Technology for capturing and generating SDG reports: The SDG framework also involves the use of a set of technological tools that enable the aggregation and elaboration of reports for senior management and various stakeholders.
4. Initiatives to raise awareness about the SDGs in the Community: CAF is in the process of engaging in a series of initiatives with regional partners to create multimedia content to show CAF's projects' alignment with SDGs. One of the initiatives is #PorTodos, el Cambio Possible, which has produced various publications across different communication channels and social media platforms. Collaborative efforts with UNDP have also been part of this initiative. To learn more about this visit: https://www.elcambioposible.com/

While our initial efforts focused on classifying, capturing, and reporting alignment and thus changing our organizational culture to be more SDG-oriented, we are now at the stage of promoting change in ordinary people and raising awareness about SDGs. As part of CAF's transparency strategy, all ex-post evaluation reports are to be publicly available, as are CAF's guidelines and regulations around evaluation activities.

About IDFC

The International Development Finance Club (IDFC), created in 2011, 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 US$ 4 trillion in combined assets and annual commitments above US$800 billion, including US$ 160 billion per year of climate finance. IDFC members have the unique function of supporting domestic policies while transferring international priorities into their own constituencies. IDFC members are aligned with and work together to implement the Sustainable Development Goals (SDGs) and the Paris Climate Agreement agendas. Through IDFC, and in close partnership with other development bank networks,members join forces as a platform to promote and leverage sustainable development investment worldwide. IDFC is chaired since October 2017 by the Agence Française de Développement (French Development Agency), where the IDFC Secretariat is hosted in Paris, France.

To learn more about IDFC please visit *our website* or follow us on Twitter & LinkedIn

International Development Finance Club

IDFC

THANK YOU!

www.idfc.org
secretariat_idfc@afd.fr