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Development banks urge partnership with private sector on climate change and set up working group on Fragile States

Multilateral Development Banks urged public and private institutions to work together more closely to meet future energy needs and combat climate change. “Only in the context of a genuine public-private partnership can we create the conditions for investments that will meet the world’s demands for energy in an environmentally sustainable way”, the heads of the MDBs and the International Monetary Fund said on Tuesday.

The heads of the MDBs – the African Development Bank, the Asian Development Bank, the Inter-American Development Bank, the European Bank for Reconstruction and Development and the World Bank – and the IMF were meeting in London, ahead of the March 13-14 conference, “Financing Clean Energy”, at the London headquarters of the European Bank for Reconstruction and Development.

MDBs were invited by G8 nations at a summit in Gleneagles in 2005 to prepare an Investment Framework for Clean Energy and Development under World Bank coordination. The conference is a continuation of the Gleneagles process and aims to forge a strong partnership between the public and private sectors to support investment against climate change. The heads hoped that the conference would produce concrete initiatives that would push the process forward.

The MDBs stand ready to assume a leading role in a global partnership for sustainable energy. The Clean Energy Investment Framework coordinated by the World Bank, the EBRD’s Sustainable Energy Initiative, the IADB’s Sustainable Energy and Climate Change Initiative and the Asian Development Bank’s *Clean Energy and Environment Program (CEEP)* are among the efforts undertaken by all MDBs to address energy efficiency, mitigate and adapt to climate change and secure the access and use of clean energy. The MDBs welcomed an IADB proposal to create a working group on biofuels. They also agreed to coordinate their activities in assessing the economic, technical and environmental viability of clean energy technologies.

The heads of the MDBs underlined that energy is critical to global poverty reduction, the improvement of living standards and meeting the Millennium Development Goals. However, the heavy dependence on fossil fuels not only has balance of payments implications, but also has serious local, regional and global environmental costs.

They said a successful transition to a low-carbon economy will need the development of an equitable long-term global policy framework, which will stimulate the carbon market, and other incentives for early investments needed by the public and private sectors to develop and market low-carbon technologies.

The London conference aims to identify specific measures required to significantly increase financing to reduce greenhouse gas emissions and increase energy efficiency. It will focus on ways of increasing financial flows from public and private sources to shift to a lower carbon economy. These measures will include investments in energy efficiency, renewable energy and clean coal technologies.

The MDB heads were meeting as part of their regular gatherings to share information and forge common and complementary approaches to key issues. In addition to their discussion ahead of the energy conference, their meeting on the morning of March 13 focused on global economic developments, debt sustainability, the problems facing Fragile States, governance and anti-corruption and a global approach to water supply and sanitation.

On the issue of “Fragile States” or weakly performing states, the MDB heads underlined the importance of assisting these countries. Fragile and conflict-affected countries are a critical development challenge for global efforts to reduce poverty and attain the Millennium Development Goals. The MDB heads undertook to work together on moving this agenda forward, notably in the context of the current replenishments of the soft loan windows in some of the development banks. In order to achieve quick impacts even in these difficult environments, the MDB heads have established a working group on fragile states. The group is tasked to come up with recommendations on:

- Common definitions and common operating principles for engaging collaboratively in fragile states, including, arrangements for identifying the MDB with the most relevant combination of resources, field presence and expertise to take the lead in given interventions.
- Partnership with other donors, including the UN agencies, which have valuable and complementary capabilities in dealing with crisis and post-crisis situations.
- Agreed procedures to fully include from the onset the views of affected countries to ensure the effective design and implementation of MDBs’ response.

The working group will report to the MDB heads at the Annual Meetings of the World Bank Group and the IMF.

The MDB heads agreed that Debt Sustainability Frameworks prepared by the IMF and the World Bank are useful tools providing guidance to manage lending, especially following debt relief. The heads agreed that the IMF and the MDBs would formulate new procedures to strengthen cooperation and share information early and throughout the development of these frameworks.

The heads also welcomed the continuing strong global expansion, which had provided a supportive context for progress on development goals. They reiterated their commitment to collaborate closely on important global concerns and urged policy makers to take advantage of the favorable global outlook to deal with the larger challenge of sustaining strong global growth while safeguarding the environment well in to the future.

