



Policy brief

National Development Banks: building markets for a net-zero world

Priorities for the G20

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July 2023

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How to cite: Attridge, S., Getzel, B. and Gilmour, A. National Development Banks: an untapped opportunity to mobilise the private capital and build the markets needed for a net-zero world. Policy Brief. London: ODI (<https://odi.org/en/publications/national-development-banks-building-markets-for-a-net-zero-world/>)

Acknowledgements

The authors would like to thank the peer reviewers for their very helpful critique and comments: Neha Kumar, Lily Burge (Climate Bonds Initiative), Namita Vikas, Sudha Meiyappan (auctusESG) and Lorena Gonzalez (ODI).

Our thanks to PTSMI colleagues for generously engaging in the research and providing comments and data.

The authors gratefully acknowledge the generous financial support of the CIFF.

The views expressed are those of the authors and do not reflect those of the funder, ODI or the institutions analysed in this paper.

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Acronyms

AF	Adaptation fund
DBSA	Development Bank of South Africa
BNDES	Brazilian Development Bank
CRF	Carbon Reduction Fund
DFI	Development finance institution
DM	Developed market
EMDEs	Emerging market and developing economies
ESG	Environmental, social and governance
ETM	Energy Transmission Mechanism
FES	Fundo de Energia Sustentável
FI	Financial institutions
GCF	Green Climate Fund
GEF	Global Environment Facility
GFANZ	Glasgow Financial Alliance for Net Zero
GHG	Greenhouse gas
IDFC	International Development Finance Club
IFI	International financial institution
IPCC	Intergovernmental Panel on Climate Change
JETP	Just Energy Transition Partnership
KPI	Key performance indicators
LCCR	Low-carbon, climate-resilient
MDB	Multilateral development bank
NDB	National development bank
NAFIN	Nacional Financiera
RDB	Regional development bank
PPP	Public–private partnership
PTSMI	PT Sarana Multi Infrastruktur
SFR	Sustainable finance roadmap
UNFCCC	United Nations Framework Convention on Climate Change

1 Introduction

The global economy must undergo a fundamental and urgent structural transformation to shift to low-carbon, climate-resilient (LCCR) growth to reach a net zero world by 2050. To lock this in, countries must invest in clean energy infrastructure and mobilise huge sums of commercial capital to finance it. The scale of the challenge is huge and well known. By 2025, emerging market and developing economies (EMDEs) (excluding China) will need to invest \$1 trillion per year in sustainable investment (Songwe et al., 2022).

Since 2014, the G20 has focused on the mobilisation of private capital to support LCCR growth¹ but international progress with this agenda has been far off the pace needed to support EMDE's finance this transition.

National development banks (NDBs) have been key players in this endeavour, but to date have largely been overlooked and underutilised by the G20 and the international community, where much of the conversation has centred on multilateral and regional development banks (MDBs and RDBs), development finance institutions (DFIs) and the mobilisation of international private capital. NDBs are the largest public provider of mitigation finance (Figure 1)² and the second-largest provider of adaptation finance (Figure 2).³ Average annual NDB climate flows between 2019 and 2020 represented 22% (\$129.1 billion) and 31% (\$15.5 billion) of total mitigation and adaptation finance respectively. In terms of mitigation, NDB flows are almost triple those from MDBs and dwarf the \$2 billion from multilateral climate funds.

EMDE NDBs play a critical role in mobilising private investment in clean energy, not only international private capital but perhaps more importantly domestic private capital which supports the development of domestic capital and sustainable finance markets more broadly. This latter point is often overlooked but is critical given the miniscule portfolio allocations to EMDEs by OECD institutional investors

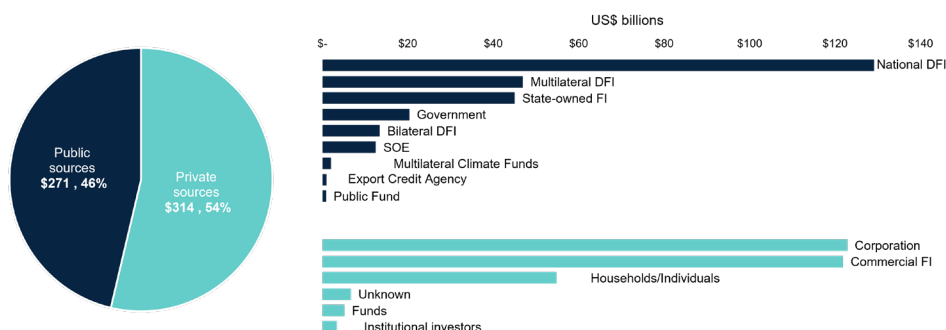
¹ For example, the development of the G20 infrastructure as an asset class roadmap and the creation of the Global Infrastructure Hub in 2014, the adoption of the G20 Hamburg Principles in 2016, where the G20 endorsed a target of increasing MDB private finance mobilisation by 25–35% by 2020 from 2016 levels, and the G20 discussions on MDB reform and the G20 sustainable finance roadmap (SFR) developed in 2021 to scale sustainable finance.

² The flows captured by CPI (2022) are those from national development finance institutions where a single country owns the institution and the finance is directed domestically. For the purposes of this analysis, these are largely NDBs.

³ MDBs, which are the largest providers of adaptation finance, account for 36% (\$17.6 billion) of flows on average between 2019 and 2020.

(OECD, 2021) and the recent exodus of large global investors from international initiatives such as the Glasgow Financial Alliance for Net Zero (GFANZ) and the Net-Zero Insurance Alliance.

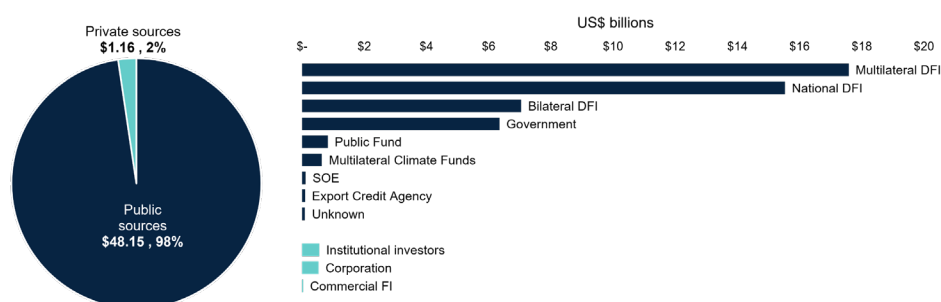
Figure 1 Mitigation, sources of climate flows, average 2019–2020



Source: Climate Policy Initiative (2022)

Access to international climate funds by EMDE NDBs, especially concessional capital, is key to support countries’ transition and to mobilise the scale of private investment required (Griffith-Jones et al., 2020). However, direct access has hitherto been the preserve of the multilateral system, largely bypassing EMDE NDBs, even though these actors possess an unrivalled knowledge of local markets, which means they are well placed to understand risk and price it, and have long-standing relationships with local public and private sectors which they can leverage to originate and develop investment opportunities.

Figure 2 Adaptation, sources of climate flows, average 2019–2020



Source: Climate Policy Initiative (2022)

Fully harnessing and integrating EMDE NDBs into domestic and international policy frameworks and discussions will help shift the needle. The Indian G20 finance track, which has prioritised financing climate action, offers an opportunity to do this.

This policy brief focuses on EMDE NDBs’ role in one aspect of this transition – supporting the transformation of national energy systems and the mobilisation of private finance required. It briefly outlines the financing challenge and the role of NDBs in overcoming these barriers (Section 2). It then outlines four key mobilisation roles, highlighting the critical importance of blended finance and access to

international climate finance (Section 3). Section 4 illustrates how EMDE NDBs have the least access to international climate finance despite mobilising the largest sums of climate finance (\$145 billion average 2019–2020). It concludes by urging the G20 to explore how to better engage EMDE NDBs in G20 processes and offers some suggestions on how this could be done. The brief also makes a number of recommendations on how the G20 Sustainable Finance Roadmap (SFR) should be adapted to recognise the role of EMDE NDBs.

2 Transforming energy systems – the financial challenge

Shifting to LCCR growth pathways requires an urgent and radical transformation of energy systems, at the heart of which will be the need to scale clean energy investment. Success will depend on the ability of countries to create commercial markets in clean energy which can mobilise the vast private capital required. This is not an easy task for any country but is especially challenging for EMDEs, whose capital markets are not well-developed and whose public finances are stretched.

2.1 Challenges to mobilising private investment

Three main issues thwart efforts by the G20 (e.g. focus area 4 in the SFR) and the broader international community to mobilise the required private investment.

2.1.1 High cost of capital

Clean energy systems often call for large upfront investment with long payback periods, requiring long-term financing. This is not widely available. If it is available it is often extremely expensive, threatening project bankability (e.g. affordability issues).

2.1.2 Uncommercial risk-adjusted rates of return

There are a large range of risks which can impede commercial investment (Attridge et al., 2020). Political, policy and regulatory uncertainty often arises from a lack of legal frameworks for independent power producers, unfavourable transmission access

and/or fossil fuel subsidies which create an uneven playing field. Technological risk is high for frontier renewable energy technologies as they are untested (e.g. battery storage, hydrogen, floating solar). Even proven and cost-effective technologies such as solar can be perceived as risky if there is little experience with them in a new context. Some technologies have high environmental, social and governance risks, such as geothermal energy or large-scale hydro power. Macroeconomic risk can be high, especially foreign exchange risk, when equipment is imported and paid for in hard currency during construction and future operational revenues are denominated in local currency. Credit risk can be high due to the poor credit-worthiness of utility off-takers. These risks in isolation or combined often result in uncompetitive risk-adjusted rates of return (i.e. the returns are too low for the level of real or perceived risks).

2.1.3 Lack of bankable investment pipeline at scale

Mobilising vast sums of commercial capital assumes that there is a pipeline of investable assets at scale which can underpin mobilisation products and vehicles targeted for example at institutional investors.

2.2 Role of NDBs in overcoming financial challenges

Given their development mandate and financing models,⁴ NDBs can play a key role in overcoming some of these financing barriers. They can:

1. Provide longer-term, more affordable financing than is available in the market (e.g. patient finance) to address cost of capital issues, for example through the deployment of senior loans with a longer tenor or other non-commercial terms.
2. Take on higher risk than many commercial investors and deploy a range of risk-mitigation capital to shift the risk-adjusted rate of return to make it commercial, for example by deploying subordinated debt, mezzanine finance, equity investment, guarantees and insurance.
3. Use project development facilities usually funded by grants to develop a bankable pipeline of clean energy projects.

⁴ In many cases NDBs can access finance at longer maturities and more cheaply than commercial financiers.

3 Four mobilisation roles

NDBs can play four key roles in mobilising clean energy private investment: as mobilisers of private finance; as intermediaries blending international climate and public development finance; as pipeline developers; and as policy influencers. These roles are closely linked and reinforce each other (Griffith-Jones et al., 2020).

3.1 NDBs as mobilisers

NDBs can mobilise private investment at the transaction or institutional level. Transaction-level mobilisation refers to situations where the NDB has mobilised private investment into an overall financing package for a project or business (e.g., co-investment in equity or debt deals, loan syndication, and risk sharing through guarantees and insurance). Institutional-level mobilisation refers to mobilisation as a result of NDB balance sheet leveraging (e.g., green bond issuance), investment management of commercial capital and/or the deployment of pooled portfolio products (Tahir and Robinson, 2023).⁵ Generally, it is at the institutional level where the largest sums of private finance can potentially be mobilised in support of the clean energy transition.

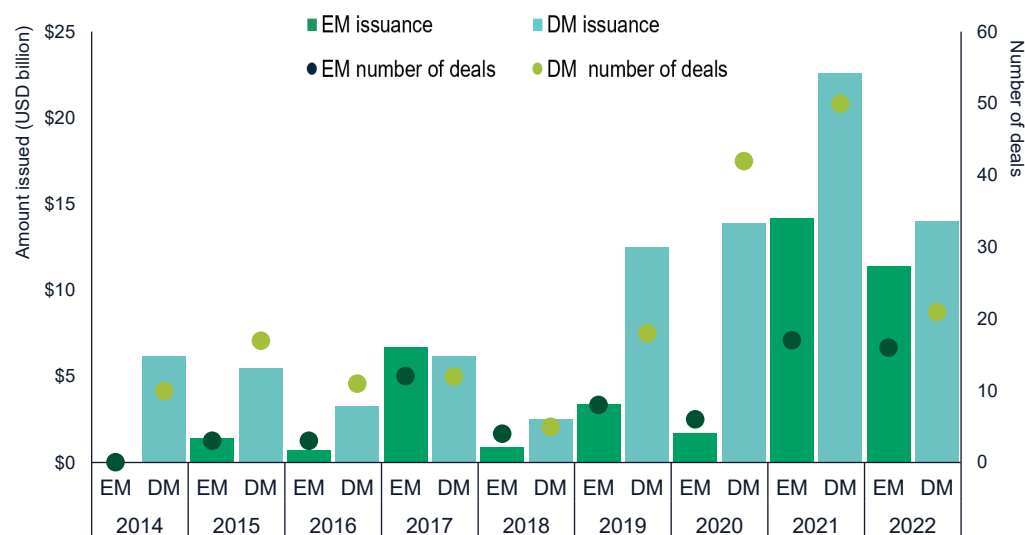
This brief hones in on three approaches which have the largest potential to mobilise at scale: green bond issuance and pooled portfolio approaches at the institutional level, and loan syndication at the transaction level.

⁵ For a good overview of mobilisation approaches see Gregory (2023).

3.1.1 Green bond issuance

One of the most common institutional approaches is the issuance of green bonds.

Figure 3 Green bonds issued by national development banks in emerging and developed markets, 2014–2022



Source: Climate Bonds Initiative (2023). Notes: EM = development banks located in emerging markets; DM = development banks located in developed markets. For EM and DM classification see CBI listed geographies.

This 'green' leveraging of EMDE NDB balance sheets has two benefits: it enables NDBs to significantly scale their 'green' investment capacity without the need for fiscal transfers or equity injection; and it supports the development of local capital markets and enables NDBs to mobilise local institutional investors who hitherto may not have been involved with green investment products. This role is further discussed in Section 3.4.

In 2022 EMDE NDBs issued \$11.4 billion compared to \$14 billion by DM NDBs. Starting from a zero base in 2014, there has been significant growth in EMDE NDB issuance, and it appears to be catching up on DM NDB issuance (Figure 3). In the last two years, the average issuance size for EMDE NDBs has grown by a multiple of 2.5–3, and the average issuance size has been larger than DM NDBs. This growth is indicative of the increasing appetite of private investors in EMDEs for 'green' and sustainable investment. It also demonstrates the pioneering role of NDBs in the development of domestic green bond markets, helping private investors feel more comfortable in this space and paving the way for subsequent issuance by other financial institutions (FIs) or corporates.⁶ This has supported the development of domestic capital markets more

⁶ Sometimes with credit enhancement support from the NDB for corporate bond issuance to fund investment in clean energy. For example, PTSMI's credit enhancement support for the issuance of a \$52.4 million bond by a large Indonesian hydro power company raised the initial credit rating from A- to AAA, which helped mobilise local institutional investment into this company.

broadly, reduces foreign exchange risk for the NDB and mobilises local currency investment in clean energy projects.

Green bonds are use of proceeds bonds (meaning they track and report on the use of proceeds). A new development has been sustainability linked bonds, which are general purpose bonds with specific sustainability-linked targets (KPIs), where there is a usually a penalty associated with not meeting the KPIs, such as a step-up clause where the bond interest rate increases. PTSMI is a pioneer in this space and is currently marketing a five-year \$0.5 billion sustainability linked bond to private investors. The margin pricing is still being determined but there will be two KPIs. One will focus on the evolution of PTSMI's green investment portfolio over five years and the second will focus on staff training on sustainable finance.

3.1.2 Pooled portfolio approaches

Pooled portfolio approaches enable NDBs to aggregate projects and structure investment products to meet the needs of institutional investors in terms of ticket size and risk appetite. These products can be structured in different tranches with differing risk profiles. Blended finance can be used for the higher-risk tranches.

Brazilian Development Bank's (BNDES) pooled fund Fundo de Energia Sustentável (FES) mobilises private capital to accelerate clean energy investment. FES is managed by a private fund manager. It pools finance from different sources including private investors and strategically invests in renewable energy projects in line with the fund's investment guidelines and objectives. Through the fund, BNDES finances the construction of clean energy projects and securitises the revenue flows once assets are operational.

3.1.3 Loan syndication

Loan syndication⁷ is a very common approach to financing large clean energy infrastructure investment, where the loan required is too large for one investor. It has proved effective in mobilising local private investment (e.g. commercial banks) and is especially useful where capital markets are not well-developed. The approach allows NDBs to diversify risk on their balance sheet, thereby managing balance sheet exposure limits, and leverage larger financing packages for renewable energy investment.

The approach also exploits one of the key comparative advantages of NDBs, namely the soft enhancement their involvement in the syndication plays, giving reassurance to local private investors who are not familiar with the asset class or sub-sector. This reassurance can stem from the relationship of the NDB with the government, its

⁷ A lending process in which a group of lenders provides funds to a single borrower or project. Usually the NDB is the lead arranger and lender of record. In these A/B loan structures, the NDB provides a senior loan from its own balance sheet and retains a portion of the loan ('A' portion) for its own account and sells the remainder ('B' loans) to private investors.

technical expertise and its environmental, social and governance due diligence, which also reduces transaction costs .

Nacional Financiera (NAFIN) has used loan syndication to scale private clean energy investment in Mexico. NAFIN took the lead in early rounds of syndication financing in the wind energy market, but was able to step back as commercial syndication markets developed.

3.2 NDBs as blenders of concessional finance

As explained in Section 2, much clean energy investment in EMDEs requires some form of blended concessional finance to address high capital costs/affordability concerns and/or shift the risk-adjusted rate of return. Although some governments provide their NDBs with this kind of concessional finance, blended finance is often mainly funded by external concessional climate capital – underscoring the important role of concessional capital and the need to channel it through EMDE NDBs.

At the transaction level, blended concessional finance can be used in many different ways to make investment in high-risk projects or corporates viable, for example by boosting returns, reducing risk or improving affordability (Attridge, 2022).⁸ EMDE NDBs can also use blended concessional finance to deploy portfolio approaches which are more attractive to domestic and international institutional investors.

⁸ See Attridge (2022) for a detailed overview of how DFIs use instruments to achieve these objectives.



There are many good examples of blended finance, illustrating not only how important concessional climate funds are to EMDE NDBs, but also how a blended finance approach rooted in a government Nationally Determined Contribution (NDC) or net zero plan can kickstart the development of clean energy markets. SDG Indonesia 1, for example, is a \$3.2 billion blended finance platform to scale sustainable infrastructure investment, especially renewable energy, providing development, de-risking, debt financing and equity facilities (see Box 1). This enables PTSMI, which manages the platform, to provide end-to-end renewable energy infrastructure financing.

Blended finance will also play a critical role in the Just Energy Transition Partnerships (JETPs) established through the G20, UNFCCC COP and other international fora. In 2022, the Indonesian government appointed PTSMI to manage Indonesia’s JETP, the Energy Transmission Mechanism (ETM). Part of this involves managing a blended finance mechanism funded by the Indonesian government,⁹ commercial investors, philanthropies, multilateral and bilateral development and climate finance. The ETM consists of two funds: the clean energy fund to support the scaling of renewable energy funded by SDG Indonesia 1 and the Carbon Reduction Fund (CRF), an early retirement funding mechanism for coal-fired power stations. The CRF will use concessional capital to refinance and reduce the cost of capital of coal-fired plants, so the required rate of return on investment can be realised sooner and plants retired earlier than the end of their useful economic life. Where possible, potential carbon credit revenue will be used to accelerate early retirement.

⁹ PTSMI has proposed government funding of \$700 million which will be blended with other sources of finance including international climate finance.

PTSMI is piloting one project under the CRF while awaiting the launch of the official energy transition roadmap.

As part of the South African JETP, the Development Bank of South Africa (DBSA) has announced its intention to launch a new blended finance fund to support the development of the green hydrogen sector, the 'SA-H2 Fund'. SA-H2 aims to mobilise \$1 billion from a range of public and private investors (both domestic and international) to fund the development and construction of large-scale green hydrogen infrastructure.

3.3 NDBs as pipeline developers of clean energy projects

The lack of bankable projects is a critical barrier to scaling clean energy investment. Local commercial banks rarely have the expertise to undertake project preparation or the funding to finance it. Many NDBs can help overcome this constraint by providing technical expertise and funding for early-stage project preparation (and de-risking) through project development facilities. These facilities cover activities from conceptualisation and feasibility analysis to deal structuring and transaction support to get the project to financial close. They can also help fund project expenses such as feasibility studies, ESG assessments and viability studies. NDBs work closely with national, state and local government building their capacity in this area. A good example of this kind of support and the importance of concessional climate capital can be seen in the geothermal sector (Box 2).

For many NDBs these facilities are often funded by external concessional resource (often grants), including international concessional climate finance from the GCF, as well as domestic fiscal budgets. This underscores the importance of external concessional capital and the need for this to flow directly through NDBs to support their project development capabilities. There is a very clear mobilisation path whereby NDBs can help build a pipeline of green projects, aggregate these and issue green bonds to finance their continued development. Once operational these assets could be securitised, which would allow NDB capital to be recycled and support the development of domestic capital markets.

Box 2 Project development grants to support geothermal development

Geothermal development is highly risky, involving significant capital expenditure on exploration without knowing what the geological resource available is. The upfront cost can be between 35% to 40% of the total project cost, and without resource certainty the private sector is unlikely to undertake exploration. NDBs such as NAFIN and PTSMI, in partnership with donors, climate funds and MDBs, have used innovative instruments such as convertible/contingent grants to help address exploration risk. If drilling is unsuccessful, the sunk costs are funded by external grant finance (e.g. GCF, CTF) or in the case of PTSMI the government geothermal development fund. If the drilling is successful the grant converts to debt which is repaid by the developer before construction, or once the plant goes into operation.

Source: Attridge (2020)

The role that NDBs can play can be seen most clearly in the project development facility under the SDG Indonesia 1 (Box 1). This is the platform's largest facility, totalling \$2.4 billion funded by grant finance of \$24.6 million and concessional debt totalling \$2.3 billion. PTSMI also manages a Project Development Facility assigned from the Ministry of Finance, which has supported the development of 20 major public-private partnerships (PPPs) in sectors including water and sanitation and transportation.

3.4 NDBs as policy influencers shaping conducive frameworks and promoting sustainable finance

NDBs play an important complementary role as policy influencers, helping to shape broad and specific policy frameworks to encourage and channel private investment to support the clean energy transition. This is a critical role given that political, policy and regulatory barriers are frequently cited as major impediments to clean energy investment.

A good example is the advisory role the DBSA played in the development of the Renewable Energy Independent Power Producers Programme (REIPPP). The DBSA advised in the structuring of the programme and provided technical support to the government during its implementation, including the funding and establishment of the Independent Power Producer Office in the Department of Mineral Resources and Energy. DBSA has also provided input into the development of South Africa's Integrated Resource Plan (IRP) and has provided technical expertise on issues such as grid integration, financing and regulatory frameworks.

With regard to the Indonesia's ETM country platform, PTSMI will play a critical part in supporting the transition beyond the financial role described above. As platform manager and implementer PTSMI will coordinate with stakeholders to develop the transition framework in the electricity sector; conduct comprehensive studies on the fiscal support required; formulate a financing plan integrating government fiscal support and other sources of de-risking facilities to mobilise non-state financing; and implement actions, activities and investments to support the transition.

EMDE NDBs can help the G20 advance its SFR (G20, 2021) and support the scaling up of sustainable finance. As noted above, many NDBs are developing green finance products and adopting good practices (e.g. focus area 1 of the SFR). NDBs are often the first to develop and issue green bond frameworks and publish green bond impact reports. For this to happen effectively, projects and activities need to be backed up with sufficient and standardised data based on interoperable and internationally aligned disclosure standards and taxonomies classifying such investments. In developing these pioneering programmes, NDBs can work closely with financial regulators to shape and support the greening of domestic financial systems. For example, PTSMI has worked with the Indonesian Financial Services Authority (OJK) to develop its Sustainable Finance Roadmap Phase II (2021–2025) and the first iteration of Indonesia's green taxonomy. PTSMI is also involved in developing the sustainable finance ecosystem in Indonesia as part of the Sustainable Finance Task Force for the Financial Services Sector.

4 Increasing international climate finance channelled through EMDE NDBs

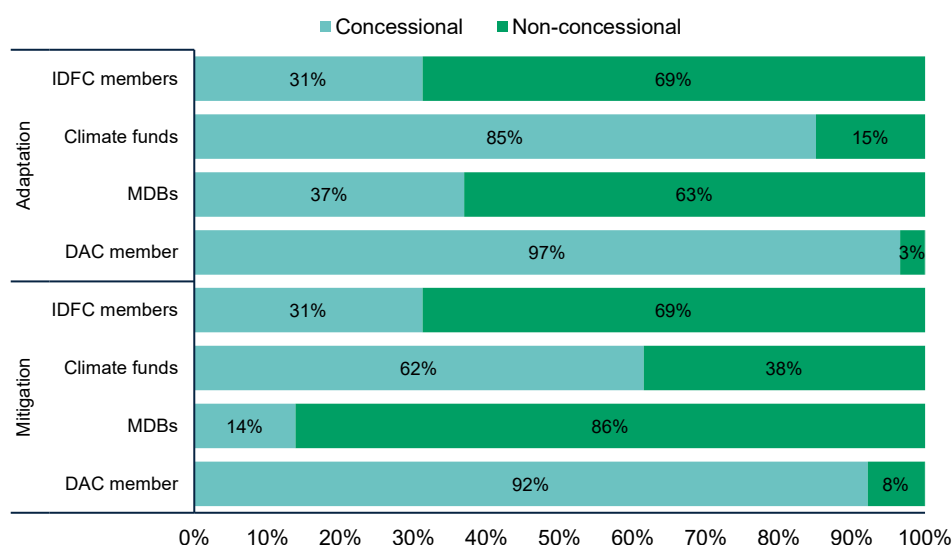
As outlined above, international climate finance can help NDBs reduce capital costs, make the risk-adjusted rate of return commercial and fund project development facilities. Given their local knowledge and connections, EMDE NDBs are well-placed to pool

multiple sources of international climate finance at the country level and blend it in a more strategic and catalytic way, not only to mobilise international private finance but perhaps more importantly to mobilise domestic institutional investors. The mobilisation of local capital is critical as currently very little OECD institutional capital is invested in EMDEs (OECD, 2021), and as international members of the Glasgow Financial Alliance for Net Zero and the Net Zero Insurance Alliance leave these initiatives.

While some governments provide their NDBs with concessional capital, many are reliant on international climate capital, especially concessional capital, but have little access to such financing.

The growth of climate funds could be a key lever for EMDE NDBs to access concessional climate finance. Aside from DAC donors, multilateral climate funds are the providers with the largest share of their climate portfolio directed via concessional flows (Figure 4). On average between 2019 and 2021, concessional flows accounted for 85% of climate funds' total adaptation finance and 62% of total mitigation finance. These figures dwarf the share of concessional financing by MDBs, who over the same period provided 37% of adaptation finance and 14% of mitigation finance via concessional means.

Figure 4 Level of climate finance concessionality by provider, average 2019–2021



Source: Author calculations based on OECD-Climate Finance Database

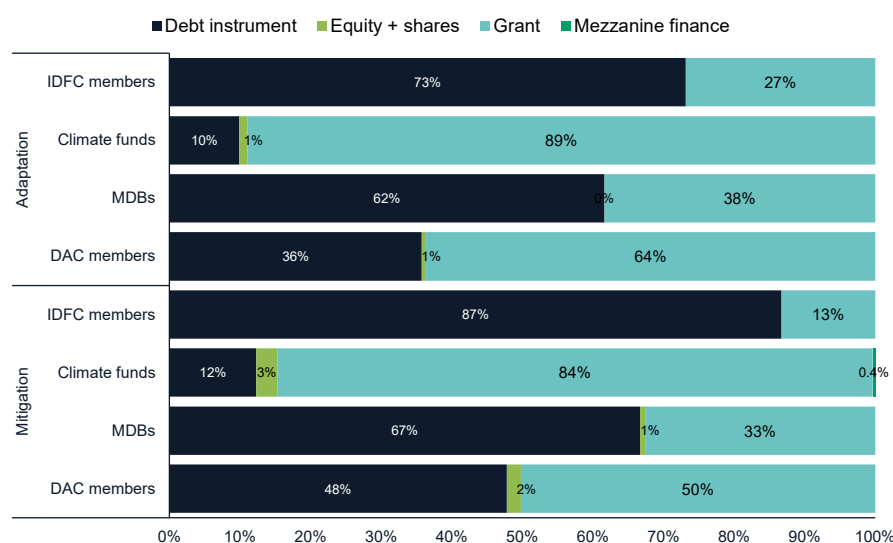
Current USD prices. Data for IDFC members is based on IDFC Green financing reports (2022). Data for IDFC members includes all members, OECD and non-OECD.

Moreover, the concessional portfolios of international climate funds bear the largest grant element among all providers (Figure 5). Grants are the most flexible and cheapest source of financing, allowing NDBs to decide how to deploy concessional climate capital for

maximum catalytic effect (e.g. project development and/or blended concessional finance).

Even though multilateral climate funds are a small part of the architecture they are an extremely valuable source of catalytic climate finance for EMDE NDBs. However, most of these multilateral climate funds have been captured by the multilateral system (e.g. MDBs, RDBs, DFIs and UN). They do not flow through EMDE NDBs, despite NDBs arguably being very well, if not better, placed to develop and originate clean energy projects, price risk and intermediate international climate capital.

Figure 5 Concessional finance by provider and instrument, average 2019–2021



Source: Author calculations based on OECD-Climate Finance Database. Current USD prices. Data for IDFC members is based on IDFC Green financing report (2022). Data for IDFC members includes all members, OECD and non-OECD.

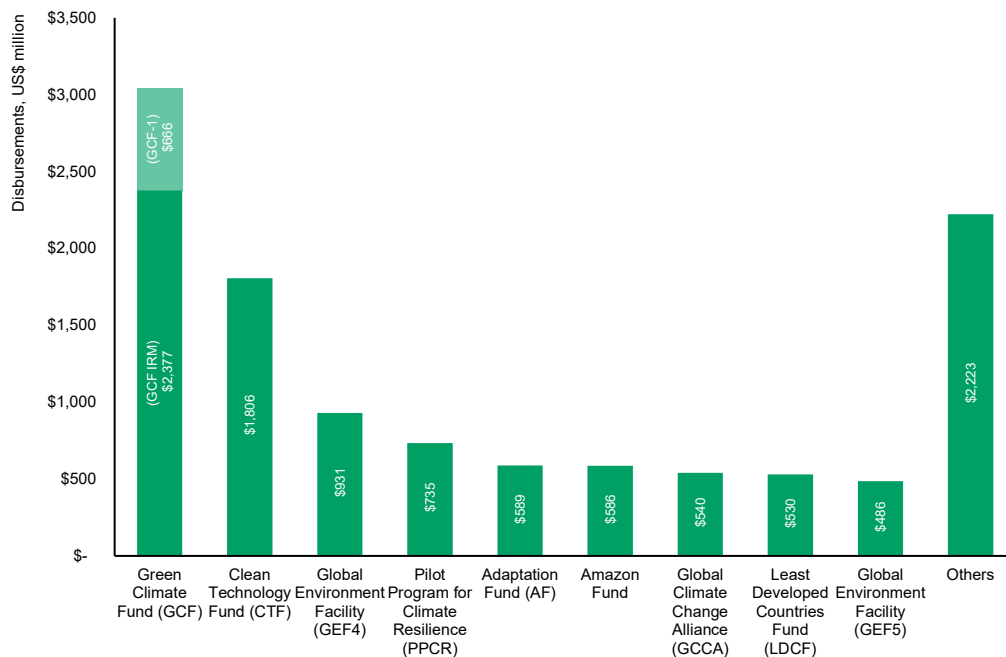
4.1 Green Climate Fund

Unlike many other multilateral climate funds, the GCF seeks to promote country ownership and direct access by national authorities, and as such is highly relevant for EMDE NDBs. Indeed, the GCF has accredited more national and regional entities than any other multilateral climate fund. It is also now the largest multilateral climate fund, both in terms of funding approved and funding disbursed (Figure 6). Since its establishment in 2010, GCF had approved funding totalling \$12 billion as of May 2023, 29.2% of which had been disbursed.

Despite a mandate focusing on direct access by national authorities, the vast majority of GCF funding is committed to international financial institution (IFI)-accredited entities such as MDBs, RDBs or international organisations such as UN agencies (Figure 7). Together these institutions account for the lion’s share of GCF approved funding (75%). This capture by international entities mirrors the

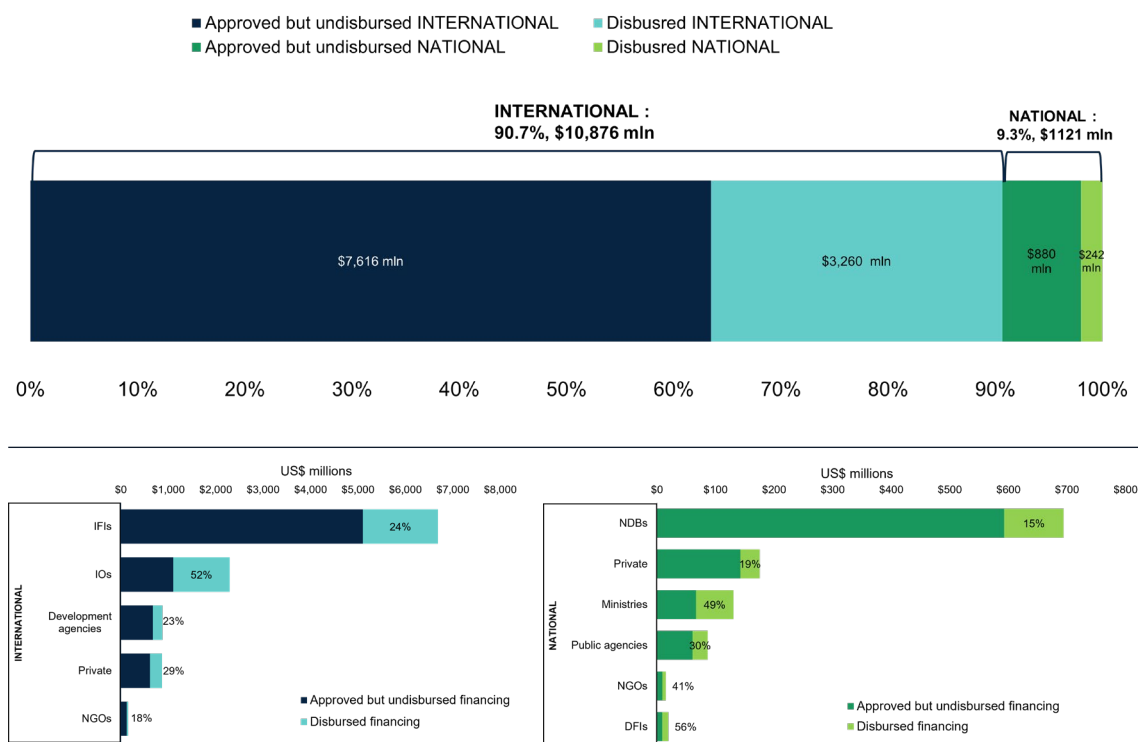
capture of multilateral climate funds more broadly by these institutions. For example, national entities received just 11% of all climate financing from UNFCCC funds (i.e. GEF, AF and GCF), although interestingly the AF brought in a 50% portfolio cap on international entities in 2021 (UNFCCC, 2022).

Figure 6 Cumulative disbursements from major multilateral climate funds to 2022



Source: Climate Funds Update (2023). Data current as of December 2022

Figure 7 Cumulative GCF funding to international and national entities

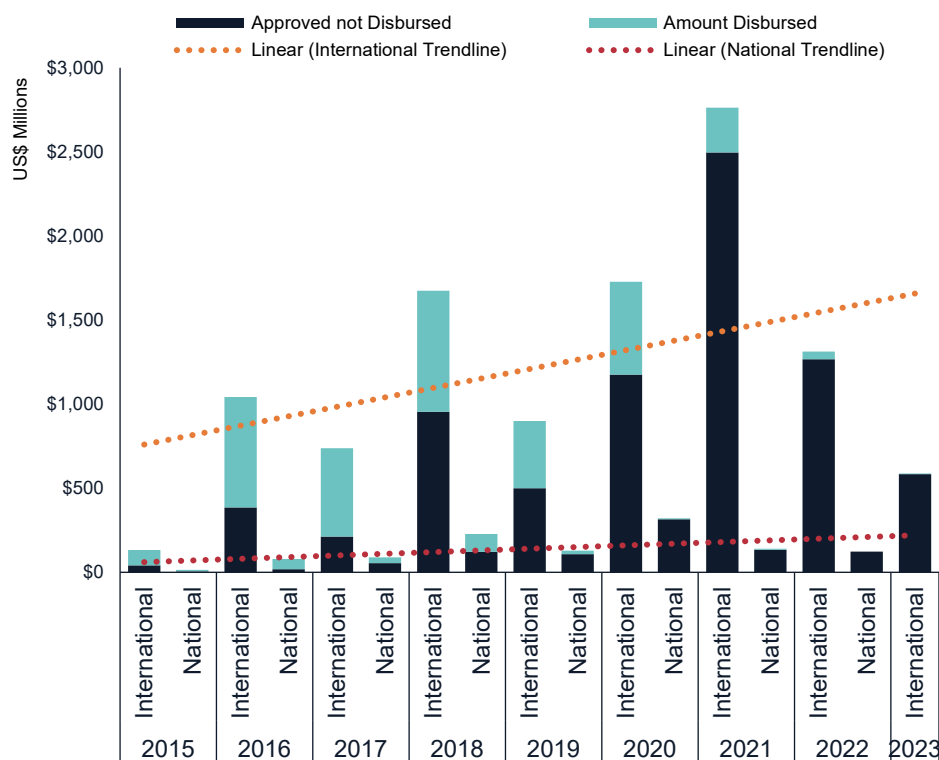


Source: Author calculations based on data from GCF Open Data Library inquiries and the INSE/AFD Public Development Bank database from Xu et al. (2021) Note: Data current as at 8 June 2023, IFIs = international finance institutions, IOs = international organisations, NGOs = non-governmental organisations

The GCF has made efforts to ease constraints on direct access by national entities, resulting in year-on-year increases in approved GCF funding for national entities up to and including 2020 (with the exception of 2019). However, funding levels have declined each year since 2020 and disbursement rates have been zero since 2022 (Figure 8). This is despite a concerted push in the GCF replenishment round one (GCF-1) to bring on board more national and regional direct access entities, and suggests that more needs to be done to ease burdensome processes.

NDBs account for 62% of funding that has been approved at the national entity level. Sixteen NDBs have been accredited but only six have received approved funding (IDCOL, DBSA, NABARD, KDB, EIF, FDB). Most of this has gone to the first four NDBs in that list.

Figure 8 GCF approved and disbursed financing to international and national entities, 2015–2023



Source: Author calculations based on data from GCF Open Data inquiries. Notes: Data current as at 8 June 2023. No national entities had any financing approved in 2023.

5 Recommendations for the G20

The G20 is well placed to support the integration of EMDE NDBs in international and national policy frameworks and promote a more catalytic use of scarce concessional climate finance. The current Indian and future Brazilian G20 Presidencies are opportune moments to lead this charge given that India has just set up the National Bank for Financing Infrastructure and Development and Brazil has a very large development bank, BNDES.

Recommendations for the G20 and its member countries to consider include:

1. The G20 could explore how it could engage more substantively with EMDE NDBs and the Finance in Common movement. A first step could be inviting regional DFI associations to participate in the G20 Finance Track working groups on International Financial Architecture, the Infrastructure Working Group and the Sustainable Finance Working Group. Opportunities could be explored to link this to the Finance in Common Summit.
2. The G20 SFR should be adapted to recognise the role of EMDE NDBs and leverage their untapped potential. These actions could include:
 - I. G20 member countries could explore bilateral opportunities to partner with EMDE NDBs to identify, structure and deliver clean energy investment including channelling more of their bilateral climate finance directly through EMDE NDBs.
 - II. G20 member countries could ensure that where relevant their NDBs are integrated into national NDC or net-zero plans and have a clear green mandate.
 - III. As part of the G20 SFR and as shareholders of MDBs, RDBs and DFIs, G20 member countries should task these institutions to map their current engagement with EMDE NDBs and explore opportunities to step that engagement up. This should include channelling more multilateral climate finance directly through EMDE NDBs, working with them to support the development and origination of clean energy projects, supporting blended finance platforms at the country level,

developing local capital markets and building the capacity of EMDE NDBs.

- IV. The G20 could invite the GCF to work with regional DFI associations to review accreditation barriers; explore how to prioritise EMDE NDB accreditation and develop new forms of access for EMDE NDBs; and speed up the approval and disbursement of NDB projects.

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