

Paris Agreement Alignment Working Group

LAC

PUBLIC DEVELOPMENT BANKS

54th Meeting of the General Assembly

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OUR COMMITMENT

IDB Group is aligning its new operations to the goals of the Paris Agreement (PA). Greening of Public Development Banks (PDB) can contribute to the transformation into low-carbon and climate-resilient economies in the LAC region.



**LIMITED PA ALIGNMENT
AMONG PDB**

FINANCIAL AND NON-FINANCIAL BARRIERS

- 1 Limited institutional capacity and expertise
- 2 Public mandates do not always contain climate objectives
- 3 Currency risk
- 4 Risk appetite

WHAT DOES PA ALIGNMENT MEAN TO **PUBLIC DEVELOPMENT BANKS?**

A **systemic** transformation to:

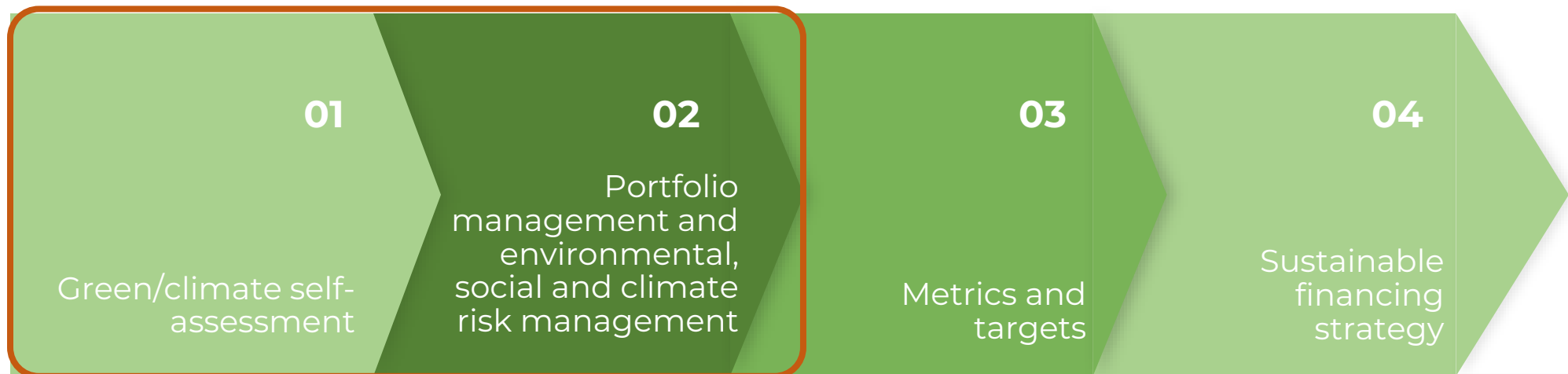
- Assume a facilitating role that includes **adapting strategies and operations** towards climate transition and addressing development challenges.
- Verify that the business model is consistent with development trajectories compatible with the temperature and climate resilience objectives of the PA.
- Consider national circumstances and countries' transition paths.

A **catalytic and articulating** role as:

- **Mobilizer:** Work with private financial institutions and attract co-financing.
- **Incubator:** Develop innovative and catalytic financial instruments
- **Risk taker:** Take risks that the private financial sector does not take.
- **International partner:** Access long-term financing and work closely with multilateral development institutions.

PA ALIGNMENT WORKING GROUP: **TECHNICAL ASSISTANCE TO STRENGTHEN INSTITUTIONAL CAPACITY**

- IDB-ALIDE joint initiative.
- Collaborative and interactive space.
- Results-oriented adapted to bank/country context.
- Phased and progressive approach.



MAY 2024

SELF-ASSESSMENT AND GREEN-TAGGING TOOLS

[video]

JOURNEY OF A COMPREHENSIVE TECHNICAL ASSISTANCE PARTNERSHIP



2021 Physical risk heatmap
assessment - HeatMapR



2022
Governança ESG



2023
Biodiversity-related risks
pilot assessment



CONTINUING THE JOURNEY OF A COMPREHENSIVE **TECHNICAL ASSISTANCE PARTNERSHIP**

LATIN AMERICA AND THE CARIBBEAN FACILITY FOR GREENING PUBLIC DEVELOPMENT BANKS AND THE FINANCIAL SECTOR



PARTNERSHIP

EUR19 million to provide
Non-Reimbursable Technical
Assistance and
Investment Grants to
Public Development Banks

- The Facility will raise the ambition in greening the public financial sector and its alignment to the Paris Agreement.
- It enables PDB to strengthen their institutional capacity in line with the PA and implement innovative sustainability-linked instruments that incentivize the achievement of milestones towards PA alignment.
- It aims at increasing the mobilization of private sector capital and enhanced access to additional funding sources.

LATIN AMERICA AND THE CARIBBEAN FACILITY FOR GREENING PUBLIC DEVELOPMENT BANKS AND THE FINANCIAL SECTOR

Expected results

Technical Assistance to support PDBs in their PA pathways:

- Baseline assessments
- Implementation of climate portfolio and metrics management system
- Advisory program
- Capacity building and knowledge sharing

Strengthen the capacity of **10 PDBs** to increase:

- Climate finance portfolio
- Portfolio alignment to the PA
- Private sector mobilization for climate
- Ambitiousness of PA strategies with concrete milestones

Performance-based payments mechanism linked to tailor-made:

- Corporate climate milestones
- Green portfolio growth targets
- Climate investments

Apply performance mechanism to pay out incentives for PDBs that achieve milestones

LATIN AMERICA AND THE CARIBBEAN FACILITY FOR GREENING PUBLIC DEVELOPMENT BANKS AND THE FINANCIAL SECTOR

Eligibility criteria for participating countries and PDBs:

- Alignment with the ambition level of PDBs' Public Action plans, as indicated by the Facility's key results indicators.
- Inclusion of beneficiary countries at different levels of financial sector development.
- Consideration of beneficiary countries in different LAC sub-regions.
- Activities covered by the IDB's Exclusion List, IKI's Exclusion List, or Category A are not eligible for financing.

Next steps: IDB will finish processing TC funds and will seek expressions of interest of PDB.

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OBRIGADA!

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