

Aligning climate and sustainable development finance to respond to the needs of partner countries: insights from MDBs and PDBs

GLOBAL CONTEXT

- A history of collective statements setting a high ambition on climate and sustainable development, but unfulfilled ones
- As a result, tensions have intensified around financing issues and the scale of needs, exacerbating a crisis of trust between parties and a North/South divide
- Political momentum in the latest months with renewed calls for action and reform: G7, G20 in Bali, COP 27 in Egypt, COP15 , Bridgetown, US Treasury

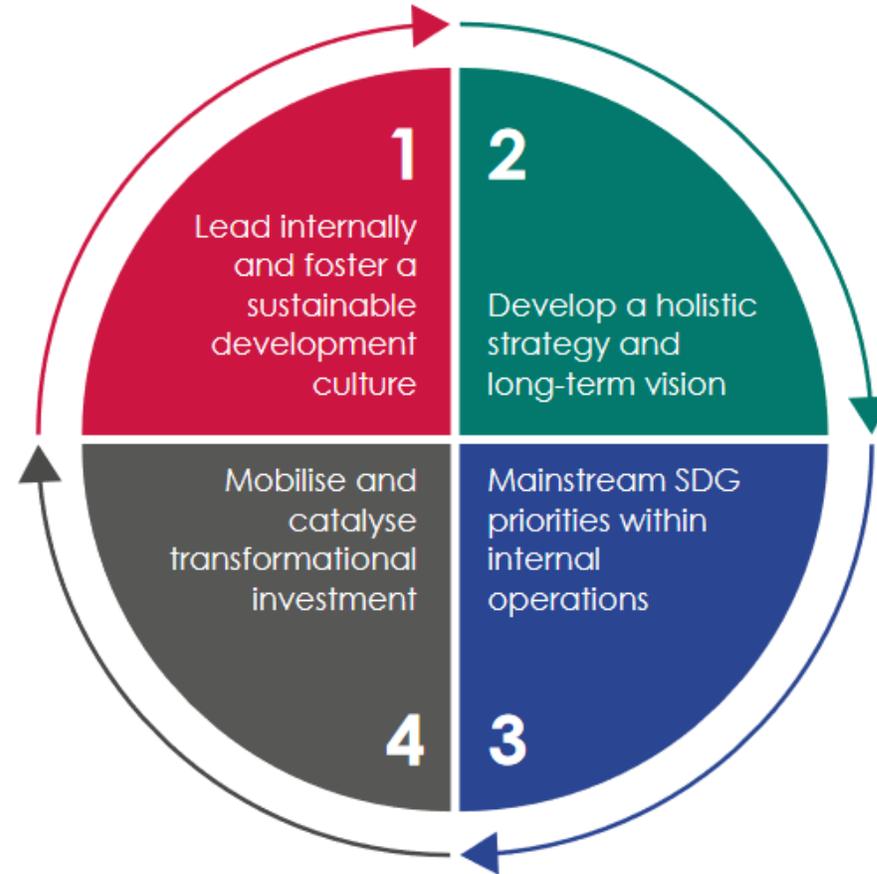
- Complementing the focus on finances and tools by introducing the concept of alignment

The OECD defines alignment on sustainable development objectives along two dimensions to be jointly addressed:

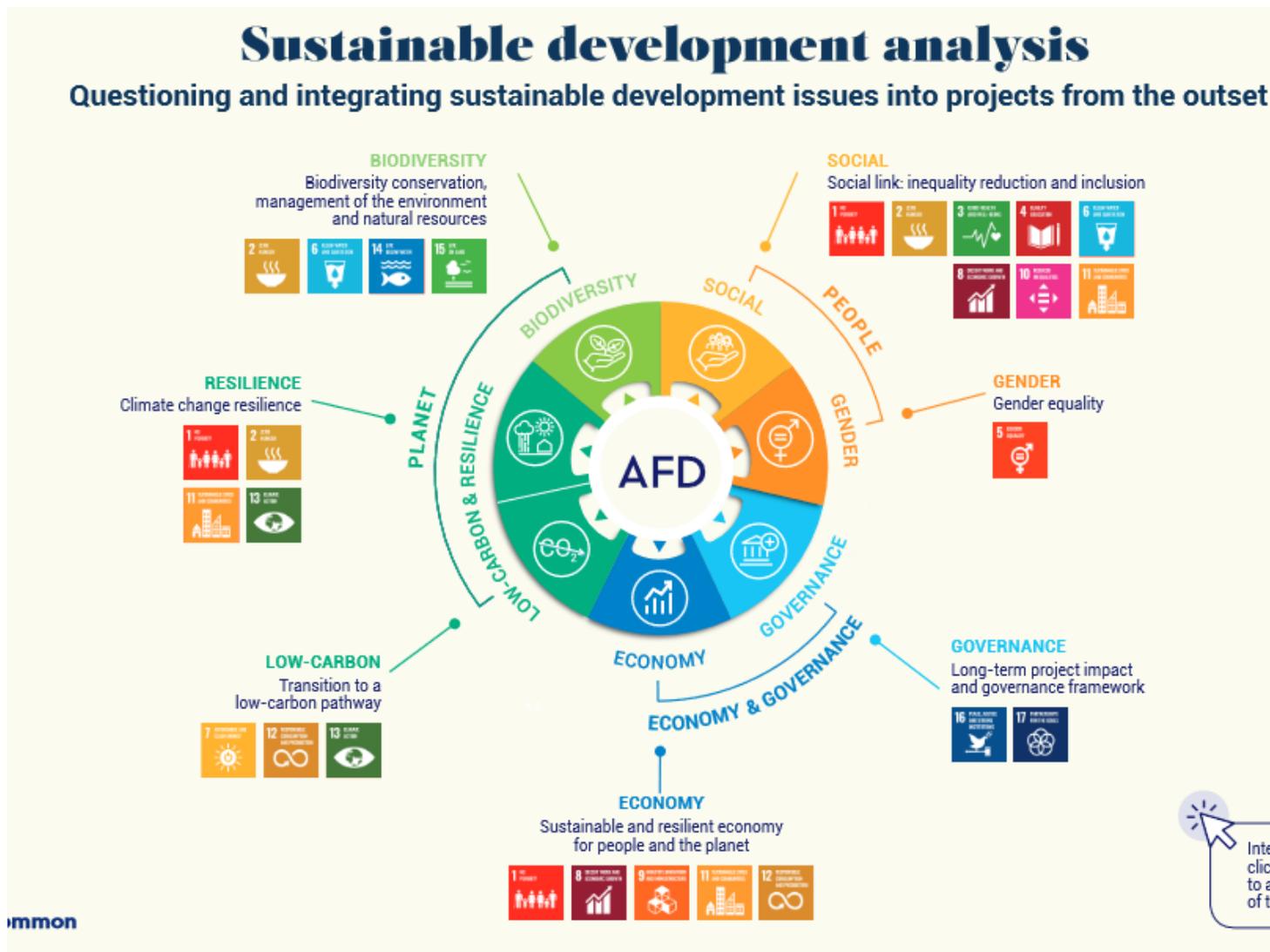
1/ equality: resources should be mobilised to leave no one behind;

2/ sustainability: resources should accelerate progress on the long term, while doing no significant harm to other dimensions

A sustainable development alignment framework for Public Development Banks by IDDRI/ETTg

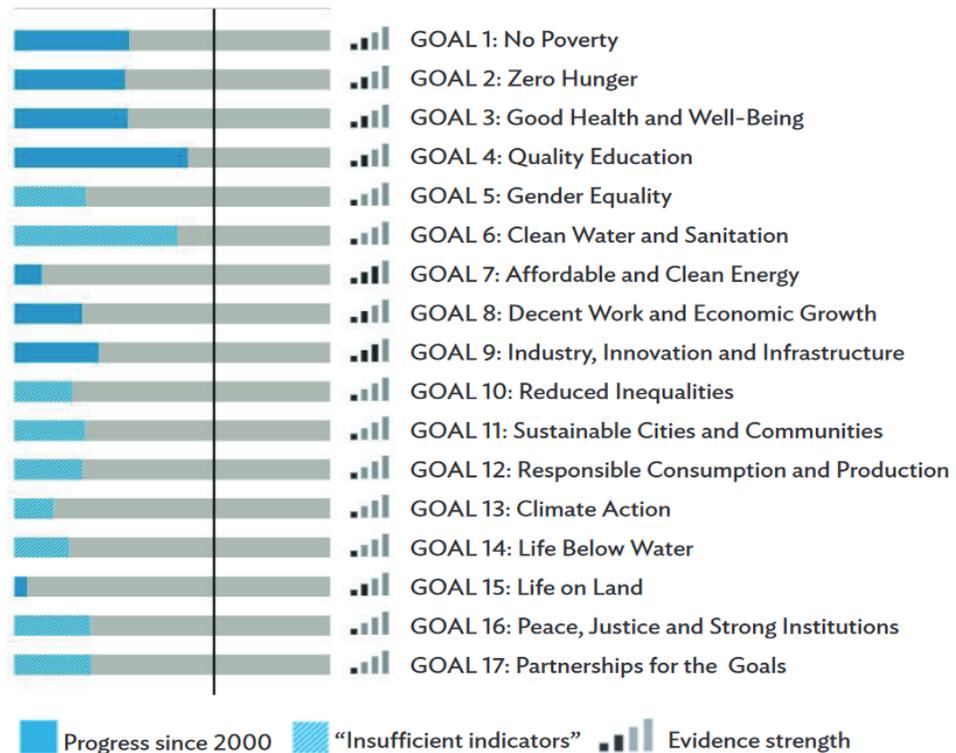


- At the **strategic level**, there is greater consideration of longer term and collective agendas such as the 2030 Agenda and Paris Agreement.
- Evidence shows a **growing focus on the fight against climate change for MDBs**:
 - ❖ The **EIB** is set to become the EU climate bank and has to deliver the EU Green Deal at home and abroad
 - ❖ The **AsDB** committed to full alignment on the Paris Agreement by 2025
 - ❖ The **AfDB** just opened a climate action window and committed to dedicate 40% of its latest replenishment to climate finance action
 - ❖ The **World Bank** adopted its Climate Action Plan in 2021 and developed a new Green, Resilient, and Inclusive Development (GRID) approach which is meant to inform the global approach of the bank



There is much room for improvement in translating these strategic objectives and ambitions into **governance and institutional set up** – MDBs learning from PDBs, for example with the AFD

FIGURE 3. Sustainable Development Goals Progress in AsDB Developing Member Countries



Source 2021 - AsDB support to the SDGs

- There is even greater room for improvement to support sustainable transformation and lasting impact in countries of operation
- Alignment of operations is often reduced to mapping exercises, which have been developed in parallel by each MDB/PDB
- But there is even more room to build on countries of operation's own financial and development planning exercises (long and mid term strategies, INFFs, SDG budgeting)

- A massive « push » is urgently needed and MDBs do have a key role to play
- The wave of reform cannot just focus on financial volumes and technical tools, it also needs to take into account methods and processes to do things in a more sustainable and equitable way, and by supporting long term plans and ownership of countries of operation
- MDBs and PDBs would gain to work on these reforms under a “whole-of-development-banks approach” (along with their shareholders and other actors) to rebuild lasting trust between parties. The current focus on climate change should help addressing interconnected issues (biodiversity, fight against poverty) so as to build truly resilient and sustainable solutions.