Public Financial Institutions' Climate Commitments

October 2022
ACKNOWLEDGMENTS

The authors wish to thank the following people for their contributions as members of the review group, in alphabetical order by affiliated organization: Jean-Baptiste Jacouton and Régis Marodon (Agence Française de Développement); Barbara Buchner, Vikram Widge, Rob Kahn, Donovan Escalante, Valerio Micale, Jake Connolly, Matthew Solomon, Elana Fortin, and Josh Wheeling (CPI); James Gao (Duke University); Claire Lacoste and Emma Navarro (European Climate Foundation); Nancy Saich, Kristyna Pelikanova, and Patrick De Nijs (European Investment Bank).

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ABOUT CLIMATE POLICY INITIATIVE

CPI is an analysis and advisory organization with deep expertise in finance and policy. Our mission is to help governments, businesses, and financial institutions drive economic growth while addressing climate change. CPI has six offices around the world in Brazil, India, Indonesia, the United Kingdom, and the United States.
DESCRIPTRORS

SECTOR
Financial

REGION
Global

KEYWORDS
Climate Finance, Net Zero Finance, Financial Institutions

RELATED CPI WORKS
Framework for Sustainable Finance Integrity
Private Financial Institutions’ Commitment to Paris Alignment
Net Zero Finance Tracker
Global Landscape of Climate Finance

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RECOMMENDED CITATION
EXECUTIVE SUMMARY

Significant knowledge gaps exist when it comes to the climate actions of public finance institutions. While private financial entities’ responses to climate change have received significant attention in recent years, public financial institutions have comparatively received less attention from the research community, stakeholders, and civil society. Recent analyses of public financial institutions have largely focused solely on large Development Finance Institutions (DFIs), particularly Multilateral Development Banks (MDBs) and a handful of bilateral development banks. Going beyond this subset of public financial institutions is key to understanding how best to align public finance to global climate ambitions.

For example, export-credit agencies (ECAs) have received little attention in the literature and at-large tracking efforts, yet ECAs provide nearly double the international public finance when compared to MDBs. ECAs continue to channel billions of dollars in investment towards fossil fuel projects (Finance in Common, 2021; Macquarie et al., 2020). Moreover, most tracking efforts to date are narrow in scope, focusing only on mitigation commitments1, exclusion policies2, or implementation actions3.

To help close this information gap, CPI developed a taxonomy for tracking finance-related climate commitments and institutional climate strategies covering:

- Paris alignment, net zero, carbon neutral, and other mitigation targets,
- Climate finance and sustainability goals,
- Exclusion and divestment policies, and
- Institutional climate strategies and related implementation actions.

CPI developed an automated data scraping and processing pipeline, utilizing advanced data extraction and natural language processing tools to collect primary and secondary data for the 70 largest public financial institutions: national and subnational development banks, development finance institutions, export credit agencies, mortgage securitization and public housing agencies, and policy banks. Overall, the entities tracked represent 95% of the total assets held by public financial institutions as reported in the Finance in Common dataset of public development banks and development financing institutions, equivalent to USD 20.4 trillion in assets4 (Xu et al., 2022).

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1 See ECBU’s mitigation targets taxonomy
2 See Rainforest Action Network work and the OCI Public Finance for Energy Fossil Free Policy Tracker.
3 See E3G’s public bank tracker
4 Based on 2020 total asset figures as recorded in the Finance in Common Global Database of Public Development Banks and Development Finance institutions.
ES1. Climate commitments across public financial institutions

Our findings, as summarized in ES1, show that, while headway is being made in some public financial institutions, much needs to be done to increase ambition across nearly all public financial institutions in line with the goals of the Paris Agreement.

- **Overall, just 20 tracked public financial institutions, holding 25% of tracked assets, have set net zero or Paris alignment targets.**

- **Outside of the MDBs, very few institutions are making commitments to align their operations and future investments to the goals of the Paris agreement.** Where commitments exist, they often lack complementary interim targets or focus only on operational emissions. Interim targets are an integral step towards implementing climate commitments and can be seen as a signifier of commitment credibility (Pinko et al., 2021). The low number of targets specific to portfolio emissions is also significant, as on average 97% of financial institutions’ emissions are in their portfolio rather than in their operations (Lütkehermöller et al., 2020). Tangible results in the real economy are only possible with action to tackle portfolio emissions (Pinko & Ortega Pastor, 2022).

- **While 47% of tracked entities have announced climate finance and sustainability goals, these were rarely accompanied by sectoral or geographical specificity.** Specificity is key on these targets due to the public sector’s importance in driving finance to sectors that are traditionally less attractive to private capital, as well as regions that are otherwise unable to access capital markets.

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*Paris alignment is 21% of both institutions and total assets, and net-zero is 7% of institutions and 3% of total assets*
- One such sector is climate adaptation. Only six public financial institutions have set climate finance goals that explicitly mention adaptation. All but one, the National Bank for Agriculture and Rural Development of India, were MDBs. Public financial institutions have a key role to play in closing this gap, yet the lack of clearly defined commitments relating to climate adaptation is concerning. By defining and disclosing adaptation commitments, public financial institutions can signal their intent to respond to growing calls for action in this space.

- Twenty-two public financial institutions have climate-related exclusion and divestment policies of varying breadth and ambition. Only nine included pledges to phase out all fossil fuel financing without exception.

- Public financial institutions have been slow to adopt institutional strategies on climate. Little over half of tracked entities (39 institutions, 55% of our sample) have institutional climate strategies outlining how climate goals will be integrated into the entities’ operations and planning. Most of these institutions operate in an OECD country or globally.

- National and subnational development banks, in particular, are falling behind their peers. While national/subnational development banks make up 37 of the 70 of the entities in our dataset (53%), only nine of them have mitigation targets of any kind, and only nine have announced climate finance goals. Within climate finance goals, only one national development bank, the National Bank for Agriculture and Rural Development of India, has made commitments specific to climate adaptation finance.

Our analysis identified insufficient accountability measures and lack of guidance from global coalitions and governments as key barriers to credible climate commitments by public financial institutions.

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5 These are the European Investment Bank, the Asian Development Bank, the Islamic Development Bank, the Agence française de développement, Banque publique d’investissement, Export Development Canada, the Nordic Investment Bank, the Swedish Export Credit Corporation, and the UK Infrastructure Bank.

6 NABARD is the National Implementing Entity for the Adaptation Fund under the UNFCCC of the Government of India.
Key recommendations to address these barriers and increase the number and quality of climate commitments being made by public financial institutions include:

**ES Table 1. Recommendations to strengthen climate commitments of public financial institutions**

<table>
<thead>
<tr>
<th>Actor</th>
<th>Recommendations</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Public financial institutions</strong></td>
<td>Set climate targets in line with the necessary actions outlined in CPI’s Framework for Sustainable Finance Integrity, with a particular focus on improving near-term, measurable actions.</td>
</tr>
<tr>
<td></td>
<td>Commit to a timeline and strategic approach for Paris alignment. This includes developing a standalone climate strategy that mainstreams climate change aspects within the institution’s investment and product systems to identify and manage climate-related risks and opportunities.</td>
</tr>
<tr>
<td></td>
<td>Integrate climate change mitigation and resilience across all key sectoral strategies. Sectoral strategies that pre-date the Paris agreement should be updated to reflect the latest consensus around climate action and targets. Public financial institutions with specific sectoral mandates (e.g., agricultural banks, housing authorities) should articulate an approach towards mitigation and adaptation in their respective sectors.</td>
</tr>
<tr>
<td></td>
<td>Disclose detailed information on sub-projects financed by financial intermediaries and introduce adequate due diligence to ensure that intermediaries are channeling funds in line with the institution’s climate goals.</td>
</tr>
<tr>
<td></td>
<td>Expand policy support and technical assistance to promote national and subnational sustainable financing strategies, including integration of country Nationally Determined Contributions (NDCs) and Paris agreement goals.</td>
</tr>
<tr>
<td><strong>Governments</strong></td>
<td>Actively engage with public financial institutions as shareholders to support the centering of climate action, implementation of the recommendations for public finance institutions above, and increased resources for climate action.</td>
</tr>
<tr>
<td></td>
<td>Mandate climate-related financial risk disclosures from national public financial institutions to fully understand the potential economic risks faced.</td>
</tr>
<tr>
<td></td>
<td>Develop and require participation in climate tools. This could be focused on financial portfolios, such as stress testing and Paris portfolio alignment measurement, or data sharing and capacity building facilities.</td>
</tr>
<tr>
<td><strong>Global financial coalitions</strong></td>
<td>Much like GFANZ has helped coordinate existing coalitions and networks in the private sector, a similar effort is needed in the public finance space. Coalitions should work to define and recognize ambitious public finance commitments, as well as provide benchmarks, guidance, and foster knowledge-sharing and capacity building across public finance entities.</td>
</tr>
<tr>
<td></td>
<td>While global coalitions should pursue standardization and consistency when developing target setting protocols and transition plans, efforts need to take the different needs and circumstances of developing economies into consideration.</td>
</tr>
<tr>
<td></td>
<td>Similar to GFANZ’s diverse group of private finance alliances, target-setting protocols should recognize the specific needs of public financial institutional types, ranging from public housing authorities to export credit agencies, and develop specific metrics and guidance for these institutions.</td>
</tr>
</tbody>
</table>

Addressing barriers to climate commitments in public financial institutions is critical. These entities play a key role in closing the climate finance gap, ensuring that international climate finance is deployed in the real economy, building a conducive enabling environment, mobilizing private climate finance, and fostering innovative climate finance mechanisms. By defining and disclosing climate commitments, public financial institutions can signal their intent to respond to growing calls for more ambitious climate action, facilitating future engagement and climate finance flows.
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Since the establishment of the Paris Agreement in 2015, financial actors have formed coalitions and initiatives to promote sustainable finance. These include public sector coalitions such as the Coalition of Finance Ministers for Climate Action, the Network for Greening the Financial System (for central banks), the Finance in Common network, the group of Multilateral Development Banks, and the International Development Finance Club. Through these coalitions and initiatives, many financial institutions have made commitments to address climate change, set targets on decarbonization, and make concrete pledges to green their investment portfolios.

**Figure 1.** Public sector and private sector sustainability coalitions tracked in CPI’s Framework for Sustainable Finance Integrity

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7 Sustainable finance, green finance, and climate finance are used in the literature in various ways with alternating definitions. However, the focus of this report is on commitments of financial institutions that are in alignment with the mitigation and adaptation goals of the Paris Agreement, specifically Article 2.1c.
Financial institutions’ targets and commitments signal an intent to respond to the growing climate crisis and provide insight into future engagement and financial flows. However, it is difficult to distinguish who is making meaningful commitments and which announcements will lead to effective decarbonization in the real economy. Understanding the current state of financial institutions’ climate commitments is crucial to measure progress on climate action and to determine whether current efforts are sufficient to keep global climate ambitions on track.

While private financial entities’ responses to climate change have received significant attention in recent years, public financial institutions have received comparatively less attention from the research community, stakeholders, and civil society. Thus, significant knowledge gaps exist when it comes to the actions of public finance institutions on climate, including a considerable lack of data on their climate commitments.

Effective and large-scale mobilization of finance by public financial institutions towards climate solutions is crucial to closing the climate investment gap in the years ahead. According to CPI’s 2021 Global Landscape of Climate Finance, annual climate finance volumes need to increase sevenfold by 2030 to meet internationally agreed climate commitments and avoid the most dangerous impacts of climate change (Buchner et al., 2021).

Public financial institutions play an important role in supplying, channeling, and catalyzing this finance. Moreover, given their counter-cyclical role and ability to link diverse financial and political actors, public financial institutions have a major opportunity to drive the transition to net zero in the midst of increasing political and economic volatility. Accordingly, public finance institutions face increasing calls to action, with a particular mandate to increase climate finance flows by catalyzing private investment, directing climate finance to economies and sectors that are still perceived as too risky by the private sector, and raising capital for adaptation and resilience, among other key actions (COP, 2021).

However, recent analyses of past climate actions and future climate commitments of public financial institutions have largely focused on large Development Finance Institutions, particularly Multilateral Development Banks (MDBs) and a handful of bilateral development banks. For example, export-credit agencies (ECAs) have received little attention in the literature and at-large tracking efforts, yet ECAs provide nearly double the international public finance when compared to MDBs and continue to channel billions of dollars in investment towards fossil fuel projects (Finance in Common, 2021; Macquarie et al., 2020). Moreover, most tracking efforts to date have had narrower scopes, focusing on mitigation commitments, exclusion policies, or implementation actions.

This report builds on CPI’s work tracking Private Financial Institutions’ Commitments to Paris Alignment and CPI’s Framework for Sustainable Finance Integrity to survey the current landscape of climate-related commitments by public financial institutions. This report aims to address the aforementioned knowledge gaps by:

8 See ECIU’s mitigation targets taxonomy
9 See Rainforest Action Network work and the OCI Public Finance for Energy Fossil Free Policy Tracker
10 See E3G’s public bank tracker
• Focusing on all medium-to-mega sized\textsuperscript{11} public financial institutions tracked in Finance in Common’s Global Database of Public Development Banks and Development Finance Institutions irrespective of geography, scope of operations, or mandate.

• Covering the full range of actions by global public financial actors to address climate change and incorporate sustainability considerations into their operations, from long-term mitigation targets to investment goals, divestment policies, and actions taken in support of these goals.

For this tracking effort, CPI collected primary and secondary data on climate commitments and related implementation actions made by the largest 70 public financial institutions: national and subnational development banks, development finance institutions, export credit agencies, mortgage securitization & public housing agencies, and policy banks. Overall, the entities tracked represent 95% of the total assets held by public financial institutions as reported in the Finance in Common dataset, equivalent to USD 20.4 trillion in assets\textsuperscript{12} (Xu et al., 2022).

**Figure 2.** Geographical distribution of tracked entities and total assets\textsuperscript{13}

\textsuperscript{11} The Global PDB and DFI database defines medium sized entities as those holding USD 20-100bn in assets, large entities as those holding USD 100-500bn in assets, and mega large entities as those with total assets over USD 500bn.

\textsuperscript{12} Based on 2020 total asset figures as recorded in the Finance in Common Global Database of Public Development Banks and Development Finance institutions.

\textsuperscript{13} For this report, note that MDBs have been classified as ‘Global’ entities even if some of these institutions have a regional mandate. As a result, the African Development Bank, the only entity operating exclusively through Sub-Saharan Africa appears under ‘Global’ in the visualization.
Our analysis does not consider climate commitments made directly by governments. It is important not to conflate government targets and public financial institution targets. Public financial institutions have narrower scopes of action and thus need to approach the design, review, and disclosure of targets differently than governments. This influences interim target setting, with financial institutions perhaps better positioned to understand the specific data and capacity building needs within organizations. Similarly, we do not extend coalition pledges, such as those outlined in the 2017 Joint IDFC-MDB Statement or the Finance in Common Joint Declaration of all Public Development Banks, to members unless these are explicitly referred to in those members’ institutional releases or strategy documents.

This report is structured as follows:

- **Section 2**: Provides an overview of the methodology applied to identify and track climate commitments made by public financial institutions.
- **Section 3**: Presents the results of the climate commitment tracking effort.
- **Section 4**: Outlines key barriers preventing public financial institutions from making robust climate commitments.
- **Section 5**: Presents recommendations for key stakeholders to address barriers to commitment making.
2. TRACKING CLIMATE COMMITMENTS

This section provides an overview of the methodology and definitions used in this report. For a more complete discussion on the proposed tracking taxonomy and details of the research methods used, please refer to the accompanying methodology brief.

This report builds on CPI’s work tracking Private Financial Institutions’ Commitments to Paris Alignment, CPI’s Net Zero Finance Tracker, and CPI’s Framework for Sustainable Finance Integrity to survey the current landscape of climate-related commitments by public financial institutions.

For this report, CPI collected primary and secondary data\textsuperscript{14,15} on climate commitments and related actions made by public financial institutions identified from the Finance in Common Global Database of Public Development Banks and Development Finance Institutions. To the best of our knowledge, this database offers the most comprehensive and systematic record of public financial institutions.

2.1 ENTITY COVERAGE

Finance in Common tracks over 500 public financial institutions operating at subnational, national, regional, international, and multilateral levels. With diverse operating models and mandates (some focus on the public sector—sovereign and/or sub-sovereign levels—others on the private sector, or both), public financial institutions are defined as those sharing these five simultaneous characteristics:

1. They are stand-alone entities, with an independent legal status and financial autonomy.
2. They deploy financial instruments as their main products and services, which helps to distinguish them from other public entities that pursue public policy objectives, such as central banks.
3. They can finance themselves beyond periodic budget transfers from governments, by independently generating revenues through investments and borrowing from capital markets or financial institutions, which distinguishes them from aid agencies.
4. They execute a public mandate, addressing market failures or supporting policy goals.
5. They are controlled or supported by central or local governments, which play a steering role in corporate strategy.

\textsuperscript{14} The CPI team ran a targeted search and reviewed over 1200 search results relating to public financial institutions climate-related commitments. Additionally, the team utilized a machine learning algorithm to review over 120 sustainability, annual, and climate reports pertaining to the target entities. The team reviewed at least one relevant report per entity. For more details, please refer to the methodology brief that accompanies this publication.

\textsuperscript{15} Documents that were only available in a native language were either translated and/or complemented by additional desk research. As with any translation activity, gaps may remain.
This report only tracks commitments and implementation actions by medium-to-mega\textsuperscript{16} national and subnational development banks, development finance institutions, export credit agencies, mortgage securitization & public housing agencies, and policy banks. The size of our dataset is 70 entities (see Annex for full list) and includes all the medium-to-mega sized entities tracked by Finance in Common\textsuperscript{17}. Together these 70 entities represent 95\% of the total assets held by entities in the Finance in Common dataset – equivalent to USD 20.4 trillion in assets\textsuperscript{18}.

Figure 3. Distribution of entities in sample by size and type (number of entities and total assets)

Even though coverage in terms of assets is highly representative of public financial institutions (95\%), given the relatively small sample size, comparisons across entity size groups or types ought to be undertaken with care.

\textsuperscript{16} The Global PDB and DFI database defines medium sized entities as those holding USD 20-USD 100bn in assets, large entities as those holding USD 100-USD 500bn in assets, and mega entities as those with total assets over USD 500bn.

\textsuperscript{17} Our dataset includes all the medium-to-mega sized entities tracked in the Finance in Common database except for the U.S. Small Business Administration and the Fund for Development and Reconstruction of Uzbekistan which were not included in the Finance in Common database until after our data collection was finalized. All the operational and financial information included in our dataset for the tracked entities is current as of the latest (July 2022) Finance in Common database update.

\textsuperscript{18} Based on 2020 total asset figures as recorded in the Finance in Common Global Database of Public Development Banks and Development Finance institutions.
We classify institutions as OECD and non-OECD based on where they are operating. For national and subnational public development banks, this corresponds to the country where headquarters are located. For regional and international entities, this determination was based on the focus of the entities’ operations. MDBs were classified as ‘Global’ financial institutions.

### 2.2 TAXONOMY

This report tracks targets and pledges made by public financial institutions as well as any action implemented in support of these commitments. The tracking taxonomy builds on the work of CPI’s Private Financial Institutions’ Commitments to Paris Alignment and CPI’s Framework for Sustainable Finance Integrity (the Framework). The Framework provides a universal set of sustainability guardrails across the financial system, contributing to a clear pathway for more coordinated action, encouraging ambition to deliver meaningful sustainability and net zero results, and reinforcing the multiplier effect these actions have on the real economy.

The Framework describes the actions necessary across the financial system to deliver results, developed through a rigorous technical assessment of existing initiatives and scientific literature. Additional details have been included in this report to further categorize commitments and expand on the level of detail recorded; this draws from CPI’s Credible Transition Plans issue brief, CPI’s Net Zero Finance Tracker, the Rainforest Action Network work on fossil fuel exclusions and divestment policies, and ECIU’s mitigation targets taxonomy.

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**Figure 4.** Scope of operations of tracked entities (% and number of entities)

- **Non-OECD:** 17%
- **OECD:** 36%
- **Global:** 17%

- **National:** 50%
- **Subnational:** 5%
- **Regional:** 9%
- **International:** 6%
TAXONOMY DEFINITIONS

To provide clarity regarding the metrics tracked, CPI uses the following definitions. For the targets and pledges, where possible, distinctions between Paris aligned, net zero, and carbon neutrality were lifted directly from institution documents.

Targets and pledges: signaling intent to respond, potentially resulting in future engagement and flows. This dimension tracks indicative commitments and targets adopted to address climate change across:

1. **Paris aligned**: Paris alignment refers to the alignment of public and private financial flows with the objectives of the Paris Agreement on climate change, that is to be climate resilient and consistent with the Agreement’s long-term goal of limiting global warming to well below 2°C and pursuing 1.5°C.  

   Article 2.1c of the Paris Agreement defines this alignment as making finance flows consistent with a pathway towards low greenhouse gas emissions and climate resilient development, and therefore goes beyond the USD 100 billion in international climate finance goal.

   Article 4.1 of the Paris Agreement sets a clear, longer-term target for abating global emissions over the coming decades—the achievement of “a balance between anthropogenic emissions by sources and removals by sinks of greenhouse gases in the second half of this century”—that is often described as “net zero emissions.”

2. **Net zero targets**: A net zero target is defined as a commitment to reduce greenhouse gas emissions across operations and portfolios (Scope 1, 2, and 3) to zero in alignment with no or limited overshoot 1.5°C pathways by a selected date, typically 2050, though some institutions have announced earlier target dates (SBTI, 2021).

3. **Other mitigation targets**: Other commitments to reduce institutions’ Scope 1, 2, and/or Scope 3 emissions that fall short of the definitions of Paris aligned and net-zero targets. Carbon neutrality targets are included under this category.

4. **Carbon neutrality targets**: Carbon neutral targets aim to achieve zero net human caused CO₂ emissions on an annual basis by a certain date, where every ton of human caused CO₂ emitted is compensated with an equivalent amount of CO₂ removed or avoided on a yearly basis. Carbon neutrality targets only include CO₂ emissions, rather than the larger suite of greenhouse gases.

5. **Climate finance and sustainability goals**: Commitments to increase investment flows towards adaptation and other climate-relevant and sustainable sectors and technologies, e.g., an entity’s commitment to increase its financing of adaptation and resilience projects over the next five years.

6. **Exclusion and divestment policies**: Commitments to divert finance flows from climate-harmful sectors and technologies, including fossil fuels, e.g., an entity’s commitment to stop financing of thermal coal projects.

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19 See IPCC: [https://www.ipcc.ch/sr15/chapter/glossary/](https://www.ipcc.ch/sr15/chapter/glossary/)
Institutional climate strategies and related implementation actions: measuring whether climate considerations are factored into decision-making processes, potentially resulting in future flows. This dimension looks at concrete qualitative changes to institution policies, governance, and investment approach that may influence future capital alignment, including the development and adoption of institutional strategies that incorporate climate change within the organization’s investment and product strategies. Implementation actions tracked beyond institutional climate strategies include shareholder and policy engagement actions, climate risk management and disclosure frameworks, and climate-related accountability actions.20

It is important to note that, for the purposes of this analysis, we do not treat climate commitments made by governments or by coalitions such as the International Development Finance Club (IDFC) and Finance in Common as institutional targets unless members explicitly include these pledges in their institutional releases or strategy documents.

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20 For further details, please refer to the methodology annex that accompanies this report.
3. KEY FINDINGS

As noted in the Methodology section, CPI collected primary and secondary data on climate commitments and related actions made by the largest 70 public financial institutions, which together hold USD 20.4 trillion in assets, representing 95% of the total assets held by public finance institutions. The overall findings for institutions and commitment types based on our taxonomy are below.

As seen across Figures 5 and Table 1, outside of the MDBs very few institutions are making commitments to align their operations and future investments to the goals of the Paris Agreement.

Figure 5. Climate commitments across public financial institutions
## Table 1. Climate commitments across different public financial institution types (number of institutions with commitments and total assets)

<table>
<thead>
<tr>
<th>Type of financial institution</th>
<th>Number of institutions and total assets in sample</th>
<th>Number of tracked financial institutions with (USD total assets):</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Paris aligned targets</td>
<td>Net zero targets</td>
</tr>
<tr>
<td>Total</td>
<td>70 ($20.4 tn)</td>
<td>15 ($4.4 tn)</td>
<td>5 ($0.6 tn)</td>
</tr>
<tr>
<td>National &amp; Subnational</td>
<td>37 ($5.1 tn)</td>
<td>2 ($0.5 tn)</td>
<td>2 ($0.3 tn)</td>
</tr>
<tr>
<td>Development Banks</td>
<td></td>
<td>12 ($2.8 tn)</td>
<td>-</td>
</tr>
<tr>
<td>Development Finance</td>
<td></td>
<td>8 ($1.9 tn)</td>
<td>-</td>
</tr>
<tr>
<td>Of which: Multilateral</td>
<td></td>
<td>8 ($1.9 tn)</td>
<td>-</td>
</tr>
<tr>
<td>Development Banks</td>
<td></td>
<td>8 ($7.4 tn)</td>
<td>-</td>
</tr>
<tr>
<td>Mortgage Securitization</td>
<td></td>
<td>-</td>
<td>-</td>
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<tr>
<td>Mortgage Securitization</td>
<td></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Mortgage Securitization</td>
<td></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Export Credit</td>
<td></td>
<td>-</td>
<td>2 ($0.1 tn)</td>
</tr>
<tr>
<td>Export Credit Agencies</td>
<td></td>
<td>-</td>
<td>1 ($0.2 tn)</td>
</tr>
<tr>
<td>Policy Banks</td>
<td>3 ($3.9 tn)</td>
<td>1 ($1.1 tn)</td>
<td>1 ($0.2 tn)</td>
</tr>
</tbody>
</table>

Note: The columns in this table cannot be summed as one, as entities may appear in more than one category.

This table indicates the presence of commitments in each category but does not evaluate progress made by institutions towards meeting such commitments. Further, as discussed below, the presence of a commitment does not mean that all assets held by the institution are covered by said commitment.

Other mitigation targets include carbon neutrality targets. This column may include entities that have a complementary net zero or Paris alignment target.

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21 Based on 2020 total asset figures as recorded in the Finance in Common Global Database of Public Development Banks and Development Finance institutions. There are five entities in our sample for which the Finance in Common database does not record total assets, these are: the National Development Fund of Saudi Arabia, the Saudi Industrial Development, the UK Infrastructure Bank (National/Subnational Development Banks); the Silk Road Fund (Development Finance Institution); and the Housing Bank of Iran (Mortgage Securitization entities & Public Housing authorities).
Overall, our findings show that while headway is being made in some public financial institutions, much needs to be done to increase ambition across all public financial institutions in line with the goals of the Paris Agreement. As seen in Figure 6, just 20 tracked public financial institutions, holding 25% of tracked assets have set net zero or Paris alignment targets.

**Figure 6.** Share of tracked entities with mitigation, investment, and divestment commitments

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage of institutions</th>
<th>Percentage of total assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paris alignment or net-zero target*</td>
<td>28%</td>
<td>25%</td>
</tr>
<tr>
<td>USD 4.9 trillion in total assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Climate finance and sustainability goals</td>
<td>47%</td>
<td>82%</td>
</tr>
<tr>
<td>USD 16.8 trillion in total assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exclusion and divestment policies</td>
<td>31%</td>
<td>42%</td>
</tr>
<tr>
<td>USD 8.6 trillion in total assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Institutional climate strategies and related implementation actions</td>
<td>54%</td>
<td>68%</td>
</tr>
<tr>
<td>USD 13.9 trillion in total assets</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Paris alignment is 21% of both institutions and total assets, and net-zero is 7% of institutions and 3% of total assets

Note: It is important to note the presence of a target or commitment does not mean that the target is applied to all assets under management. In the case of mitigation targets, targets do not cover all assets. For exclusion and divestment policies, as detailed below, a number of exclusions and exceptions exist that allow assets to still be directed to fossil fuel investments.

### 3.1 PARIS ALIGNMENT AND MITIGATION TARGETS

Only 26 of the 70 largest public financial institutions (37%) have set a mitigation target of any kind, including Paris alignment and net zero targets.

Fifteen of these institutions, holding USD 4.4 trillion in assets (20% of total public financial institutions’ assets) have committed to Paris alignment. Five public financial institutions, holding USD 0.6 trillion in assets (or less than 3% of total public financial institutions’ assets) have made net zero targets. An additional six have set carbon neutrality targets, but these focus on operational emissions rather than portfolio emissions. The majority of the commitments found lacked an interim target to ensure short-term action and alignment.

While headway is being made in some public financial institutions, much still needs to be done, particularly in national development banks. Despite 33 national/subnational institutions in our sample operating in countries with net zero or Paris aligned policies, only four have made a net zero or Paris alignment commitment of their own. Notably national
development banks make up 53% of our sample (37 institutions), but only 11% of the collected Paris aligned or net zero targets.

**Figure 7.** National/subnational public financial institutions net zero commitments vs. national policy

Outside of the MDBs, very few institutions are making commitments to align with the goals of the Paris agreement. Of the 15 public financial institutions to make Paris alignment targets, eight were MDBs. Further, only one public financial institution operating exclusively in non-OECD countries (outside of the MDBs) has made a Paris alignment commitment, the Agricultural Development Bank of China. One other non-MDB serving only developing countries (both OECD and non-OECD) also has a Paris alignment commitment, the Development Bank of Latin America (CAF by its Spanish acronym). Net zero mitigation targets are similarly not common practice among public financial institutions, and all institutions that have set these commitments operate either in the OECD or globally22,23

Where commitments exist, they often lacked complementary interim targets. The absence of targets specific to portfolio emissions is significant, as on average 97% of financial institutions’ emissions are in their portfolio rather than in their operations (Pinko & Ortega Pastor, 2022). Tangible results in the real economy are only possible with action to tackle portfolio emissions (Pinko & Ortega Pastor, 2022).

Overall, regarding Paris alignment and portfolio mitigation targets, public financial institutions are falling behind their counterparts in the private sector, where institutions representing 32% of global assets under management have set net zero targets (Solomon, 2022). In comparison, only 24% of tracked public financial institution assets24 are held

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22 Please refer to the Entity Coverage subsection in the Methodology for our approach to classifying entities as OECD, non-OECD or global.
23 Please note that for the purposes of this report we do not treat climate commitments made by governments or by coalitions such as IDFC and Finance in Common as institutional targets unless members explicitly include these pledges in their institutional releases or strategy documents.
24 Tracked public financial institution assets represent 95% of total assets held by public financial institutions recorded in the Finance in Common Global Database of Public Development Banks and Development Finance Institutions.
by institutions that have set net zero or Paris alignment targets. Despite the different role played by public finance institutions, the number of institutions without these types of targets is concerning.

As found in CPI’s examination of private financial institution commitments, a commitment to reach net zero emissions or Paris alignment does not mean that all assets are on a net zero or Paris aligned pathway (Solomon, 2022). Even interim targets often only cover a portion of assets, leaving a knowledge gap in understanding the current amount of assets on a 1.5°C-aligned trajectory. Neither do they indicate whether the institution has met its net zero or Paris aligned commitment. This lack of detail was also present in public financial institution targets, and in emission targets that fell short of net zero or Paris alignment ambition.

3.2 TRENDS IN CLIMATE FINANCE COMMITMENTS

Among public financial institutions’ targets and pledges, climate finance and sustainability goals were the most common (covering 44% of all targets and pledges). However, the lack of specificity in investment commitments could result in public climate finance not flowing towards the sectors and geographies that need it most.

Investment targets were rarely accompanied by sectoral or geographical specificity, and in some cases also did not include quantitative information on new investment volumes pledged. For example, one institution simply stated that its investments will seek to promote green innovation and accelerate the energy transition. Specificity is key on these targets, due to the public sector’s importance in driving finance to sectors that are traditionally less attractive to private capital as well as regions that are otherwise unable to fully access capital markets.

Box 1. The role of public financial institutions in closing the sustainability and climate adaptation finance gaps

Because of their local financial market expertise and capital mobilization potential, public financial institutions can be among the most effective vehicles for mobilizing climate finance.

Public financial institutions can, and often are required to, direct finance to sectors that traditionally have been unattractive to private investors. Moreover, with their mandate to deliver on public policy goals and experience with multi-sectoral projects, public financial institutions can leverage the many synergies between Sustainable Development Goals to drive impact across multiple sectors and development outcomes.

This is particularly key for climate adaptation projects, where investments are often tied to non-revenue generating assets and, as such, can be unattractive to private investors. However, our analysis found only six institutions have set climate finance goals that explicitly mention adaptation. All but one, the National Bank for Agriculture and Rural Development of India25, were MDBs.

25 NABARD is the National Implementing Entity for the Adaptation Fund under the UNFCCC of the Government of India
The African Development Bank reached its goal of equal amounts of financing dedicated to climate mitigation and adaptation in 2018, a first among development finance institutions, and an important achievement as climate adaptation is historically underfunded (AFDB, 2019; Buchner et al., 2021).

While adaptation finance is increasing, total climate adaptation finance remains far below the scale necessary to respond to existing and future climate change (Buchner et al., 2021). Public financial institutions have a key role to play in closing this gap, yet the lack of clearly defined commitments relating to climate adaptation is concerning. By defining and disclosing climate commitments, public financial institutions can signal their intent to respond to growing calls for action in this space.

Public financial institutions in high-income countries are making insufficient climate finance goals. Public financial institutions in high-income countries accounted for only 37% of climate finance targets, despite making up 50% of our entity sample. Entities in middle- and low-income countries represented 32% of these types of commitments, proportional to their representation in our dataset.

We found 22 public financial institutions with climate-related exclusion and divestment policies of varying breadth and ambition. Only nine26 public financial institutions (14%) included pledges to phase out all fossil fuel financing without exception. Exclusions pertaining to coal finance, which is considered critical for reducing real economy emissions, were predominant. Further, only one third of divestment pledges made across fuel types had no caveats, with most tracked commitments allowing for fossil fuel financing within some parameters (e.g., only phasing out financing for fossil fuel projects abroad).

3.3 MAINSTREAMING CLIMATE INTO INSTITUTIONAL STRATEGIES

Public financial institutions have been slow to adopt institutional strategies on climate. Little over half (38 institutions, 54% of our sample) have institutional climate strategies outlining how climate goals will be integrated into the entities’ operations and planning. A majority of these institutions operate in an OECD country or globally. Only four entities that provide investments within a region comprised mostly of non-OECD countries—the Brazilian Development Bank, the Power Finance Corporation of India, the China Development Bank, and the Development Bank of Latin America (CAF)27—had adopted an institutional strategy.

Beyond climate strategies, we found few concrete actions have been put in place to support institutions in achieving their climate-related goals. For example, only 22 entities have implemented some measure of climate risk assessment, with few of these going beyond climate proofing to steer clients towards climate resilience. The adoption of internal carbon prices also remains sparse outside of the MDBs.

26 These are the European Investment Bank, the Asian Development Bank, the Islamic Development Bank, the Agence française de développement, Banque publique d’investissement, Export Development Canada, the Nordic Investment Bank, the Swedish Export Credit Corporation, and the UK Infrastructure Bank.

27 CAF is classified in our report as a ‘Global’ institution, it is however highlighted here as it operates in a region largely comprising non-OECD economies.
Our data tracked 24 implementation actions across 15 institutions relating to policy support and technical assistance. These actions are wide-ranging, including support for the development of carbon markets, establishment of technical facilities to support adaptation programs, integrating resilience measures into financed infrastructure projects, and general knowledge sharing and capacity building. Expanding the number of institutions engaging in these activities is key, as public financial institutions can act both as “project-takers” and “market and policy makers,” which allow it to help structure financial markets, align national policies with the global sustainable agenda, and influence sector and national-level reforms to improve regulatory frameworks.

### 3.4 TRENDS BY INSTITUTION TYPE AND SCOPE OF OPERATIONS

**National and subnational development banks are falling behind their global peers in terms of climate commitments and actions.** They have made relatively few commitments considering their representation in our dataset both in terms of number of institutions covered and total assets. National development banks make up half of the entities in our dataset (37 national/subnational public financial institutions are included in our dataset), but only nine of these institutions have set mitigation targets, all of which operated in OECD countries, and similarly, only nine have announced climate finance goals. In comparison, 12 development finance institutions\(^28\) (out of 15) have made mitigation targets commitments and 14 have made climate finance goals, despite holding just little over half of the assets as national development banks. Further, less than half of national and subnational development banks (18 entities) have developed institutional climate strategies.

**Size, geographic location, and regional focus play a role in which institutions make climate commitments.** Almost no public financial institutions operating exclusively in non-OECD\(^29\) countries have set climate commitments. Only one\(^30\) of the 18 tracked national-scope non-OECD public financial entities have set a mitigation target of any kind. Only two of these national entities have announced investment goals, and four have made divestment goals. However, the MDBs and regional banks like the Development Bank of Latin America (CAF), which operate heavily in non-OECD countries, have been leading by example, with all MDBs and CAF setting Paris alignment targets as well as investment and divestment goals and incorporating climate change into their strategic planning.

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28 Under the DFI categorization we include bilateral institutions, regional institutions, and MDBs.
29 Please refer to the Entity Coverage subsection in the Methodology for our approach to classifying entities as OECD, non-OECD or global.
30 The Agricultural Bank of China has signed the UN Principles for Responsible Banking, the first of said principles being a commitment to Paris alignment. See: [https://www.abchina.com/en/AboutUs/news/202110/t20211025_2054714.htm](https://www.abchina.com/en/AboutUs/news/202110/t20211025_2054714.htm)
4. BARRIERS TO COMMITMENT MAKING

Other than a handful of mostly multilateral institutions, public financial institutions around the world have largely not taken the steps needed to play their necessary roles in the low carbon, climate resilient transition. Lack of accountability measures, lack of government guidance, and external pressure from civil society are contributing to this gap in public sector action and ambition. The gap in the breadth and depth of commitments is particularly significant for entities in non-OECD countries.

4.1 INSUFFICIENT ACCOUNTABILITY MEASURES AND GUIDANCE FROM GLOBAL COALITIONS

Collective initiatives of public finance institutions, such as the IDFC and Finance in Common, have committed to implementing climate ambition, including actions such as Paris alignment, embedding climate change considerations within their strategies and activities, re-directing financial flows towards low-carbon and resilient development, catalyzing private capital mobilization, collaborating with national and subnational governments, and supporting the development of enabling policy and regulatory environments (Finance in Common, 2020; IDFC-MDB, 2017).

However, since these initiatives aim to build consensus across a wide array of institutions, commitments arising from these initiatives tend to focus on high-level ambition without specifics. We found that most signatory institutions have not codified these coalition-based commitments in their own strategies and publications. Those that have done so, rarely go beyond the agreed upon language put forward by the coalition joint statements, lacking specificity and details on plans for implementation. For example, the IDFC’s Operationalization Framework on Aligning with the Paris Agreement calls for institutions to catalyze investments and mobilize private capital. Correspondingly, our analysis of investment goals reveals few entities take the next step of quantifying new volumes of finance or define how these investments will be operationalized. This broad-based approach—without additional near-term, quantifiable actions—means it is hard to assess whether pledges translate to sufficient progress towards climate goals or actual volumes of additional climate finance.

Additionally, the lack of accountability mechanisms means tracking progress and identifying champions and laggards on climate action can be challenging. For example, in a 2019 assessment of Paris alignment of development banks operating in Asia, E3G found that while the World Bank, Asian Development Bank, and the Japan International Cooperation Agency had begun their process of Paris alignment, the China Development Bank and the Korean Development Bank appeared to have only just begun their process despite having made their commitment in 2017 as part of the IDFC pledge. Further, the lack of publicly available information from these two institutions was found to hamper research and analysis (Dunlop et al., 2019).
In comparison, while the guidance offered by private sector net zero alliances is far from perfect, they more often tend to define concrete actions and goalposts for progress measurement (Pinko et al., 2021). For example, Net Zero Asset Owners Alliance (NZAOA) members are to set science-based, five- and ten-year emissions reduction targets by 2023 and update every five years, encompassing Scope 3 portfolio emissions where significant, consistent with a fair share of the 50% global reduction in GHGs and the IPCC’s no or limited overshoot pathways in limiting warming to 1.5°C. While commitments do not always reflect action or progress, and indeed for asset owners in the Net Zero Asset Owners Alliance, as of May 2022 only 33% of assets under management were covered by interim targets, the existence of clearly defined commitments offers a set of goalposts against which to measure progress and hold institutions accountable (Solomon, 2022).

Clear and consistently used definitions in private financial institutions’ commitments is an important ramification of the aggressiveness of coalition membership in this sector. On the other hand, our analysis of the mitigation commitments made by public financial institutions finds entities often use the terms ‘net zero,’ ‘carbon neutrality,’ and ‘Paris alignment’ interchangeably. While these terms may be conflated in mainstream media reporting, it is important for institutions to understand the difference between these terms and the differing levels of ambition and action they entail.

The Glasgow Financial Alliance for Net Zero (GFANZ) aims to guide the private financial sector towards universal decarbonization by securing short- and long-term commitments from financial institutions, complemented by reporting and technical assistance. To date, no parallel support structure exists for public financial institutions. While some GFANZ technical assistance and knowledge-building resources can be applied to public financial institution operations, guidance specific to public financial institutions’ is missing. In particular, for public financial institutions with very narrow policy mandates (e.g., mortgage securitization entities, export credit agencies, public housing agencies), the practice of fitting climate commitments into existing, private-sector guidelines is still problematic. For example, while public housing agencies like Fannie Mae, Freddie Mac, and the Japan Housing Finance Authority have pledged to increase their issuance of green mortgage-backed securities and bonds, it is less clear what an emission reduction target covering Scope 3 emissions may look like for these entities. What would be considered portfolio emissions? Would it cover the emissions of buildings financed through the entities’ financial instruments? It is precisely because of these peculiarities of the public financial institution ecosystem that specific guidelines are required.

4.2 LACK OF GOVERNMENT GUIDANCE

Governments have an important role in supporting their public financial institutions’ path to climate alignment. These institutions are often supported by central or local governments, which can play a steering role in corporate strategy (Xu et al., 2021). Ensuring that public financial institutions are operating in alignment with national climate goals requires that governments provide adequate direction and support. For example, governments could actively work with institutions in their role as shareholders to, where necessary, adapt mandates and define robust and aligned climate commitments as well as offer or encourage appropriate technical assistance and funding to build institutional capacity. However, of the 37 national/subnational public financial institutions in our data set that are operating in...
countries with net zero commitments, only four had made a commitment classified as net zero or Paris aligned.

In the absence of direct government guidance, public financial institutions can still work to align their operations and portfolios with overall government climate policy, thereby executing their public mandate. While in the past public financial institutions have been at the forefront of financial innovation, with many of the entities in our dataset among the first in their respective countries to issue green bonds, recent economic uncertainty could be contributing to entities being less proactive in sourcing projects in sectors deemed riskier or unfamiliar (Fonseca et al., 2021). Indeed, while public financial institutions, and national and subnational development banks, in particular, are mandated to implement government policy and take on risks, they also are required to balance their books. As a result, without a specific climate mandate entities may fail to adequately plan for the climate risks held in their portfolios.

### 4.3 Climate Commitments in Non-OECD Public Financial Institutions

Only one of the 17 tracked entities operating exclusively in non-OECD countries and outside of the MDBs, the Agricultural Development Bank of China, has set a net zero, carbon neutral, or Paris aligned commitment. Only two entities operating exclusively in a non-OECD country, the Brazilian Development Bank and the Power Finance Corporation of India, have adopted a standalone institutional climate strategy. The Development Bank of Latin America (CAF), while operating across OECD and non-OECD economies, is also worth highlighting as adopting an approach to mainstream climate change considerations across institutional strategies and operations.

However, the global adoption of universal expectations for climate commitments can have unintended consequences for financial institutions in developing economies. For example, non-OECD financial institutions face bigger information gaps which hamper near-term target setting and measurement. As such, it is critical that the specific institutional capacity and information constraints facing public financial institutions operating in non-OECD countries are addressed by the international climate finance system (Pinko & Ortega Pastor, 2022). Strengthening non-OECD public financial institutions’ capacity in this space could also better position these institutions to receive international climate finance flows through domestic systems directly via the Green Climate Fund or even bypassing intermediaries entirely (Bird, 2015). These arrangements often involve high transaction costs and lengthy approval and certification processes. Increasing financial institutions’ capacity could potentially lead to more transactional efficiency, as well as give developing economies more autonomy over climate policy priorities.

Current research on climate commitments in developing economies largely focuses on the development and implementation of NDCs at the government level, rather than any potential action or guidance for financial institutions (Pinko & Ortega Pastor, 2022). Further, the lack of targeted scenarios and guidance on the public level also raises the question of whether

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31 According to Climate Watch Data: [https://www.climatewatchdata.org/net-zero-tracker?showEUCountries=false](https://www.climatewatchdata.org/net-zero-tracker?showEUCountries=false). Note that all EU countries are considered to have a net zero policy due to the EU’s own net zero policy.
most climate scenarios expected to be used in transition plans are designed for institutions in developed economies.

A potential option, as discussed in CPI’s **Credible Transition Plans** brief, is a new tier in evaluating transition plans and climate targets. Starting with a less stringent set of metrics and expectations could provide financial institutions in developing economies with access to the capacity building tools they need to develop more robust transition plans and targets. This could be an area of opportunity for regional development banks to both strengthen involvement in climate action and help increase capacity of counterparties on a local level with real economy impacts.

Further research in this area is necessary to get a fuller understanding of how climate requirements could leave some developing countries behind, and what doors need to open for more financial institutions from developing countries to set climate targets.
5. RECOMMENDATIONS FOR KEY STAKEHOLDERS

Public financial institutions are key actors in the global climate transition. As such, it is essential that their operations and lending activities are aligned with global climate goals. Our report finds a worrying lack of breadth, depth, and specificity in the climate commitments made to date by a large subset of public financial institutions.

Below we provide recommendations for public financial institutions, as well as other key stakeholders in this space, to address this gap.

Figure 8. Necessary actions for financial institutions included in CPI’s Framework for Sustainable Integrity

The Framework for Sustainable Finance Integrity

The necessary actions all financial institutions must take to meet global climate and sustainability targets. Learn more at climatepolicyinitiative.org.

### Targets & Objectives

1. Set Paris-aligned, net zero targets
   - Consistent with the IPCC’s no or limited 1.5°C overshoot pathways, and in addition to 2050 targets, set 2025 target to reduce portfolio scope 1, 2, and 3 emissions by 29% on absolute level against a 2019 base year, according to fair share of reductions.

2. Set complementary SDG targets
   - Set context-specific complementary targets by 2025, encompassing: biodiversity; adaptation; climate equity; pollution; and direct contributions for climate investments in developing economies and hard-to-abate sectors.

3. Use credible offsets
   - Only use offsets where no mitigation options exist, and ensure offset credits cause no harm, prioritizing positive co-benefits where possible.

### Implementation

4. Whole institution approach
   - Fully integrate targets and commitments into mandates, governance, executive compensation, risk management frameworks, and performance management.

5. Proactive counterparty engagement
   - Lead engagements with counterparties to publicly commit to 1.5°C-aligned business strategies and publish a detailed policy for those that fail to adopt and implement credible transition plans.

6. Develop and deploy substantially more sustainable finance
   - Drastically increase sustainable finance volumes through new instruments and business models, including supporting developing economies in their transition.

7. Align and engage around climate policy
   - Proactively engage on and advocate for sustainable finance policy and regulatory measures to ensure Paris-aligned financial flows, including for mandatory global climate risk reporting for public and large private companies.

8. End fossil fuel financing
   - Immediately end all finance for new thermal coal projects and phase out existing coal power finance by 2030 in OECD countries and 2040 in developing economies. Eliminate finance and subsidies for all new oil and gas projects, and phase out existing oil and gas financing and subsidies where a credible transition plan does not exist.

### Metrics & Transparency

9. Transparently disclose climate risks
   - Align with the TCFD and future TNFD disclosure frameworks, and any globally adopted disclosure regimes, ensuring disclosures, finance data, and impact are independently verified.

10. Track emissions and sustainability investments
    - Promote standardized and comparable approaches to defining sustainable investments and tracking emissions.
5.1 RECOMMENDATIONS FOR PUBLIC FINANCIAL INSTITUTIONS

- **Set climate targets in line with the necessary actions outlined in CPI’s Framework for Sustainable Finance Integrity, with a particular focus on improving near-term, measurable actions.** Short-term emissions reduction targets, dates for new investments to be Paris aligned, and specific investment commitments are critical steps. Further, institutions should set targets for 100% of energy lending to be to zero-carbon energy projects and to phase out support for unabated fossil-related projects where credible transition strategies do not exist.

- **Commit to a timeline and strategic approach for Paris alignment.** This includes (but is not limited to) developing a standalone climate strategy that mainstreams climate change aspects within the institution's investment and product strategies and identifies and manages climate-related risks and opportunities.

- **Integrate climate change mitigation and resilience across all key sectoral strategies.** Sectoral strategies that pre-date the Paris agreement should be updated to reflect the latest consensus around climate action and targets. Public financial institutions with specific sectoral mandates (e.g., agricultural banks, housing authorities) should articulate an approach towards mitigation and adaptation in their respective sectors.

- **Disclose detailed information on sub-projects financed by financial intermediaries** and introduce adequate due diligence to ensure that intermediaries are channeling funds in line with the institution’s climate goals.

- **Establish dedicated windows or programs for project preparation,** technical support in project execution, and develop internal sector expertise, including through South-South cooperation.

- **Incorporate both project-level climate risk analysis and establish a dedicated strategy to support system-level resilience in the countries of operation.**

- **Given their role in policy support,** public financial institutions should also **consider expanding technical assistance to financial regulators to promote national sustainable financing strategies,** as well as integrate country Nationally Determined Contributions (NDCs) and Paris agreement goals into country assistance policies.

5.2 RECOMMENDATIONS FOR GOVERNMENTS

- **Actively engage with public financial institutions as shareholders to support centering of climate action and implement the recommendations for public finance institutions above, and increase resources for climate action.**

- **Mandate climate-related financial risk disclosures from national public financial institutions to fully understand the potential economic risks faced.**

- **Develop and require participation in climate tools.** This could be focused on financial portfolios, such as stress testing and Paris portfolio alignment measurement, or data sharing and capacity building facilities.
5.3 RECOMMENDATIONS FOR GLOBAL FINANCIAL COALITIONS

- Much like how GFANZ on the private sector side has helped define commitments, a similar effort is needed to define and recognize ambitious public finance commitments, as well as provide benchmarks, guidance, and foster knowledge-sharing and capacity building across public finance entities.

- While global coalitions should pursue standardization and consistency when developing target setting protocols and transition plans, efforts need to take the different stages and needs of developing economies into consideration.

5.4 RECOMMENDATIONS FOR FURTHER RESEARCH

This section lists important gaps that this report either did not address or for which it did not find detailed answers.

- More research is needed to analyze and define the role of subnational public financial institutions, export-credit agencies, as well as smaller development banks.

- More research is also needed into the role that mortgage securitization agencies and public housing agencies can take in advancing decarbonization goals in the buildings sector. These entities represented 35% of the total assets held by entities in our dataset.

- Similarly, more research is needed to define what credible climate targets and plans are for public financial institutions with specific sectoral mandates such as housing agencies, export-credit agencies, and agricultural banks, as well as those operating in developing economies.

- Further guidance is needed to develop robust accountability mechanisms and target setting protocols. These mechanisms can support the delivery of climate targets, as such mechanisms incentivize transparency and climate progress monitoring and evaluation.

- Exploring complementarities between public financial institutions and commercial banks in sectors relevant to both climate and the SDGs such as the water sector.

- Examining the tools and support needed to encourage climate targets and climate plans across public financial institutions in developing economies.

Addressing barriers to climate commitments in public financial institutions is critical, as these entities play a key role in closing the climate finance gap, ensuring that international climate finance is deployed in the real economy, enabling conducive environments, mobilizing private climate finance, and fostering innovative climate finance mechanisms. By defining and disclosing climate commitments, public financial institutions can signal their intent to respond to growing calls for climate action, facilitating future engagement and climate finance flows.
6. REFERENCES


7. ANNEX: TRACKED ENTITIES

The following 70 entities represent the medium-to-mega sized entities tracked in the Finance in Common Public Development Banks and Development Finance Institutions Database based on their size. The Global PDB and DFI database defines medium sized entities as those holding USD 20-USD 100 billion in assets, large entities as those holding USD 100-USD 500 billion in assets, and mega entities as those with total assets over USD 500 billion.

Table 2. List of tracked entities (in alphabetical order)

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<thead>
<tr>
<th>Institution</th>
<th>Type of institution</th>
<th>Geography</th>
<th>Scope of operations</th>
<th>Total assets (2020 USD trillion)</th>
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**Medium (USD 20-100 bn)**

<p>| African Development Bank <em>(MDB)</em> | Development Finance Institution | Multi | Global | 0.05 |</p>
<table>
<thead>
<tr>
<th>Institution</th>
<th>Type of institution</th>
<th>Geography</th>
<th>Scope of operations</th>
<th>Total assets (2020 USD trillion)</th>
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<td>Agence francaise de developpement</td>
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<td>Thailand</td>
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Source: Finance in Common