

# **MDBs ROLE IN MOBILISING PRIVATE FINANCE FOR CLIMATE ACTION**

**PREPARED FOR THE MEETING OF THE SHERPAS  
FINANCE MINISTERS' COALITION FOR CLIMATE ACTION**

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Multilateral Development Banks (MDBs) can provide a **powerful means to multiply limited shareholder contributions into expanded lending capacity and increased financial mobilisation for climate action.**

## UN Climate Action Summit High Level MDB Statement:

- Action 1:** Increase climate finance levels to at least **USD 65 billion** annually by 2025 doubling adaptation finance to **USD 18 billion.**
- Action 2:** **Mobilise an additional USD 40 billion private sector finance.**
- Action 3:** **Help our clients deliver on the goals of the Paris Agreement.**
- Action 4:** Develop **new transparency framework** to report on MDB impact.
- Action 5:** Support clients on **long term GHG emissions and climate resilient strategies and just transition.**



Based on 2018 Joint Report on MDBs' Climate Finance:

- 2018 MDB climate finance record level of **USD 43.1 billion**
- 74% in public sector and **26% in private sector**
- 70% mitigation and 30% in adaptation
- Net total climate co-finance **USD 68.1 billion**
- 59% of co-finance from public sector and **41% from private sector**
- 89% of co-finance for mitigation and 11% for adaptation

For EBRD, **65% of cumulative climate finance in private sector.**

Accordingly, MDBs already make an **important contribution** towards the USD 100 billion goal and should have a much **stronger catalytic role** through the mobilisation of private finance.



- Support to **long term low carbon resilient plans** and **NDCs** taking account of **country platforms** (re. G20).
- MDBs as **channels of systemic change** in their countries of operations building on the work of the **Finance Ministers Coalition for Climate Action**, the **NGFS**, the **EU Sustainable Finance initiative** and taxonomy, and **TCFD**.

Includes support to formulation and implementation of measures emerging from above initiatives:

- Mainstreaming climate in macro-fiscal planning, budgeting, public investment and public procurement
- Carbon pricing and removal of fossil fuel subsidies
- National roadmaps for greening the financial system
- Disclosure of climate related financial risks



- **Carbon market** development support
- **Sector policy support** for example in energy or transport sectors, and including, for example, energy efficiency
- **Capacity building** and institutional framework developments
- **Country investment climate** for private sector investment and **market appetite**



### Project type:

- **Direct private sector** project through individual project structuring in industry, financial and sustainable infrastructure sectors
- **Supporting infrastructure** for private sector investment
  - Transmission and distribution grids
  - Public transport backbone infrastructure
- **Programmatic/ Platforms**  
Examples:
  - Green financing facilities with local commercial banks
  - Amundi Planet Emerging Green One



### **Financing instruments:**

- Pure private (non-sovereign debt, equity, guarantee)
- PPP
- Public
  - Sovereign
  - Non sovereign
- Blended finance including grants, concessional loans, guarantees, first loss, subordinated loans
- Platforms integrating policy, investment, capacity and mobilisation
- Policy loans

### **Need to design for mobilisation:**

- Private sector oriented
- Away from own finance
- Risk return and margins
- Impact and reporting



### Weak **policy context**:

- Low carbon transition paths
- Carbon price
- Sector policies
- Institutional and regulatory context

### Need for **concessional finance**:

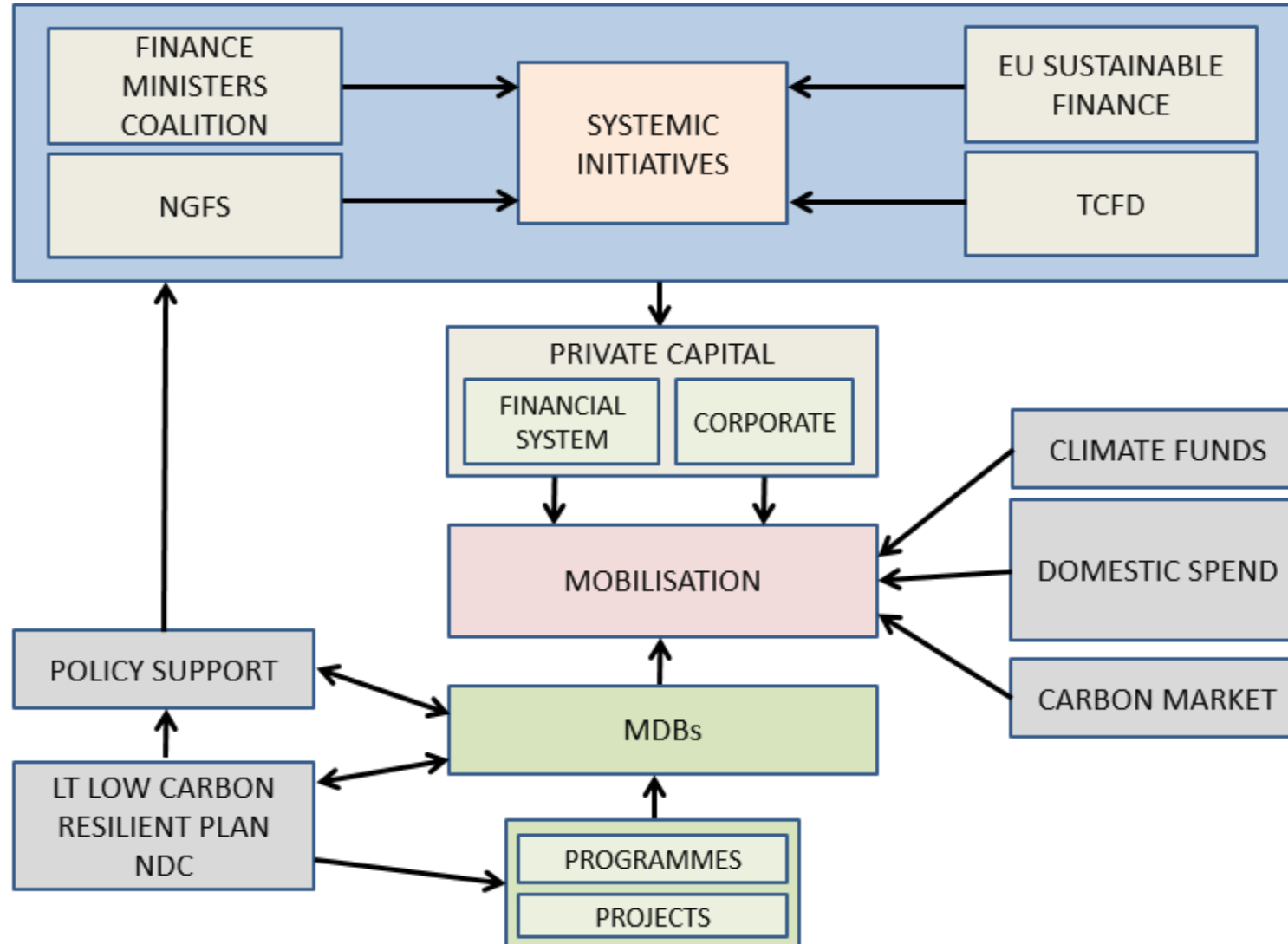
- Technical cooperation
- Capacity building
- Risk mitigation
- Just transition



# ACCELERATING PRIVATE CLIMATE FINANCE MOBILISATION



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## **Mobilisation parameters:**

- Risk return
- Aggregation
- Transaction cost

## **Climate-related mobilisation challenges:**

- Mitigation – Adaptation
- Developed markets – Developing/Emerging markets
- Energy efficiency – Renewable
- Cities and buildings
- Nature based solutions

MDBs would benefit from the work of Coalition in the following areas:

- Strengthening of **concessional funds** supporting climate action.
- Support to strong **MDB climate strategies** including **alignment to Paris Agreement goals**.
- Taking account of the scale of the climate issue and of the efficiency of MDB capital structure, consider **capital expansion** to accelerate climate action and leverage of private sector.
- Building on the work of the Coalition for Urban Transitions, support the development of the **financial capacity of cities for climate action**.
- Creation of **revenue generation streams for restoration of degraded land**.
- Specific **fiscal incentives** for example to support energy efficiency deployment or EV development, and **taxation** of high carbon materials.



MDBs and local academic institutions can play a strong role in providing a **support mechanism** to the Coalition based in London integrating both public and private finance and policy sources.

Building on the range of their policy and investment activity, MDBs can be an effective **channel of implementation** of recommendations emerging from the work of the Coalition in their countries of operations. This would allow to foster the expansion of the reach and impact of the Coalition to a broad range of countries.