Update on MDB Joint Work on Climate Finance Tracking

Progress Towards Tracking Public and Private Climate Finance

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MDB Engagement in Climate Finance Tracking

- MDBs have been jointly reporting climate finance since 2011. The methodology is well established and tested for assessing mitigation and adaptation finance in our development activities.
  - Approach is aligned with OECD DAC Rio Markers and data is shared annually.
- The MDBs committed over USD 28 billion to projects in developing and emerging economies to address climate change in 2014.
  - 82% or over USD 23 billion was dedicated to mitigation; and 18% or USD 5 billion to adaptation
  - 91% from MDBs' own resources and 9% or USD 2.6 billion from external resources such as bilateral or multilateral donors, the Global Environment Facility (GEF), and the Climate Investment Funds (CIF)
- Some lessons from implementation:
  - Transparency in data sharing promotes greater harmonization. We have been sharing case studies and this year started sharing and discussing portfolio wide project level data. This allows for a rich exchange of information, increasing the robustness of the report.
  - Challenging cases or new financial instruments come up and the MDB group works jointly on how to track and report on them

AFRICAN DEVELOPMENT BANK GROUP

ADB

European Bank
for Reconstruction and Development

European Investment Bank The EU bank

IDB Inter-American Development Bank

WORLD BANK GROUP

MDB – IDFC Cooperation on Climate Finance Tracking

- MDBs-IDFC agreed Common Principles for tracking climate finance in 2015 and to abide by Principles when publishing numbers in annual reports:
  - Common Principles in Mitigation Finance: set of common Definitions and Guidelines including a precise list of mitigation activities, building on the approaches that IDFC and MDBs have developed over the past 4 years.
  - Common Principles for Climate Change Adaptation Finance Tracking that adopt a 3-step approach aligned with the Rio Marker Guidance (climate vulnerability, explicit statement of intent to address vulnerability, clear link between vulnerability and specific project activities). Lays the base for further joint work.
- MDBs and IDFC invite other institutions to adopt the Common principles
- Ongoing cooperation and open and transparent exchange of information around institutional experience and learning for further improvement of climate finance tracking:
  - Exchange of project level data so both groups can learn from each other on how the Principles are being applied

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Common principles for tracking climate mitigation finance
Collaboration on climate adaptation finance

The international community recognizes the need to join forces to avert dangerous climate change. This requires mobilizing financial resources from a wide range of sources, public and private, bilateral and multilateral, including alternative sources. Tracking and reporting financial flows that support climate change mitigation and adaptation is therefore becoming increasingly important, not only to build trust and accountability with regard to climate finance commitments, but also to monitor trends and progress in climate-related investment.

In this context, ahead of the Addis Ababa conference on Financing for Development and COP 21 in Paris, the group of Multilateral Development Banks (MDBs) Jointly Reporting on climate finance – comprising the African Development Bank (AfDB), the Asian Development Bank (ADB), the European Bank for Reconstruction and Development (EBRD), the European Investment Bank (EIB), the Inter-American Development Bank (IDB), and the International Finance Corporation (IFC) and World Bank (IDA/IBRD) from the World Bank Group (WBG) – and the International Development Finance Club (IDFC) – group of 22 leading national, regional and international development finance institutions from across the world, 19 of which are from developing countries and regions – have been supporting ongoing efforts of the international community to transparently track and disclose global climate adaptation and mitigation finance commitments. Both groups have independently published climate finance figures for the past three years.

MDBs have been gradually mainstreaming climate into their operations and dedicate a significant share of overall lending to climate action, having collectively financed, in developing and emerging economies, nearly USD 75 billion in climate action between 2011, when they began jointly tracking climate finance, and 2013, as shown in their Joint Reports.

Similar to the MDBs, IDFC produces yearly reports mapping the club's green and climate finance activities. IDFC's climate financing has grown rapidly over the past three years, with

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MDB Approach to Tracking Climate Co-finance

- MDB briefing paper "Tracking Climate Co-finance: Approach Proposed by the MDBs" to be released December 4, 2015 (online)
  - Reports on climate co-financing flows that are invested alongside each MDB's climate finance activities, i.e. does not deal with causality or estimate potential future leverage of MDB finance
  - Focuses on all types of investments where the cofinancing is clearly identifiable
  - Addresses double counting among MDBs by sharing project level data. Doesn't net out other public financiers such as IDFC.
  - Reports documented co-financing only, data gathered manually due to a lack of institutionalized tracking systems
  - Complements the annual joint report on climate finance.

- The estimated climate co-finance alongside USD 28 billion in MDB own resources and external resources managed by the MDBs totals USD 64.3 billion across public and private resources in 2014 (US$46.0 billion in public and US$18.3 billion in private co-financing)

MDB Future Work on Tracking Climate Co-finance

- In 2016 MDBs will continue to develop and refine the methodology and reporting approaches for co-financing
  - Propose to work with the OECD, IDFC and other interested stakeholders to further align evolving methodologies, to support harmonized and comparable reporting
  - Estimate the future effects of MDB investments, beyond co-financing. A number of grants and policy loans are not co-financed. However the effect that they have in crowding in additional private and public capital is very high.

- Note - as more institutions start reporting together, the less double counting should remain an issue. However, this would require all stakeholders to follow standard reporting procedures and use some global identifier for deals to allow data to be reconciled.

Looking forward, some lessons from experience

- Ownership of the approach across all stakeholders is important. This requires agreement on definitions and the approach to tracking climate finance and co-finance. For example, level of granularity, scope of activities/ countries covered, etc.
- It is important to take into account of the institutional capacity for implementation of agreed systems, e.g. understanding definitions, application to operations/ data, reporting and quality assurance systems.
- Collaboration on reporting, and sharing experience with implementation, promotes greater harmonization and facilitates common approaches to tracking and reporting climate finance/ co-finance for challenging cases or new financial instruments.
- It is critical to establish a baseline across several years, climate finance can fluctuate from year to year driven by larger projects.
- A harmonized approach to co-financing across DFIs is important, including how to reconcile issues like double counting and different data sources