Green Finance and Investment

Mobilising resources for sustainable development and climate action in developing countries

INNOVATIONS FOR THE 2030 AGENDA

WHAT IS GREEN FINANCE AND INVESTMENT?

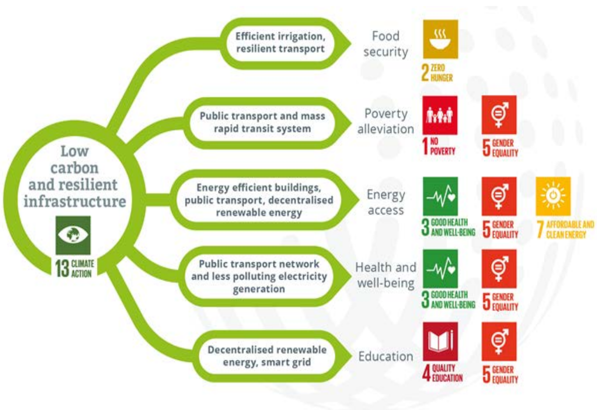
Green finance and investment includes public and private financial flows – including official development finance from bilateral donors and multilaterals, and financing provided by philanthropic organisations and commercial finance – that address climate change mitigation and adaptation as well as other environmental issues (e.g. air pollution, waste management, resource efficiency) and support green growth.

USD 6.9 trillion	45%	30%
annual low-carbon, climate-resilient infrastructure investment need between 2015 and 2030	of public climate finance flows provided by national development finance actors	Share of infrastructure finance through multilateral development banks (MDBs) that target climate objectives

WHY IS GREEN FINANCE AND INVESTMENT IMPORTANT FOR DEVELOPMENT?

The window to act is narrow – decisions made on infrastructure investment in developing countries in the next ten years will determine whether the SDGs and Paris Agreement goals will be met or not. The flagship OECD report for the German G20 Presidency, *Investing in Climate, Investing in Growth* shows that integrating measures to tackle climate change into regular economic policy will have a positive impact on economic growth over the medium and long term and that the annual investment required for low-carbon, climate-resilient infrastructure is estimated at USD 6.9 trillion per year. As roughly 60% of this will be needed in developing countries, current infrastructure investment in the developing world will need to double to ensure countries meet the SDGs and Paris Agreement.

Low-carbon and climate resilient infrastructure is essential for the SDGs Source: OECD (2017), Investing in Climate, Investing in Growth



HOW CAN WE WORK TOGETHER TO ADVANCE GREEN FINANCE AND INVESTMENT?

Official development finance plays a critical role in supporting green growth in developing countries, financing sustainable infrastructure projects, helping to build policy frameworks and much-needed capacity in institutions and demonstrating the viability of green solutions. Increasingly, the finance must also be used to mobilise other sources of financing – such as commercial, private investment – that do not currently target green growth in developing countries. Recent OECD analyses highlight that roughly one-fifth of climate-related development finance targets the private sector, and that this support needs to be scaled up and rolled out beyond the climate agenda to address other environmental issues (Crishna Morgado, N and B. Lasfargues, 2017).

The Investing in Climate, Investing in Growth report shows that in the context of sustainable infrastructure development banks and finance institutions (DFIs) - publicly owned financial institutions with a specific development mandate - are critical for mobilising green finance and investment. Within the group, there is increasing interest in national development banks and DFIs in developing countries as channels for international development and climate finance. While there has been progress made by multilateral, bilateral and national development banks and DFIs on supporting green growth in recent years, these institutions will need to radically scale up support for sustainable infrastructure if we are to make the decisive transition needed. As shareholders and supporters of these institutions, official development finance providers have an important role to play in promoting this agenda, especially by:

- Encouraging banks and DFIs to scale up support for sustainable infrastructure, especially for climate resilience, and promoting more transparency and disclosure of climate risks and impacts;
- Supporting development banks and DFIs to increase efforts to mobilise private investment in sustainable infrastructure, through blended finance and other tools; and,
- Promoting synergies and collaboration between governments, development banks and DFIs.

WHAT'S NEXT?

Further work on *Development banks and development finance institutions: scaling up green investment in developing countries* will support the DAC and other development finance providers take action on these recommendations. It will collate much needed evidence to highlight the critical and changing role of development banks and DFIs, especially on the implications of an increased focus on national institutions means for international actors as well as the barriers the different institutions face in mobilising private finance. The work will also convene policy dialogue between governments and development banks/DFIs on important and emerging issues, such as:

- Reducing regulatory and policy barriers for green finance and investment;
- Improving mainstreaming within development banks and DFIs (e.g. environmental safeguards and standards, climate risk screening, and assessment and disclosure of portfolio-wide carbon footprints);
- Mobilising private investment such as access to concessional finance to 'blend' with development bank resources to mitigate risks and attract private investors, especially for new technologies and solutions;
- Scaling up financing for adaptation and resilience within infrastructure, including for improving infrastructure projects in developing countries; and,
- Demonstrating and scaling up green business models.

This work will contribute to and benefit from expertise in the OECD Centre on Green Finance and Investment.