Accelerating Green Capital Mobilisation is Central to the Function of Development Finance Institutions

Meeting global climate and sustainability goals requires substantial investment

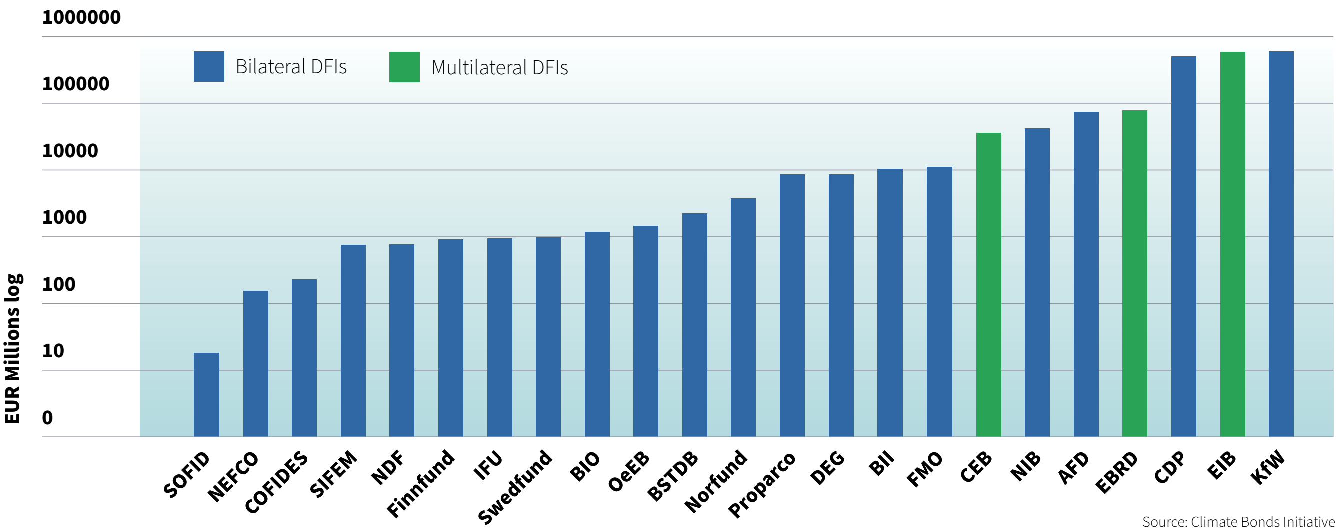
The Role of Development Finance Institutions in Accelerating the Mobilisation of Green Capital is a new Climate Bonds report, informed by expert interviews with European DFIs and associated organisations.

Estimates of the annual global climate investment gap vary between USD2.5tn and USD4tn.[1,2,3]

This requires large-scale mobilisation of private capital to transition energy systems, build resilient infrastructure, and develop sustainable communities. This is particularly true for emerging markets (EM), where **climate resilience** and **sustainable development** are mutually reinforcing.

European DFIs have significant financing power. Assets of EU Member State public development banks were estimated at EUR3.2tn in 2020.[4]

Figure 1: Balance sheet size of the 23 European DFIs, logarithmic scale.



Source: Climate Bonds Initiative

There is, however, notable variation in estimates of current levels of mobilisation. Estimates include ratios as low as 1:0.14 to 1:1.3 to far higher ratios of 1:7.[5,6] **Variation stems from difficulties in measuring and defining mobilisation** because DFIs, MDBs, governments, and research institutes do not employ the same metrics when calculating levels of mobilisation. **There is also a lack of data on the use of individual mobilisation tools by each DFI**, which is also not consistently or generally reported globally; either by DFIs and for all DFIs.[7] This hinders comparison of the efficacy of each tool and across different tools.

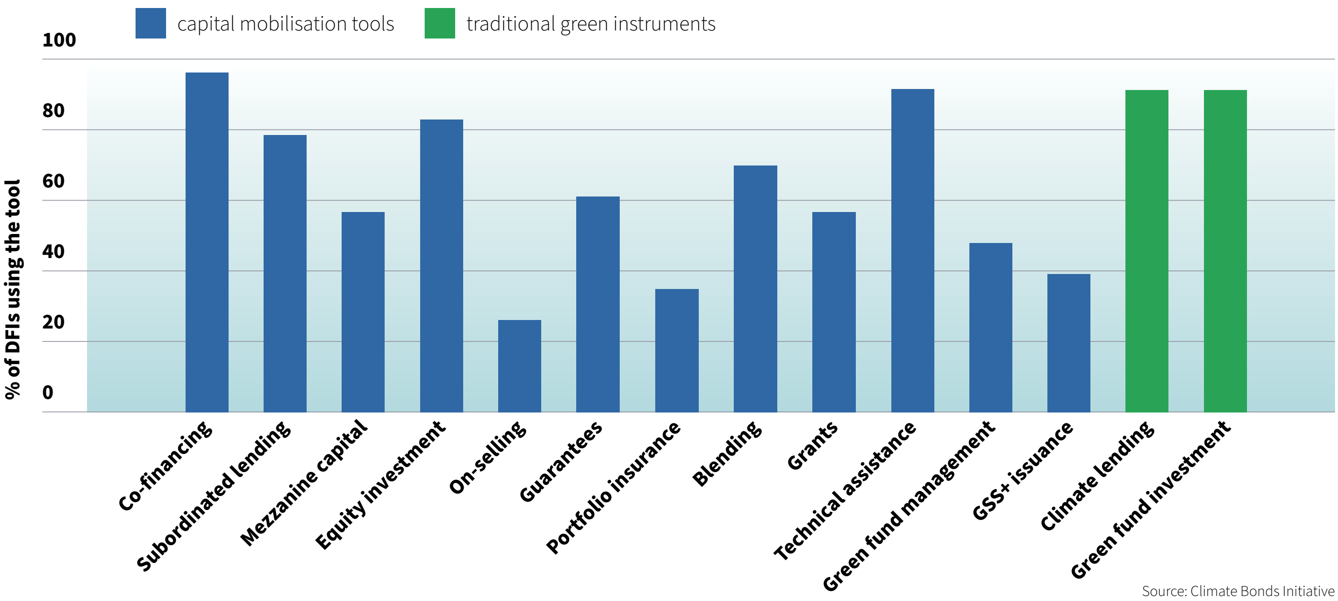
Mobilising private investment is essential to meet the climate investment gap

Development finance institutions (DFIs) are mandated to deliver sustainable development so climate investment is deeply intertwined with their core business. DFIs aim to overcome barriers to investment and are designed to address market failures and financing gaps; stepping in where private finance cannot or will not go. This places DFIs in a very strong position to deliver **adaptation investments** which currently account for only 8% of global climate finance.[8]

For developed market (DM) DFIs, this forms part of the new collective quantified goal (NCQG) to be adopted at COP29 in Baku, Azerbaijan, 11-22 November 2024, which aims to replace the current USD100bn/year climate finance commitment with one in the trillions.[9]

Climate Bonds' new report, *The Role of Development Finance Institutions in Accelerating the Mobilisation of Green Capital,* provides an assessment of the status of capital mobilisation by European DFIs to support climate objectives. It sets out **30 key recommendations** on how European DFIs, their shareholders, financial markets, and policy-makers can overcome the barriers to scale private capital mobilisation to address the global climate investment gap.

Figure 2: Use of capital mobilisation and green tools among the 23 DFIs, percentage of DFIs using each tool



Source: Climate Bonds Initiative

Endnotes

1. https://unctad.org/publication/sdg-investment-trends-monitor-issue-4
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