



Climate Finance Tracking: Joint MDB Approach

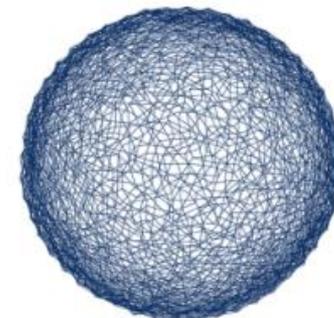
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27 June 2017

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Why track or count climate finance?

- To address this finance gap, developed countries committed under the [Copenhagen Accord](#) (December 2009) and the [Cancun Agreements](#) (December 2010) to provide new and additional resources for climate action in developing countries.
- For the period of 2010–12 this reached approximately US\$ 30 billion (Fast-Start-Finance).
- By 2020, developed countries have committed to mobilize US\$ 100 billion per year.
- This is supposed to originate from different sources, including public and private, bilateral and multilateral, and alternative sources.



COP15
COPENHAGEN
UN CLIMATE CHANGE CONFERENCE 2009



Why track or count climate finance?

- MDBs recognizes the need to **work together to avert dangerous climate change** by mobilizing public, private, bilateral, multilateral and alternative finance sources
- It is necessary to **track and report financial flows to build trust, accountability and to monitor trends and progress**
- In 2012, MDBs worked together to develop methodologies for tracking their mitigation and adaptation finance flows in a **consistent, comparable, and transparent manner.**



Joint MDB Working Group on Climate Finance



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Climate Finance: Definition

The amount of financial resources that contributes to climate change mitigation and/or adaptation activities, *as defined by the Joint Reports on MDB's Climate Finance.*



Common Principles

- **Mitigation Finance** – set of common Definitions and Guidelines including a precise list of mitigation activities, building on approaches developed over the past 5 years
- **Adaptation Finance** – follows a 3-step approach: context- and location-specific, conservative, and granular



Reports through the Years

- Reporting started in 2011 and done annually
- MDBs take turns in leading/coordinating activities of the mitigation and adaptation groups as well as preparing the Joint MDB Report on Climate Finance. **ADB took the lead for the 2015 report.**



JOINT MDB REPORT ON ADAPTATION FINANCE 2011

A report by a group of Multilateral Development Banks (MDBs) comprising the African Development Bank (ADB), the Asian Development Bank (ADB), the European Bank for Reconstruction and Development (EBRD), the European Investment Bank (EIB), the Inter-American Development Bank (IDB), the World Bank (WB), and the International Finance Corporation (IFC)

December 2012

INTRODUCTION

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. It is increasingly important to track and report financial flows that support climate change mitigation and adaptation, to build trust and accountability with regard to climate finance commitments and monitor trends and progress in climate-related investment. Yet, definition of climate finance and current efforts to track climate finance are not consistent across MDBs.

This report sets out the joint MDB approach for adaptation finance reporting, developed by a group of MDBs to work towards better tracking of climate finance. It responds to the particular context of the activities that the MDB carry out in developing and emerging economies and is built on the premise that climate mitigation and adaptation are two sides of the same coin. A separate report on adaptation finance is being published in parallel to this report.

JOINT MDB APPROACH FOR ADAPTATION FINANCE REPORTING

The joint MDB approach for adaptation finance reporting is based on the following principles:

- It is purpose, context and activity based. A project activity to be reported, must:
 - Set out a context of climate vulnerability (climate data, impacts from climate change as well as climate variability)
 - Include a statement of purpose or intent to address or benefit from adaptation to current and future climate change
 - Link project activities to the context of climate vulnerability (geographical location), reflecting only direct contribution
- The three criteria need to be included in the Project Appraisal File or specific section or explicit inclusion in the project development provides some illustration of the application of these three criteria
- It follows a conservative approach to prevent the mislabelling that do not explicitly meet all the above criteria are not included
- Project activities should reflect at least one of the following of mandates of the MDBs¹. These are:

¹ It refers to a very short description of what the key development objective is



JOINT MDB REPORT ON MITIGATION FINANCE 2011

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December 2012

INTRODUCTION

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. It is increasingly important to track and report financial flows that support climate change mitigation and adaptation, to build trust and accountability with regard to climate finance commitments and monitor trends and progress in climate-related investment. Yet, there is currently no precise international-agree definition of climate finance and current efforts to track climate finance lack transparency, comparability and comprehensiveness.

This report is based on the joint MDB approach for mitigation finance reporting, developed by a group of MDBs to work towards better tracking of climate finance. It responds to the particular context of the activities that the MDB carry out in developing and emerging economies and is built on the premise that climate mitigation and adaptation are two sides of the same coin. A separate report on adaptation finance is being published in parallel to this report.

Each MDB's methodology for tracking mitigation finance¹ differs, but the joint MDB approach tries to find commonalities and is an attempt to jointly report on resources mobilized for a set of commonly-agreed mitigation activities (see below). The joint approach is also a work in progress aimed at assisting the MDBs, as well as other organizations that might want to join or more clearly understand their engagement in mitigation. This will lead to gradual convergence towards a harmonized approach for the tracking of climate change finance.

JOINT MDB APPROACH FOR MITIGATION FINANCE REPORTING

The joint MDB approach for mitigation finance reporting is based on the following principles or attributes:

- It is activity-based, namely, it focuses on the type of activity to be measured, and not on its purpose, the origin of the financial resources, or its actual results.
- The classification is ex-ante project implementation.
- An activity can be a project or a project component: The joint approach aims to report on mitigation activities disaggregate from non-mitigation activities through a reasonable level of data granularity by dissecting projects into main components. For example, a project with a total cost of \$100 million may have a \$30 million component for energy efficiency improvements – only the \$30 million would be reported.
- The joint approach measures fossil-fuel-based, rather than greenhouse gas (GHG) emissions reduced by the investment.
- An activity can be labelled as contributing to climate change mitigation if it promotes "efforts to reduce or limit greenhouse gas (GHG) emissions or enhance GHG sequestration."¹ In the absence of a commonly-agreed method for GHG analysis among MDBs, mitigation activities considered in this joint approach are assumed to lead to emission reductions, based on past experience and/or technical analysis. Ongoing efforts to harmonize GHG analysis among MDBs will bring more consistency regarding the identification of mitigation activities in the long term.
- The purpose of this joint approach is to enable practical, harmonized climate finance classification categories without having to resort to long, complex studies or highly specialized experts.
- The approach covers both MDBs' own resources as well as external resources managed by the MDBs (such as funding from the Global Environment Facility, the Climate Investment Funds, or Carbon Funds). To prevent double counting (in particular as some external resources may already be covered in bilateral reporting), external resources managed by the MDBs are clearly separated from MDBs' own resources.

¹ Such as the WB's climate finance tracking system (<http://data.worldbank.org/indicators/SH.UA.CV>) and the IFC's GHG Portfolio Accounting (<http://www.ifc.org/ifcweb>)



JOINT REPORT ON MDB CLIMATE FINANCE 2012¹

A report by a group of Multilateral Development Banks (MDBs) comprising the African Development Bank (ADB), the Asian Development Bank (ADB), the European Bank for Reconstruction and Development (EBRD), the European Investment Bank (EIB), the Inter-American Development Bank (IDB), the World Bank (WB) and the International Finance Corporation (IFC).

November 2013

EXECUTIVE SUMMARY

- The Joint MDB Report on Climate Finance is now in its second year, and the information provided has been expanded to include a better sectoral as well as a regional breakdown of MDB financing. This report presents basic data on which further analysis could be based. Multilateral Development Banks (MDBs) provided approximately USD27 billion in financing to address the challenges of climate change in 2012.
- Of the total USD27 billion in climate finance, 78%, or USD21 billion was dedicated to mitigation and 22%, or nearly USD6 billion to adaptation. Of the total commitments, 8%, or USD2 billion came from external resources, such as bilateral or multilateral donors, including the Global Environment Facility and the Climate Investment Funds.
- In terms of regional coverage, Latin America and the Caribbean received the highest total share of MDB climate finance, 18%, while the EU 13 countries received 11%. In regards to sector coverage, 36% of adaptation finance went to the infrastructure, energy, and built environment sector, while 33% went to support increasing the resilience to climate change of the agriculture sector. In mitigation finance, renewable energy took by far the largest share of finance, with 36% of the total. The difference between mitigation and adaptation finance is greatest in the EU 13 and Other Europe and Central Asia regions, where 95% and 93% of climate finance commitments from MDBs respectively is for mitigation measures.

SECTION 1: INTRODUCTION

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. That makes it increasingly important to track and report financial flows that support climate change mitigation and adaptation, to build trust and accountability with regard to climate finance commitments and monitor trends and progress in climate-related investment.

The present report is based on the joint MDB approach for climate finance reporting, which was first defined in 2012 by the above group of MDBs to work towards better climate finance monitoring. It responds to the particular context of the activities that the MDBs carry out in developing and emerging economies and is built on the premise that climate finance and development are closely aligned.

The joint MDB approach differs in how it treats mitigation and adaptation. For mitigation, it is based on a common list of mitigation activities at the intersection of what all MDBs consider mitigation, while some

¹ For any questions or comments, please email jointmdbclimatefinance@adb.org



JOINT REPORT ON MDB CLIMATE FINANCE 2013

A report by a group of Multilateral Development Banks (MDBs) comprising the African Development Bank (ADB), 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 the World Bank (WB) from the World Bank Group (WBG)

September 2014

November 2013

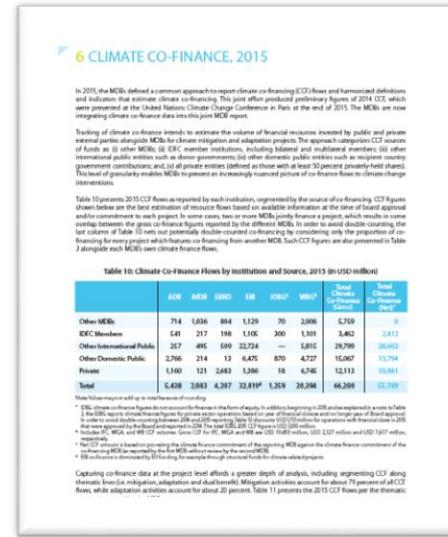
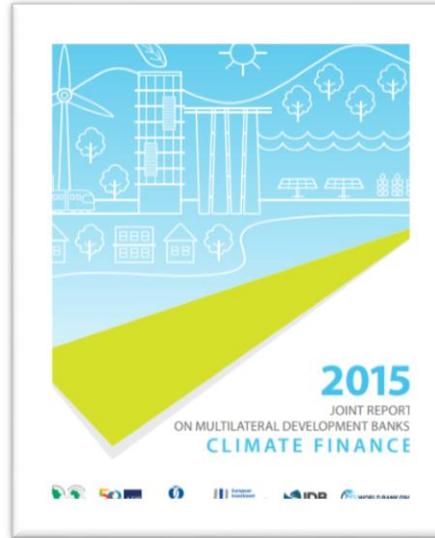
September 2014



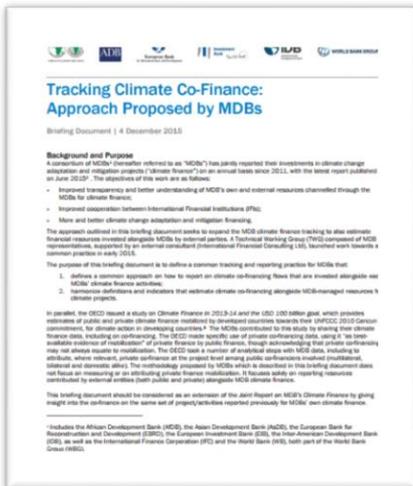
December 2012

Reports through the Years

June 2015



August 2016

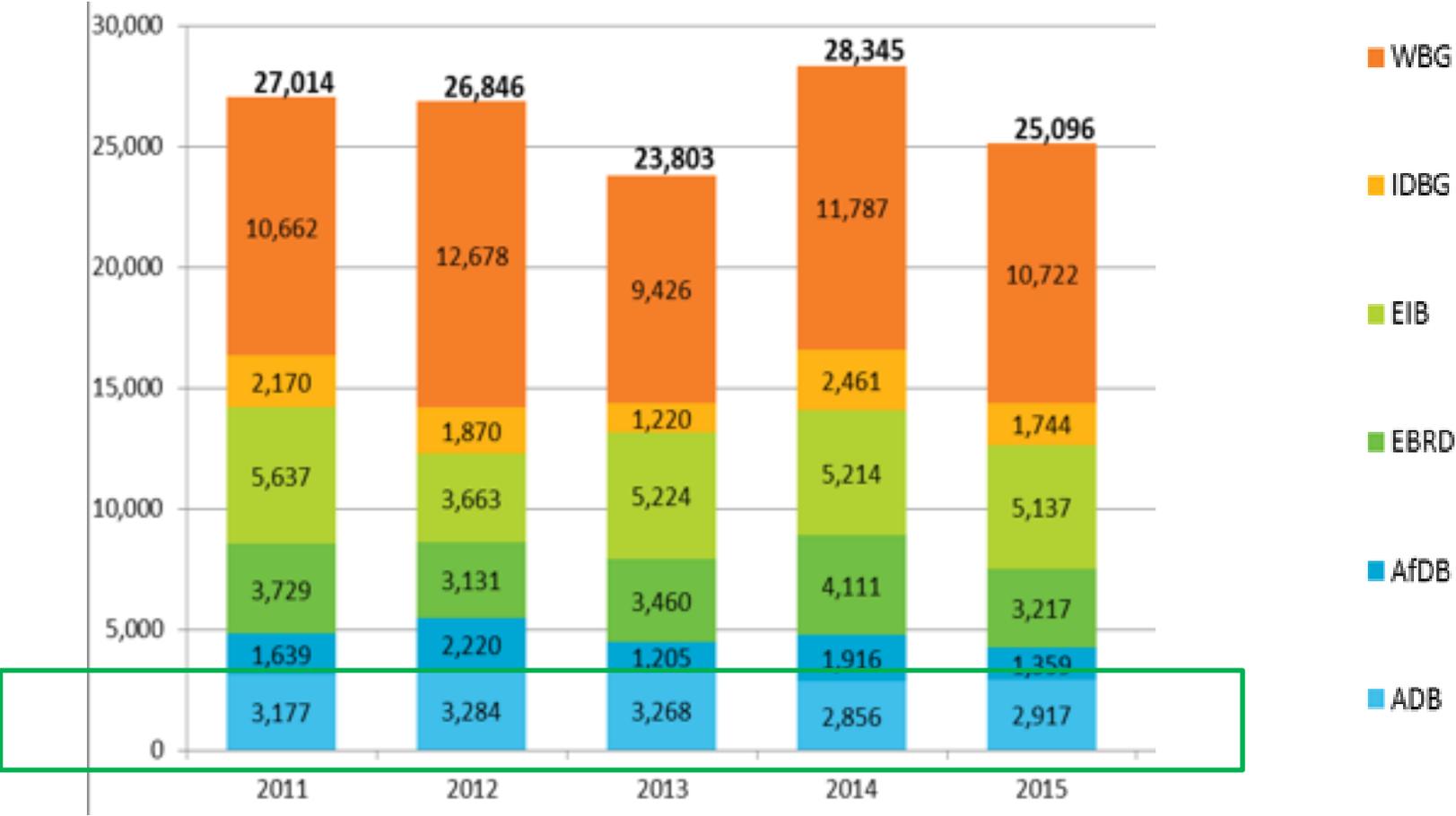


Climate Co-Finance (CCF) is defined as the amount of financial resources contributed by external entities alongside climate finance invested by MDBs:

December 2015



Reported MDB Climate Finance Commitments 2011-2015, (in USD million)



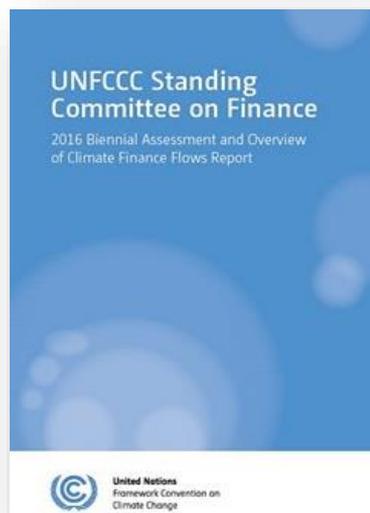
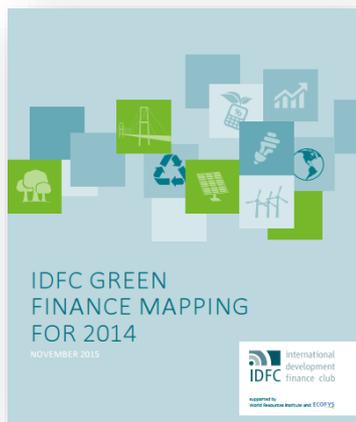
ADB Climate Finance (\$ millions)

Year	Mitigation			Adaptation			Total		
	ADB resources	External	Subtotal	ADB resources	External	Subtotal	ADB resources	External	Total
2011	2,196	224	2,420	585	172	757	2,781	396	3,177
2012	2,001	386	2,388	821	75	896	2,822	462	3,284
2013	1,948	333	2,280	880	108	988	2,828	441	3,268
2014	1,711	426	2,137	665	54	719	2,376	480	2,856
2015	2,372	188	2,561	283	73	356	2,656	261	2,917
2016	2,655	595	3,250	1,081	106	1,187	3,736	701	4,437

Source: Joint MDB Reports (2011-2016), In \$ millions.



Working Together



United Nations
Framework Convention on Climate Change



Mitigation Finance

David Elzinga

Senior Energy Specialist, SDSC-ENE



Mitigation Finance: Definition

An activity is classified as related to climate change mitigation if it promotes “efforts to reduce or limit GHG emissions or enhance GHG sequestration.”



Mitigation Finance Reporting: Attributes

- **Conservativeness**- where data is unavailable, take the conservative approach.
- **Granularity**- only mitigation activities that are to be disaggregated from non-mitigation activities are covered.
 - Ex: a project with a total cost of \$100 m may have a \$10 million component for energy efficiency improvement; only \$10 million will be reported as mitigation finance.
- **Eligibility**- is determined based on the basic definition of mitigation activities and the typology of mitigation activities defined by the Joint Multilateral Development Banks.



Mitigation Finance Reporting: Attributes

- **Additionality** – activity-based, focused on the type of activity to be executed.
- **Avoid double counting** – Where the same project, sub-project or project element contributes to mitigation and adaptation, then the MDB's individual processes will determine what proportion is counted as mitigation or as adaptation, so that the actual financing will not be recorded more than once.
- **Exclusions** – care will be taken to identify cases when projects do not mitigate emissions due to specific circumstances
- **Scope** – mitigation activities can be stand alone projects or component of a stand alone project.
- **Timeline**- mitigation finance figures at board approval date.



Mitigation Finance Reporting: Typology

1. Renewable energy
2. Lower-Carbon and Efficient Energy Generation
3. Energy Efficiency
4. Agriculture, Forestry and Land-Use
5. Non-Energy GHG Reductions
6. Waste and Wastewater
7. Transport
8. Low-Carbon Technologies
9. Cross-Cutting Issues
 - i.e.: policies, planning, action plans for mitigation; education; GHG monitoring systems
10. Miscellaneous
 - Activity that mitigates GHG and doesn't lead to lock-in



Ineligible Projects

- **Greenfield investments in FF based facilities:** power plants, district heating, district cooling, exploration and processing facilities, fuel storage, transport/transmission and distribution facilities).
- **Coal:** Brownfield investments to retrofit, rehabilitate or replace existing coal-based facilities without switching to cleaner fuel.
- **Eligible Activities that do not lead to net GHG emission reduction:** hydro plant with high methane production from reservoir, geothermal with high CO₂ fluid.
- **Lease to increased emission somewhere else:** Investor sells old boiler after replacing with new efficient one.



Mitigation Finance Reporting: Steps

1. Identify ADB projects that fit the typology of mitigation activities.
2. Identify in those projects the mitigation sub-project or component funded by ADB (loans, grants, equities, guarantees, ADB-administered climate funds)
3. Estimate the cost of the mitigation component funded by ADB (base cost, financial charges, contingencies, etc.)



Mitigation Finance Reporting: Example

PROJECT AT A GLANCE

1. Basic Data		Project Number: 46453-002	
Project Name	Renewable Energy Sector Project	Department /Division	PARD/PATE
Country Borrower	Cook Islands Cook Islands	Executing Agency	Ministry of Finance & Economic Management
2. Sector		ADB Financing (\$ million)	
✓ Energy	Renewable energy generation - solar		11.19
		Total	11.19
3. Strategic Agenda		Climate Change Information	
Inclusive economic growth (IEG) Environmentally sustainable growth (ESG)	Subcomponents Pillar 1: Economic opportunities, including jobs, created and expanded Eco-efficiency Global and regional transboundary environmental concerns	Mitigation (\$ million)	11.19
		CO₂ reduction (tons per annum)	2,930
		Climate Change impact on the Project	Medium
4. Drivers of Change		Gender Equity and Mainstreaming	
Governance and capacity development (GCD)	Institutional development	No gender elements (NGE)	✓
Knowledge solutions (KNS)	Knowledge sharing activities		
Partnerships (PAR)	Bilateral institutions (not client government) Official cofinancing		
Private sector development (PSD)	Public sector goods and services essential for private sector development		
5. Poverty Targeting		Location Impact	
Project directly targets poverty	No	Rural	Medium
		Urban	Medium
6. Risk Categorization:	Low		
7. Safeguard Categorization	Environment: B Involuntary Resettlement: B Indigenous Peoples: C		
8. Financing			

Mitigation finance from ADB-own resource

GHG reduction

Modality and Sources	Amount (\$ million)
ADB	11.19
Sovereign Project loan: Ordinary capital resources	11.19
Cofinancing	7.26
European Union	7.26
Counterpart	5.83
Government	5.83
Total	24.28

ADB-own resource

ADB-administered resource

Adaptation Finance

Charles Rodgers

Senior Climate Change Adaptation Advisor
(Consultant), SDCD

Adaptation Finance: Definition

Climate adaptation finance is the cost of activities undertaken to lower the current and expected risks to or vulnerabilities of the project posed by climate change.



Adaptation Finance: Key Elements

An activity is considered adaptation if the following key elements can be demonstrated:

1. Setting out the climate vulnerability context of the project;
2. Making an explicit statement of intent to address climate vulnerability as part of the project;
3. Articulating a clear and direct link between the climate vulnerability context and the specific project activities



Adaptation Finance Reporting: Guiding Principles

- Adaptation finance is limited *solely* to project activities aimed at reducing project's climate change vulnerability
- Granular, context- and location-specific
- Evidence base
- Ex-ante
- Conservative approach



Adaptation and Development Spectrum

Addressing Drivers of Vulnerability

Enabling human development: actions that reduce poverty and vulnerability; increase capability and coping capacity:

- Livelihood diversification
- Literacy and education
- Women's rights
- Community health
- Food security
- Water supply, sanitation

Building Response Capacity

Robust systems for problem solving: actions that build institutional, technical and planning capacity:

- Natural resources management
- Weather data collection, forecasting
- Disaster early warning systems
- Communications systems

Managing Climate Risks

Climate risk management: actions that incorporate climate information into decision-making to reduce risks:

- Climate proofing projects
- Disaster response planning
- Drought-resistant crops; cropping systems
- Robust, adaptive technologies

Confronting Climate Change

Addressing climate change impacts: actions that target specific, anticipated impacts outside of historical experience:

- Relocation due to sea level rise (SLR)
- Coastal defenses from SLR
- Managing Glacial Lake Outburst Floods (GLOF)
- Extra storage to capture glacial melt



Adaptation Finance Reporting: Steps

- Assess and articulate likely climate change impacts and the project's vulnerability to these impacts
- Identify project adaptation measures to mitigate or manage project vulnerability
- Identify/estimate likely costs of adaptation interventions
- Report estimated adaptation expenditures



Examples of Eligible Adaptation Activities

Adaptation activities can include:

- Modifications in project location and/or scale
- Modifications in engineering materials and designs
- Alternative technology choices
- Biophysical- and Ecosystem-based measures
- Community-based adaptation
- Policy and Social options (institutional re-design)
- Training and Capacity Development



Adaptation Finance Reporting: Example

Project Classification Information Status: Complete

PROJECT AT A GLANCE

1. Basic Data		Project Number: 44328-013	
Project Name	Uplands Irrigation and Water Resources Management Sector Project	Department /Division	SERD/SEER
Country Borrower	Cambodia Government of Cambodia	Executing Agency	Ministry of Water Resources and Meteorology
2. Sector		ADB Financing (\$ million)	
✓ Agriculture, natural resources and rural development	Irrigation		50.00
	Water-based natural resources management		10.00
		Total	60.00
3. Strategic Agenda		Climate Change Information	
Inclusive economic growth (IEG)	Pillar 2: Access to economic opportunities, including jobs, made more inclusive Global and regional transboundary environmental concerns Natural resources conservation	Adaptation (\$ million)	2.40
Environmentally sustainable growth (ESG)		Climate Change impact on the Project	Medium
4. Drivers of Change		Gender Equity and Mainstreaming	
Governance and capacity development (GCD)	Institutional development	Effective gender mainstreaming (EGM)	✓
5. Poverty Targeting		Location Impact	
Project directly targets poverty	No	Rural	High
6. Risk Categorization:		Low	
7. Safeguard Categorization		Environment: B Involuntary Resettlement: B Indigenous Peoples: C	
8. Financing			
Modality and Sources		Amount (\$ million)	
ADB		60.00	
Sovereign Sector loan: Asian Development Fund		60.00	
Cofinancing		0.00	
None		0.00	
Counterpart		6.12	
Government		6.12	
Total		66.12	
9. Effective Development Cooperation			
Use of country procurement systems	Yes		
Use of country public financial management systems	Yes		

Adaptation finance from ADB-own resource

Adaptation Finance as a % of Total Finance

(Millions Current \$)

Component	2011	2012	2013	2014	2015	2016
OCR Total	11,307	10,017	10,335	10,399	13,113	14,389
ADF Total	2,552	2,850	3,851	3,091	2,867	3,074
TA	139	142	148	152	141	169
Other Funds	25	13	14	7	7	9
Total Internal Resources	14,023	13,022	14,348	13,649	16,128	17,641
Adaptation Internal Resources	585	821	879	665	283	1,081
As % of Total ADB Resources	4.2%	6.3%	6.1%	4.9%	1.8%	6.1%

Sources: Statement of the Asian Development Bank's Operations; Joint Report on the Multilateral Development Banks' Climate Finance, various years



Thank you.

