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## One Planet Summit • Africa Pledge • Nairobi, March 14, 2019

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### *Accelerating the Transition for All*

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### *Alignment of Development Banks with the Paris Agreement and Long Term Sustainable Financing in Africa*

*One Planet Summit Sectorial Deep Dive Session - 2:00-3:00 pm*

Coordinated by  
Trade and Development Bank (TDB),  
Member of the  
International Development Finance Club (IDFC)

## I. CONTEXT AND RATIONALE

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The Paris Climate Agreement has strengthened the call to the financial community, in particular, to Development Finance Institutions (DFIs), regarding their contributions to climate action.

There is a collective recognition that a paradigm shift in development models is necessary to align them with the objectives set by the Paris Agreement. Furthermore, the Agreement places the 'ownership' of these development models at country level: firstly, through the publication of Nationally Determined Contributions; and secondly the development and publication by 2020 of long-term (2050) low greenhouse gas emission development strategies, to be implemented "*in the context of sustainable development*".

The Agreement also includes strong expectations regarding finance and in turn the financial sector, with one of its core objectives being to "*make finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development*". This objective builds on the pivotal role public and private financial institutions can play to scale up and direct financing toward investments and assets that are necessary for transitioning to low-carbon, resilient economies globally, and achieve net zero carbon emissions in the second half of this century.

The Paris Agreement bears particular significance to development finance institutions, which are well placed to demonstrate the opportunities and returns of investments in sustainable development, and reduce the risks associated with them. Development banks - national, regional, international and multilateral - such as members of the International Development Finance Club (IDFC) and the Multilateral Development Banks (MDBs), already represent some of the largest



providers of public finance for sustainable development. In accordance with their mandates, they can actively contribute to mainstreaming or ‘integrating’ the sustainable development and climate agendas not only within the financial community, but also across all sectors, by scaling up and mobilizing finance and helping shape the policies and regulations needed for low-carbon, climate resilient development. Together, they can facilitate and accelerate the implementation of the Paris Agreement, continuously raising their ambitions.

In this context, the concept of ‘aligning finance’ with the Paris Agreement has emerged since 2015 as the new frontier for increasing climate action ambition within the financial community. The concept integrates the fact that entire financing and investment portfolios, beyond the assets and projects that are directly beneficial for the climate and traditionally classified as climate finance, need to be made consistent with the Paris Agreement, including its long term goals.

Aligning financial flows with adaptation and resilience imperatives is of paramount importance for Africa. No continent will be struck as severely by the impacts of climate change as Africa, given its geographical position, limited adaptive capacity exacerbated by poverty, and the reliance of economies on natural resources, many of which are already affected by the changing climate. Economic growth and the livelihoods of vulnerable populations are at threat. According to UNEP, by 2020, between 75 and 250 million people on the continent are projected to be exposed to increased water stress due to climate change. In the same year in some countries yields from rain-fed agriculture could be reduced by up to 50 percent. Global warming of 2°C would put over 50 percent of the continent's population at risk of undernourishment. Projections estimate that climate change will lead to an equivalent of 2 percent to 4 percent annual loss in GDP in the region by 2040. Assuming international efforts keep global warming below 2°C the continent could face climate change adaptation costs of USD 50 billion per year by 2050.

Similarly, seizing the enormous, yet still largely untapped, renewable energy potential of the continent, and, more generally, building support and launching pathways for low-emission and resource-efficient growth, are crucial for Africa’s sustainable development. All finance flows need to be reoriented to facilitate and accelerate the implementation of this agenda.

A number of development finance institutions have initiated work in this area, as illustrated among others by the MDBs-IDFC statement released during the One Planet Summit in December 2017, where institutions committed to “*align financial flows with the Paris Agreement*”. Work by private financial institutions on ‘alignment’ is emerging. The topic has become fertile grounds for research as well, with substantial analytical work being carried out by prominent think tanks and other key stakeholders such as the OECD. It has also become a subject of discussion in the international negotiations of the UNFCCC, as illustrated by last year’s “Talanoa Dialogue”, which aimed to take stock of the collective ambition and action to achieve the Agreement’s goals, or the program of work of the Standing Committee on Finance, which embraces the subject.



## II. OBJECTIVES

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The concept of aligning with the Paris Agreement has the potential to become a new standard for the financial community, as it represents a means to respond to the urgency of climate action and align today's choices with its long term objectives. As such, the concept also refers to the broader SDGs agenda. This is nevertheless complex and requires not only conceptual and operational innovations, but also collective understanding and work to generate new knowledge and get it right, as we need each other to advance.

Where do we stand on the concept of alignment? What does it concretely mean? How can long term de-carbonization and resilience considerations be better captured in short term decisions and action? What are the specificities, challenges and opportunities of aligning financial flows in the African continent? What can we learn from emerging practice regarding its implementation? How can we collectively move forward on this topic to get the knowledge right and disseminate best practices and lessons learnt throughout the financial and investor communities?

To contribute and enrich the discussion, the Trade and Development Bank (TDB), IDFC member of, is coordinating the present deep dive session on "*Alignment of Development Banks with the Paris agreement and Long Term Sustainable Financing in Africa*", as part of the One Planet Summit – Africa Pledge.

The session will gather a community of leading people and entities committed to advance on the topic in the African continent, including from the development finance community (MDBs and IDFC members), as well as prominent think tanks and climate finance stakeholders.

The event will:

- Take stock of current thinking about the concept of alignment with the Paris Agreement and its application in Africa, including regarding adaptation and climate resilience;
- Analyze the implications for financial community at large and in particular for multilateral, regional and national development finance institutions active in the continent, which produce, intermediate and can influence financial flows; and
- Discuss the operationalization of 'alignment' within African development banks, by investigating the multiple emerging processes, tools, approaches, methodologies and institutional set-ups.

The session will also discuss ways and means to move such efforts forward and contribute to strengthen the necessary dialogue, collaboration and coordination to that end.

A summary of the key takeaways from the event's discussions will also be prepared, including potential commitments and/or flagship projects or programs illustrating how development banks contribute to the alignment of finance with the climate and sustainable development agendas in Africa.



## **A word about the convening entities**

### TDB

Established in 1985, the Eastern and Southern African Trade and Development Bank (TDB), formerly the PTA Bank, is a multilateral, treaty-based development financial institution, with assets of over USD 5 billion. The Bank's mandate is to finance and foster trade, regional economic integration and sustainable development, through trade finance, project and infrastructure finance, asset management and business advisory services. In the past five years, TDB's shareholder base has grown from 19 to 35 members, including 22 Member States from across COMESA, EAC and SADC, 2 non-African member countries and 11 institutional investors. During the same period, shareholder equity funds increased by 150%, annual net profits by 100%, and non-performing loans were halved. The Bank's footprint impacts on the collective economy of \$2.6 trillion of GDP in PPP terms and a population of close to 650 million people. TDB currently has regional offices in Nairobi, Harare and Addis Ababa, and principle offices in Bujumbura and Port-Louis.

### IDFC

IDFC, created in 2011, is the leading group of 24 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 850 billion, including USD 200 billion 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.

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### III. AGENDA March 14, 2019 – 2:00-3:00 pm

#### ***Alignment of Development Banks with the Paris agreement and Long Term Sustainable Financing in Africa***

Time Slot	Duration	Content
2:00-2:20 pm	20 mn	<p><b>Introduction</b></p> <p>Aligning finance with the Paris Agreement: why is this concept emerging and what does it mean for financial institutions operating in Africa?</p> <p><b>Welcome by Session Moderator</b></p> <ul style="list-style-type: none"> <li>• <b>Lukwesa Burak</b>, Journalist, BBC</li> </ul> <p><b>Opening remarks</b></p> <ul style="list-style-type: none"> <li>• <b>Admassu Tadesse</b>, President, Trade Development Bank</li> </ul> <p><b>Framing the discussion</b></p> <p>What does alignment with the Paris Agreement concretely mean for a financial institution / a development bank? How is the concept being framed and mainstreamed within the financial community?</p> <ul style="list-style-type: none"> <li>• <b>Damien Navizet</b>, Head Climate Division, Agence française de Développement, IDFC Chair institution</li> <li>• <b>Catherine Collin</b>, Head of Africa Regional Office, Expert European Investment Bank (EIB)</li> </ul>
2:20-3:00 pm	40 mn	<p><b>Panel discussion - The what and how of aligning finance for climate and sustainable development in Africa ?</b></p> <p>Moderated discussion on emerging work and approaches, as well as challenges and opportunities regarding the following topics:</p> <ul style="list-style-type: none"> <li>- How can the alignment of finance contribute to Africa’s main climate change issues, including regarding adaptation and resilience?</li> <li>- Implementation of alignment with the Paris Agreement by development banks operating in Africa: existing practices, lessons learned, challenges, frontier issues to be further explored, including in terms of accountability and impacts.</li> <li>- Dissemination of existing approaches throughout the African financial community and specific role development banks.</li> </ul> <p><b>Panel moderated conversation</b></p> <ul style="list-style-type: none"> <li>• <b>Admassu Tadesse</b>, President, Trade Development Bank</li> <li>• <b>Javier Manzanares</b>, Deputy Executive Director, Green Climate Fund</li> <li>• <b>Joshua Oigara</b>, CEO, KCB bank Kenya</li> <li>• <b>Anthony Nyong</b>, Director Climate Change and Green Growth, African Development Bank (AfDB)</li> <li>• <b>Lucy Chege</b>, Head of Energy, Environment and ICT, Development Bank of South Africa (DBSA)</li> </ul>