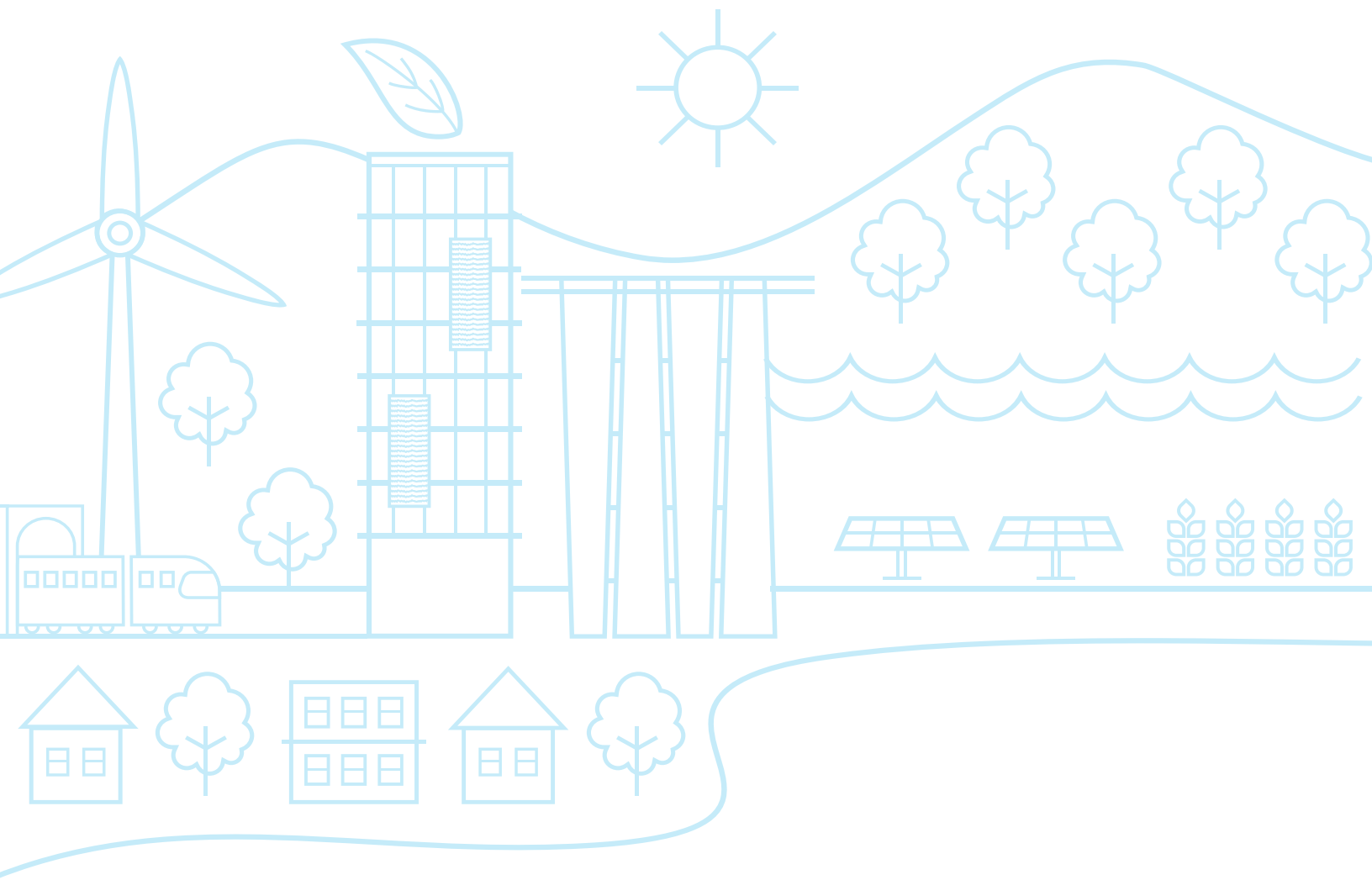




2015

JOINT REPORT
ON MULTILATERAL DEVELOPMENT BANKS'
CLIMATE FINANCE





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CLIMATE FINANCE

AUGUST 2016

This report was written by a group of multilateral development banks (MDBs), composed of 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 Group (IDBG), and the World Bank Group (WBG). The findings, interpretations, and conclusions expressed in this work do not necessarily reflect the official views of the MDBs' Boards of Executive Directors, or the governments they represent.

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PREFACE

2015 marked the convergence of major global climate, development, and disaster risk management milestones which chart a more sustainable global future. These include: the adoption of the Sendai Framework for Disaster Risk Reduction (2015-2030) that aims to achieve substantial reduction of disaster risks and losses; the Addis Ababa Action Agenda, which provides a foundation for implementing the global sustainable development agenda and calls on developed countries to implement their commitments to the goal of mobilizing USD 100 billion of climate finance per year for developing countries by 2020; and the adoption of a set of 17 Sustainable Development Goals that aims to end poverty, protect the planet, and ensure prosperity for all. These milestones have set the tone for how institutions like the multilateral development banks (MDBs)—including 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 Group (IDBG), and the World Bank Group (WBG)—prioritize their actions and operate in their client countries.

The Paris Agreement, which was negotiated by representatives of 195 countries and was unanimously adopted in December 2015, is a major breakthrough by the international community in resolving climate change. This is the first climate change agreement that includes commitments by all signatories, in the form of Nationally Determined Contributions. Countries have committed to undertake actions or achieve domestic targets with a view of holding the increase in global average temperature to below 2 degrees Celsius, and pursue efforts to limit it to 1.5 degrees Celsius. Countries also plan to increase their ability to adapt to adverse impacts of climate change, and foster climate change resilience. Many developing countries stress that climate finance is vital to their ability to fully deliver on their contributions and increase their level of ambition over time. For the MDBs, the Paris Agreement becomes the foundation for their contribution to efficient and effective low-carbon and climate-resilient development.

Climate finance from a variety of sources plays an important role in mobilizing support for the Paris Agreement. MDBs are one important channel to support adaptation and mitigation actions in developing countries and emerging economies, together with other public development institutions deploying limited public sources of finance, and private sources of finance. All MDBs announced new ambitious multi-year targets in late 2015 to rapidly expand climate finance activities, adding to the momentum leading up to the Paris Agreement. The MDBs are scaling up related activities to strengthen policy, build institutional capacity, provide access to finance, and deliver technical support to client countries and their private sectors. The Paris Agreement notes that a progression beyond previous efforts is needed for finance flows to support a pathway towards climate change resilience and low greenhouse gas emissions development. This report highlights the important role of the MDBs in furthering these goals.

In 2015, the MDBs collectively committed more than USD 25 billion in climate finance, and have financed more than USD 131 billion in climate action in aggregate since 2011. As a group, the MDBs have been applying jointly developed methodologies for climate finance accounting, adding transparency to efforts to track global development finance flows that deliver climate co-benefits. In 2015, Common Principles for tracking mitigation and adaptation activities were developed together with the International Development Finance Club (IDFC), and a set of guidelines was established and applied to set a common approach for reporting on climate co-financing flows that are invested alongside MDBs' climate finance activities. The total climate co-finance committed in 2015 was more than USD 55 billion, giving a total when combined with the MDBs' climate finance of over USD 80 billion.

To enable a successful transition to a low-carbon, climate-resilient global economy as envisaged in the Paris Agreement, massive amounts of climate finance must flow to support countries' achievement of their Nationally Determined Contributions and other low-carbon and climate resilience activities. This fifth edition of the *Joint Report on Multilateral Development Banks' Climate Finance* provides an overview of mitigation and adaptation finance in the context of the MDBs' strengthened commitment to work with clients, other development finance institutions, the private sector, and stakeholders to tackle climate challenge with targeted and innovative finance.

ABBREVIATIONS AND ACRONYMS

| | |
|-----------------|--|
| ADB | Asian Development Bank |
| AfDB | African Development Bank |
| CCF | climate co-finance |
| CIF | Climate Investment Funds |
| CO ₂ | carbon dioxide |
| EBRD | European Bank for Reconstruction and Development |
| EIB | European Investment Bank |
| EU | European Union |
| EUR | Euro |
| GEF | Global Environment Facility |
| GHG | greenhouse gas |
| IDB | Inter-American Development Bank |
| IDBG | Inter-American Development Bank Group, composed of IDB and IIC |
| IDFC | International Development Finance Club |
| IFC | International Finance Corporation |
| IIC | Inter-American Investment Corporation |
| MW | megawatt hour |
| MDBs | multilateral development banks |
| MIGA | Multilateral Investment Guarantee Agency |
| UNFCCC | United Nations Framework Convention on Climate Change |
| USD | United States dollar |
| WB | World Bank, composed of the International Bank for Reconstruction and Development, and the International Development Association |
| WBG | World Bank Group, composed of the WB, IFC and MIGA |

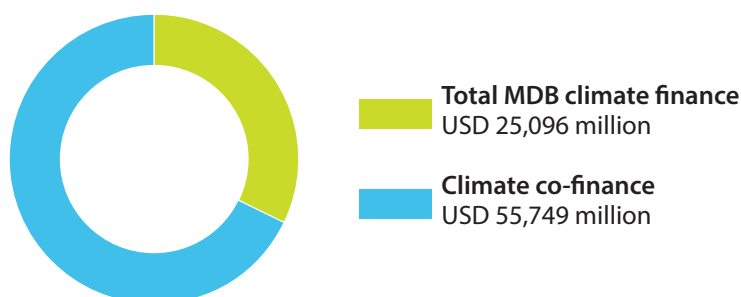
EXECUTIVE SUMMARY

This fifth edition of the *Joint Multilateral Development Banks' Report on Climate Finance* reports on financing committed by 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 Group (IDBG), and the World Bank Group (WBG), to climate change mitigation and adaptation projects and activities in 2015. This year's report was coordinated by ADB.

The data and statistics presented in this year's report comply with the methodologies developed by the MDBs and applied uniformly to the MDBs' portfolios. In this report, the term "MDB climate finance" refers to the financial resources committed by MDBs to development operations and components thereof, which deliver climate change mitigation and adaptation co-benefits in developing and emerging economies.

Collectively, the MDBs committed USD 25,096 million in climate finance in 2015—USD 20,072 million for mitigation finance and USD 5,024 million for adaptation finance. Since 2011, the MDBs have financed more than USD 131 billion in climate action in developing and emerging economies. The net total climate co-finance¹ committed in 2015 alongside MDB resources was USD 55,749 million. When combined with the MDB climate finance, the total climate finance is USD 80,845 million, as shown in the figure below. This is the first edition of the *Joint MDBs' Report on Climate Finance* to include climate co-finance.

Total MDB Climate Finance and Net Climate Co-Finance



MDBs track and report climate finance in a granular manner, i.e. climate finance reported covers only those components (and/or subcomponents) or elements/proportions of projects that directly contribute to or promote adaptation and/or mitigation. Adaptation finance is calculated using the Joint MDB Methodology for Tracking Climate Adaptation Finance, which is based on a context- and location-specific approach and captures the amounts associated with activities directly linked to climate change vulnerability. Mitigation finance is calculated in accordance with the Joint MDB Methodology for Tracking Climate Mitigation Finance, which is based on a list of activities that are compatible with low-emissions pathways. The MDBs' methodologies for climate finance tracking are aligned with the Common Principles for Climate Mitigation Finance Tracking jointly agreed by the MDBs and by the International Development Finance Club (IDFC) and first published in March 2015, and the Common Principles for Climate Adaptation Finance Tracking jointly agreed in June 2015. MDBs will continue to work with the IDFC to further harmonize climate finance tracking methodologies.

The MDBs play a pivotal role in the mobilization of climate finance. This has become particularly important in the wake of the Paris Agreement. All MDBs have set ambitious targets to expand climate finance activities rapidly, and all are scaling up activities to strengthen policy, build institutional capacity, provide access to finance, and deliver technical support to client countries and their private sectors.

¹ In 2015, guidelines were established to define a common approach on how to report on climate co-financing flows that are invested alongside each MDB's climate finance activities, and to harmonize definitions and indicators that estimate climate co-financing.

1 MDBs SCALING UP CLIMATE ACTION COMMITMENTS

Successful implementation of the Paris Agreement means the realization of net zero emissions from 2050 onwards. The Paris Agreement specifies an objective of “making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development”.² Prior to the Paris Conference of Parties, all MDBs announced ambitious targets to rapidly and further expand their climate finance activities. Table 1 contains an overview of these commitments. The MDBs are all working to integrate climate change considerations more systematically across their organizations’ processes and operations. They are also working to increase climate investments by coordinating and scaling up activities to strengthen policy, build institutional capacity, provide access to finance, and deliver technical support to client countries and their private sectors. Sustainable infrastructure investment enables the low-carbon, high-resilience pathways needed to realize climate change objectives.

Table 1: Targets Announced by MDBs to Support Climate Action

| MDB | Targets Announced |
|------|--|
| ADB | Doubling climate finance to USD 6 billion annually by 2020 (own resources only), of which USD 4 billion is for mitigation and USD 2 billion is for adaptation |
| AfDB | Triple climate financing to reach 40 percent of investments by 2020 |
| EBRD | 40 percent of EBRD annual business investment by 2020 in green finance ^a |
| EIB | Global target of greater than 25 percent of all lending. Increased target of 35 percent of lending in developing countries by 2020 |
| IDBG | Goal to double climate finance to 30 percent of operational approvals by 2020 to an average USD 4 billion per annum, and to improve evaluation of climate risks and identify opportunities for resilience and adaptation measures |
| WBG | A one-third increase in climate financing, from 21 percent to 28 percent of annual commitments by 2020. If current financing levels are maintained, this would mean an increase to USD 16 billion in 2020. The WBG intends to continue current levels of leveraging co-financing for climate-related projects, that could mean up to an another USD 13 billion a year in 2020. The direct financing and leveraged co-financing together represent potentially an estimated USD 29 billion in 2020. |

ADB = Asian Development Bank, AfDB = African Development Bank, EBRD = European Bank for Reconstruction and Development, EIB = European Investment Bank, IDBG = Inter-American Development Bank Group, MDB = multilateral development bank, USD = United States dollar, WBG = World Bank Group.

^a The EBRD’s Green Economy Transition (GET) target of 40% Annual Business Investment by 2020/EUR 18 billion over five years from 2016 refers to all green investments by the EBRD. This is composed of climate finance for both mitigation and adaptation as well as finance for projects with a positive environmental impact e.g. environmental remediation. EBRD does not have separate targets for these categories. Nevertheless, it is expected that the bulk of the finance will be classified as climate finance under the joint MDB approach, in line with the current investment focus of EBRD.

MDBs will play a critical role in reducing the costs and risks associated with climate finance investments, and in building capacity of institutions within their countries of operation. MDBs and the resources they manage are only part of the global climate finance landscape, and contribute only a portion of the needs for low-carbon and resilient infrastructure. MDBs will continue to work with other public sources, including governments, bilateral aid agencies, Climate Investment Funds (CIF), EU blended finance facilities, the Global Environment Facility (GEF), and the Green Climate Fund, to provide risk-sharing measures aimed specifically at catalyzing private finance. MDBs will also strengthen capacity within client countries to enable the generation of pipelines of quality climate change projects, and provide efficient access to resources.

² Article 2.1.c, Paris Agreement, FCCC/CP/2015/L.9.

2 OVERVIEW OF MDB CLIMATE FINANCE TRACKING METHODOLOGIES

In this report, the term "MDB climate finance" refers to the financial resources committed by MDBs to development activities with climate change mitigation and adaptation co-benefits in developing and emerging economies. It comprises climate adaptation finance, climate mitigation finance, and dual benefit climate finance. Tracking of MDB climate finance is based on harmonized principles and jointly-agreed methodologies, which are presented in Annexes B and C in more detail.

Sources of MDB climate finance include commitments from the MDBs' own resources, and from external resources channeled through and are managed by the MDBs. In this report, climate co-finance, i.e. the amount of financial resources contributed by external entities alongside MDB climate finance is reported separately from MDB climate finance. The joint methodology for tracking climate co-finance is presented in Annex D.

2.1 Climate Adaptation Finance

Climate adaptation is undertaken to lower the current and expected risks or vulnerabilities posed by climate change. For a project to be counted towards MDB adaptation finance, it must:

- a. Set out the climate vulnerability context of the project;
- b. Make an explicit statement of intent to address climate vulnerability as part of the project; and
- c. Articulate a clear and direct link between the climate vulnerability context and the specific project activities.

The MDB adaptation finance tracking methodology follows a context- and location-specific, conservative, and granular approach. It tracks MDB financing only of those components (and/or subcomponents) or elements/proportions of projects that directly contribute to or promote adaptation. The text box below provides an illustrative case. The Joint Methodology for Tracking Climate Adaptation Finance is contained in Annex B of this report. It is important to note the following:

- a. The reported adaptation finance might not capture activities that may significantly contribute to resilience, but cannot always be tracked in quantitative terms (e.g. adaptive operational procedures) or may not have associated costs (e.g. siting assets outside flood prone areas);
- b. Climate adaptation finance, as defined by the methodology, is not intended to capture the value of the entire project or investment that may increase resilience as a consequence of specific adaptation activities within the project (e.g. improved drainage of a section of a newly constructed road to deal with impacts of heavy rainfall or storm surges that then contributes to overall road and investment resilience).

2.2 Climate Mitigation Finance

Climate mitigation promotes efforts for the reduction, limitation, or sequestration of greenhouse gas (GHG) emissions to reduce the risk of climate change. The Joint Methodology for Tracking Climate Mitigation recognizes the importance of long-term structural changes such as the energy production shift to renewable energy technologies, and the modal shift to low-carbon modes of transport. Consequently, both greenfield and brownfield renewable energy and transport modal shift projects are included. However not all activities that reduce GHGs are eligible to be counted towards MDB mitigation finance. For energy efficiency projects the methodology acknowledges that drawing the boundary between increasing production and reducing emissions per unit of output is difficult. Consequently, greenfield energy efficiency investments are included only in a few cases when they enable prevention of a long-term lock-in to high-carbon infrastructure. When considering brownfield energy efficiency investments as climate finance, old technologies must be replaced well before the end of their lifetime with new technologies that are substantially more efficient. Alternatively, new technologies or processes are required to be substantially more efficient than those normally used in greenfield projects.

The methodology has some explicit exclusions in certain sectors. Examples are: hydropower plants with high methane emissions from reservoirs that exceed associated renewable energy GHG reductions; geothermal power plants with high carbon dioxide (CO₂) content in the geothermal fluid that cannot be reinjected; or biofuel projects that deplete carbon pools more than they reduce GHG emissions due to high emissions in production, processing and transportation. The methodology is explained using an illustrative example in the text box below. The Joint Methodology for Tracking Climate Mitigation Finance is contained in Annex C of this report.

2.3 Dual Benefit Climate Finance

Some components and/or subcomponents or elements/proportions within projects result in both mitigation and adaptation benefits. Examples are: (a) an afforestation project to prevent slope erosion in an area with increased risk of flash floods would also contribute to GHG sequestration; and (b) a renewable energy project that has been made climate-resilient. Financing for these types of projects is reported separately where MDB systems allow. Where systems do not allow separate tracking, the MDBs split the financed amount between mitigation and adaptation. In both cases, there is no double counting.

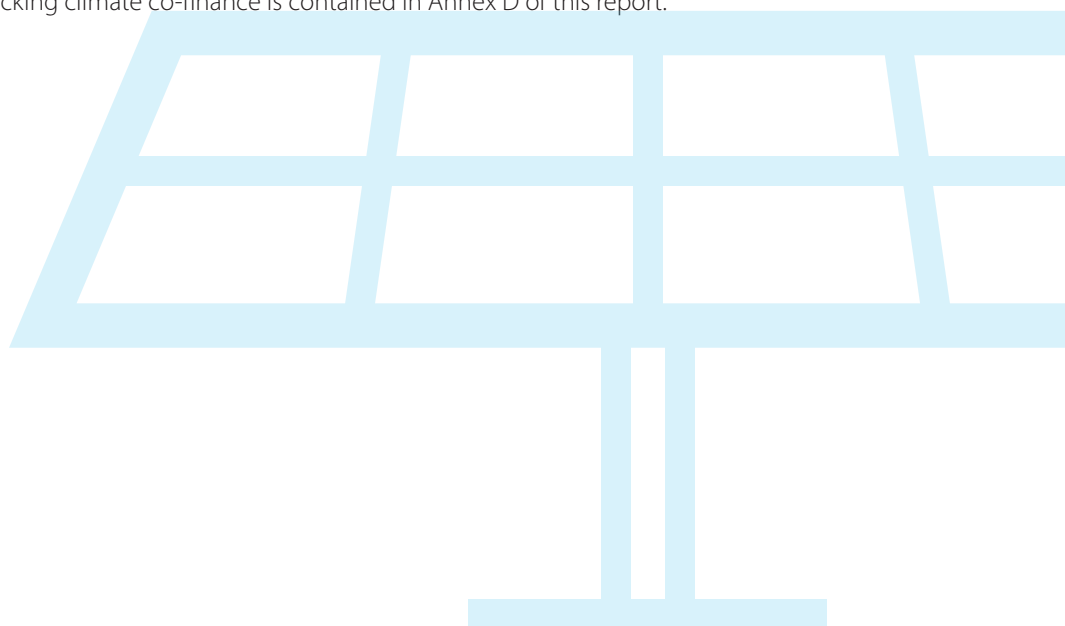
An illustrative example is shown in the text box below. Full details of this year's climate finance with dual adaptation and mitigation benefits are shown in Annex E.

2.4 Climate Co-Financing

In late 2015, the MDB group sought to expand the scope of its climate finance tracking to also estimate co-financing. Climate co-finance is defined as the amount of financial resources contributed by external entities alongside climate finance invested by MDBs. In addition:

- a. It encompasses financial resource providers that are government or government-affiliated, as well as those that are private;
- b. It includes all forms of financial instruments, including grants, loans, equity, guarantees, etc.;
- c. Broader support programs that do not provide resources directly into the financing package for a given project/program are not included in climate co-finance; and
- d. It is quantifiable and traceable to investment documentation kept by the individual MDB.

The joint methodology for tracking climate co-finance is contained in Annex D of this report.



Calculating Climate Adaptation, Mitigation and Dual Benefit Finance

| | Climate Adaptation Finance | Climate Mitigation Finance | Dual Benefit Climate Finance |
|---|--|--|--|
| Project Description | <p>The project is a built environment improvement program and falls under the “Energy, Transport, and other Built Environment and Infrastructure” sector grouping. The project aims to strengthen climate resilience and disaster preparedness in vulnerable coastal towns. The total project budget is USD 300 million and it has two components:</p> <ol style="list-style-type: none"> 1. Providing more climate-resilient municipal infrastructure; and 2. Training and capacity building for local technical personnel for improved infrastructure operations and service delivery under a changing climate <p>An analysis of the impacts of climate change on the project was carried out to inform the design of the project. The project document explicitly set out the climate vulnerabilities within project components 1 and 2, with specific adaptation measures incorporated into the project components, as follows:</p> <p>Component 1: Climate-resilient construction materials (e.g. more heat-resistant) were procured to replace conventional construction materials, with an additional cost of USD 50 million (which is part of the Component 1 budget);</p> <p>Component 2: The scope of training and capacity building was adjusted to include climate risk management performance monitoring as part of the ongoing operational and maintenance tasks of the local technical personnel, but there is no separate costing.</p> | <p>The project is a 320 megawatt wind farm which will be built along a coastal line. The electricity produced will be sold to the local distribution utility that services 10 towns.</p> <p>The facility is estimated to produce about 800 gigawatt-hours of electricity per year and will avoid 400,000 tons of carbon dioxide annually. The project supports the national renewable energy policy and will increase the share of renewable energy in the country’s energy mix.</p> <p>The whole project qualifies as a mitigation project, and is classified as a “Renewable Energy/electricity generation activity” based on the MDB methodology for mitigation.</p> <p>Total project cost is USD 900 million. An MDB committed a non-concessional loan of USD 200 million to the private sector developer.</p> | <p>The project is an afforestation project and is classified as an “Agriculture, Forestry, and Land Use” mitigation activity. The project is also intended to provide erosion control and slope stability in response to increased climate risk, and falls under the “Other Agricultural and Ecological Resources” sector group based on the MDB methodology for adaptation. Therefore, the project is to deliver the dual benefit of both climate mitigation and adaptation. Investments in erosion control and slope stability are considered as adaptation finance; the mitigation value comes from rebuilding forests which function as carbon sinks.</p> <p>The project was considered 100 percent climate finance. An MDB provided a loan USD 150 million.</p> |
| Calculation of MDB Climate Finance | <p>The entire project has significant development and climate resilience benefits. However, based on the MDB adaptation finance tracking methodology, only USD 50 million—the additional expenditure incurred in procuring heat resistant construction materials in comparison with traditional construction materials—is tracked as adaptation finance.</p> | <p>The total project cost of USD 900 million, covering the installation of wind turbine generators and ancillary plant equipment is considered as mitigation finance, i.e. 100 percent of the total MDB financing committed is reported as climate finance.</p> <p>In this case, 100 percent of the total MDB finance committed, or USD 200 million, is reported as mitigation finance.</p> | <p>The dual benefit climate finance can be computed in two ways:</p> <p>Accounting Method 1: Split loan equally between adaptation (USD 75 million) and mitigation (USD 75 million). Dual benefit finance reporting would be zero.</p> <p>Accounting Method 2: The entire loan amount is reported as dual benefit finance.</p> |

3 MDB CLIMATE FINANCE, 2015

3.1 Total MDB Climate Finance, 2015³

In 2015, MDBs committed a total of USD 25,096 million from the MDBs' own resources and funding from external resources channeled through the MDBs to climate finance in developing and emerging economies. Mitigation finance totaled USD 20,072 million, or 80 percent, of the total commitments, while adaptation finance represented 20 percent of total commitments, or USD 5,024 million, as illustrated in Figure 1.⁴ Table 2 lists the adaptation and mitigation finance commitments of each MDB.

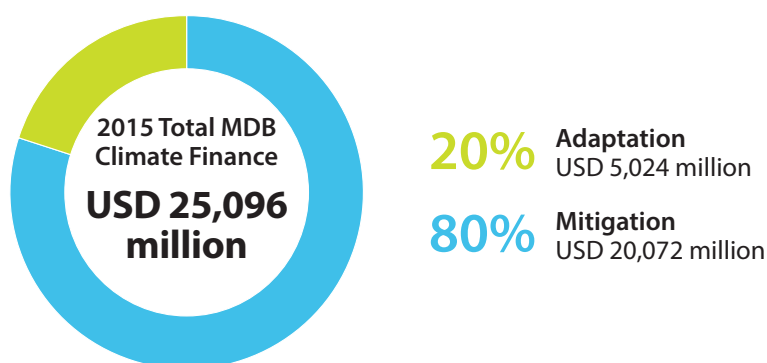
Table 2: MDB Climate Finance, 2015 (in USD million)

| MDB | Adaptation Finance | Mitigation Finance | MDB Climate Finance |
|--------------|--------------------|--------------------|---------------------|
| ADB | 356 | 2,561 | 2,917 |
| AfDB | 396 | 963 | 1,359 |
| EBRD | 244 | 2,973 | 3,217 |
| EIB | 365 | 4,772 | 5,137 |
| IDBG | 270 | 1,474 | 1,744 |
| WBG | 3,393 | 7,329 | 10,722 |
| TOTAL | 5,024 | 20,072 | 25,096 |

Notes:

1. For EBRD, all dual benefit finance is included in the adaptation finance commitment reported in this table.
2. For IDBG, all dual benefit finance values were split evenly between adaptation and mitigation commitments.
3. For ADB, AfDB, EIB and WBG, separate adaptation and mitigation finance commitments were reported for dual benefit projects.
4. Through 2014, the IDBG reported climate finance for both public and private sector operations according to year of IDBG Board approval. However, beginning 2015, the IDBG reports climate finance for private operations according to year of financial closure. To avoid double counting, a total of USD 409 million in operations with approval year 2014 (reported in the *2014 Joint Report on Multilateral Development Banks' Climate Finance*) and financial closure in 2015 are netted out of 2015 figures.
5. EIB climate finance figures (in this and in all previous MDBs' Joint Report on Climate Finance) are restricted to developing and emerging economies in transition, and therefore exclude EU-15, Czech Republic, and Malta, where EIB is also active.

Figure 1: Total MDB Climate Finance Committed, 2015



Note: Dual benefit finance commitments are included in mitigation and adaptation finance values.

³ Figures and tables throughout this report contain slight variations in values due to rounding.

⁴ Total climate finance is equal to the sum of mitigation, adaptation, and dual benefit finance. The total commitment with dual benefits in 2015 is USD 128 million. For simplicity, dual benefit figures are distributed across mitigation and adaptation so that total MDB climate finance is equal to the sum of total MDB mitigation finance and total MDB adaptation finance, unless explicitly noted otherwise.

Climate co-finance—i.e. financial resources contributed by external entities alongside climate finance invested by MDBs—committed in 2015 is USD 55,749 million, as reported in Table 3. Climate co-financing is discussed in detail in Section 6.

Table 3: MDB Climate Finance, Climate Co-Finance, and MDB Finance, 2015

| | ADB | AfDB | EBRD | EIB | IDBG | WBG | Total |
|--|--------------|--------------|--------------|---------------------|--------------|---------------------------|---------------|
| Climate change finance commitment (USD million) | | | | | | | |
| Own resources | 2,656 | 1,211 | 3,009 | 5,088 | 1,486 | 9,997 | 23,447 |
| MDB-managed external resources | 261 | 148 | 208 | 49 | 258 | 725 | 1,649 |
| MDB Climate Finance | 2,917 | 1,359 | 3,217 | 5,137 | 1,744 | 10,722^a | 25,096 |
| Climate Co-Finance | | | | | | | |
| Gross | 5,438 | 2,083 | 4,207 | 32,819 ^b | 1,259 | 20,394 ^c | 66,200 |
| Net | 4,418 | 628 | 2,600 | 30,731 | 1,037 | 16,335 | 55,749 |
| Total climate finance with net co-financing | 7,335 | 1,987 | 5,817 | 35,868 | 2,781 | 27,057 | 80,845 |
| MDB Finance (USD million) | | | | | | | |
| MDB Operations from MDB Own Resources | 16,428 | 8,335 | 10,405 | 17,290 | 10,288 | 55,862 | 118,608 |
| Total MDB Operations | 19,091 | 8,735 | 12,612 | 19,612 | 10,806 | 59,776 | 130,632 |
| Climate Finance Ratios | | | | | | | |
| Climate Finance from MDB Own Resources/ MDB Operations from MDB Own Resources | 16.2% | 14.5% | 28.9% | 29.4% | 14.4% | 17.9% | 19.8% |
| MDB Climate Finance/Total MDB Operations | 15.3% | 15.6% | 25.5% | 26.2% | 16.1% | 17.9% | 19.2% |

Notes:

1. MDB climate finance refers to the sum of the climate finance from the MDB's internal resources and the MDB-managed external resources.
2. Total MDB operations refer to the sum of the MDB's internal resources and MDB-managed external resources.
3. EIB climate finance figures (in this and in all previous MDBs' Joint Report on Climate Finance) are restricted to developing and emerging economies in transition, and therefore exclude EU-15, Czech Republic, and Malta, where EIB is also active.

^a WBG climate finance (including own resources and managed external resources) for IFC, MIGA, and WB are USD 2,426 million, USD 1,139 million, and USD 7,156 million, respectively.

^b EIB co-finance is dominated by EU funding, for example through structural funds for climate-related projects.

^c Gross CCF for IFC, MIGA and WB are USD 10,450 million, USD 2,327 million and USD 7,617 million, respectively.

3.2 MDB Climate Finance by Source

Sources of MDB climate finance are split between the MDBs' own resources and external resources channeled through and managed by the MDBs. External resources include trust-funded operations, including bilateral donors and dedicated climate finance funds such as the CIF, and climate related funds under the GEF. As some external resources may already be covered in bilateral reporting, external resources managed by the MDBs are presented separately from the MDBs' own resources.

Total 2015 MDB climate finance from MDBs' own resources was USD 23,447 million and USD 1,649 million from external resources channeled through the MDBs (Figure 2). Figure 3 provides a breakdown of the climate finance committed by each MDB split between MDB's own resources and external resources.

Figure 2: Share of Total MDB Climate Finance Split between MDB Own Resources and External Resources, 2015

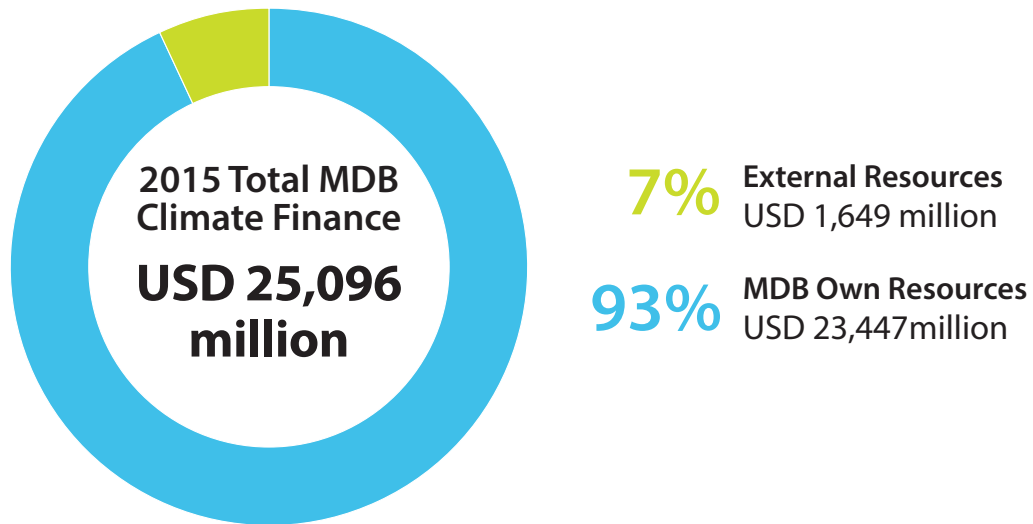
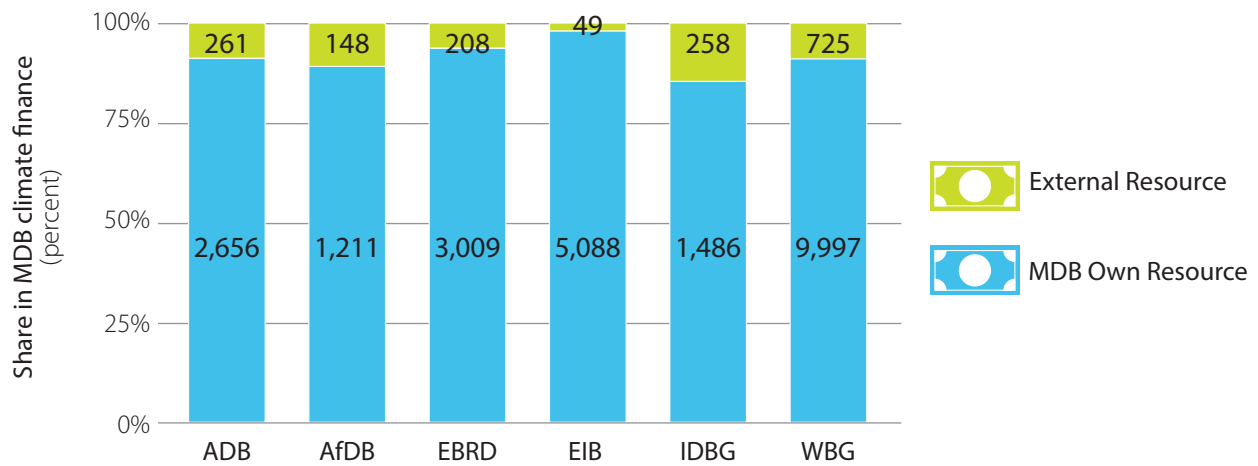


Figure 3: MDB Climate Finance Split between MDB Own Resources and External Resources, 2015



Note: Numbers on columns are in USD million.

3.3 MDB Climate Finance by Recipient/Borrower Type

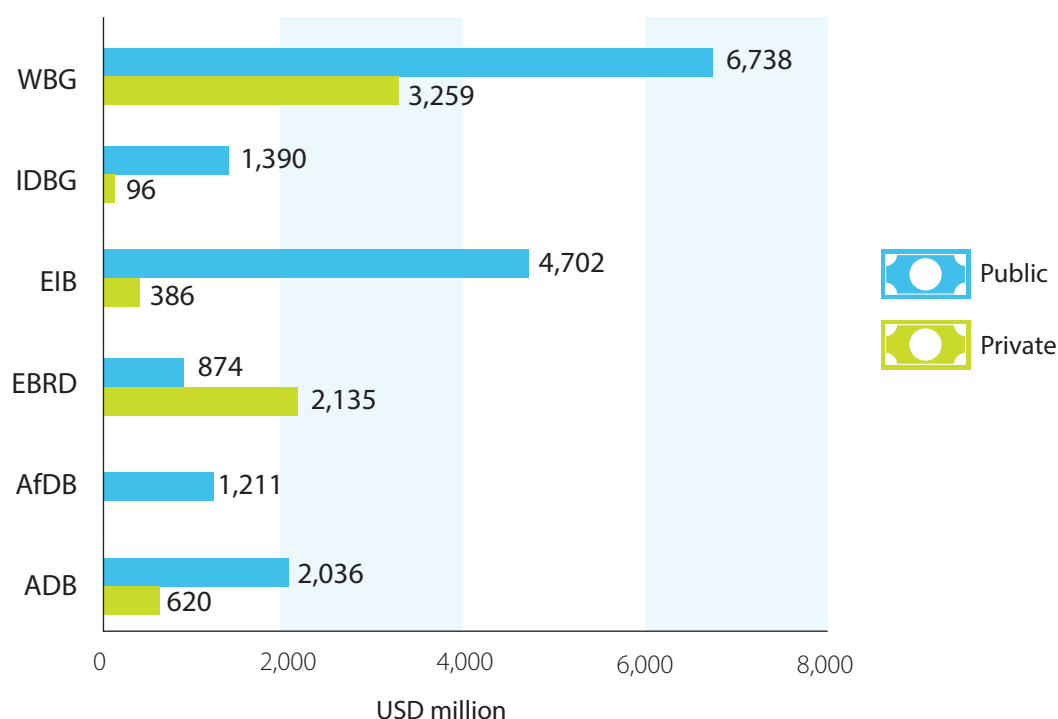
For the third consecutive year, MDBs have reported on the nature of initial recipients/borrowers⁵ of MDB climate finance (those to whom finance will flow directly from the MDBs), differentiating between public and private recipients/borrowers. Total commitment varies significantly between MDBs' own resources and external resources (Table 4). Figures 4 and 5 show the split by recipient/borrower type for the MDBs own resources, and external resources, respectively.

Table 4: Total MDB Climate Finance Split between MDB Own Resources and External Resources, 2015 (in USD million)

| | Mitigation Finance | | | Adaptation Finance | | | Total MDB Climate Finance | | |
|----------|--------------------|--------------------|---------------|--------------------|--------------------|--------------|---------------------------|--------------------|---------------|
| | MDB Own Resources | External Resources | Subtotal | MDB Own Resources | External Resources | Subtotal | MDB Own Resources | External Resources | Total |
| Public | 12,822 | 829 | 13,651 | 4,130 | 410 | 4,540 | 16,952 | 1,239 | 18,191 |
| Private | 6,029 | 392 | 6,421 | 466 | 18 | 484 | 6,495 | 410 | 6,905 |
| Subtotal | 18,851 | 1,221 | 20,072 | 4,596 | 428 | 5,024 | 23,447 | 1,649 | 25,096 |

Note: Dual benefit finance commitments are included in the mitigation and adaptation finance values.

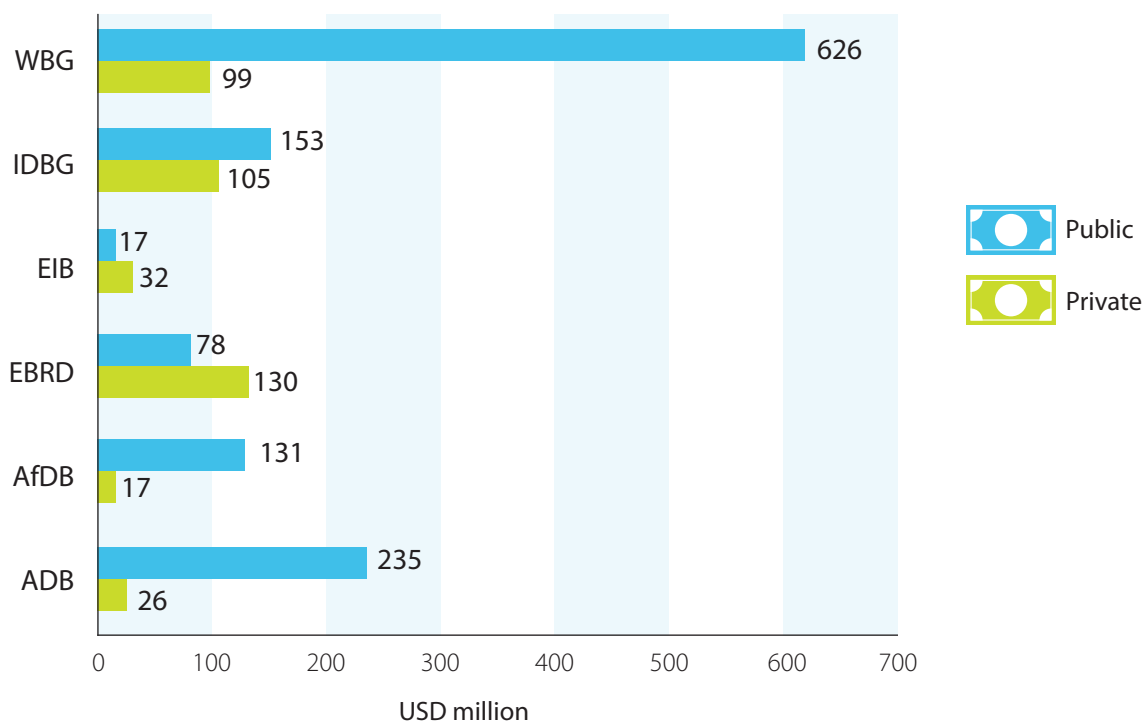
Figure 4: MDB Climate Finance from MDB Own Resources Split by Recipient/Borrower Type, 2015



Note: Numbers beside the bars indicate public/private climate finance values in USD million.

⁵ See Definitions and Clarifications in Annex A for the definition of recipients/borrowers.

Figure 5: MDB Climate Finance from External Resources Split by Recipient/Borrower Type, 2015

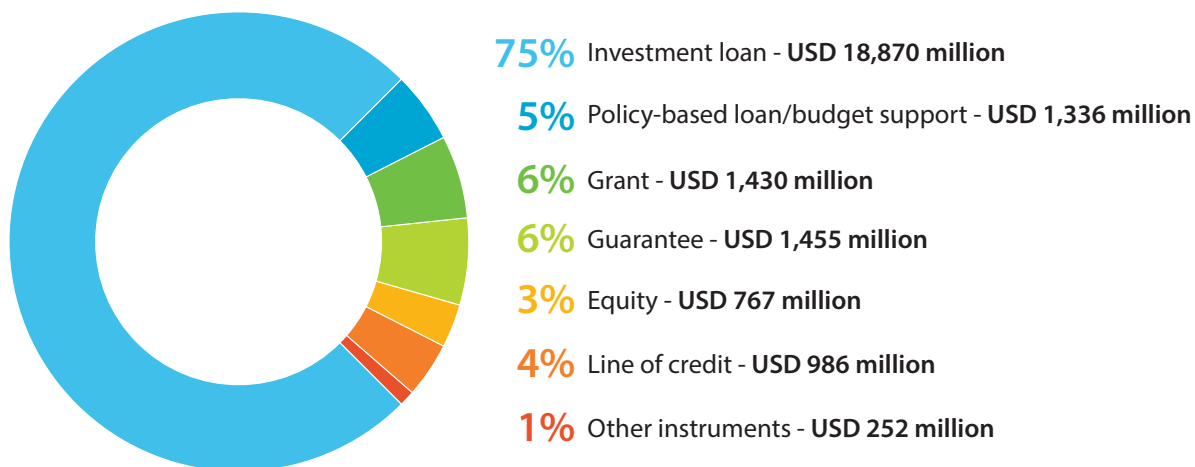


Note: Numbers beside the bars indicate public/private climate finance values in USD million.

3.4 MDB Climate Finance by Instrument Type

For the second consecutive year, MDBs are reporting their climate finance by financial instrument type, including equity, grants, loans, guarantees, and other instrument types such as purchase agreements for carbon finance projects. MDBs reported that 75 percent of total climate finance was committed through loans. MDBs also used guarantees and advisory services, albeit comprising a small percentage. Figure 6 provides information on the breakdown of total MDB climate finance by instrument type.

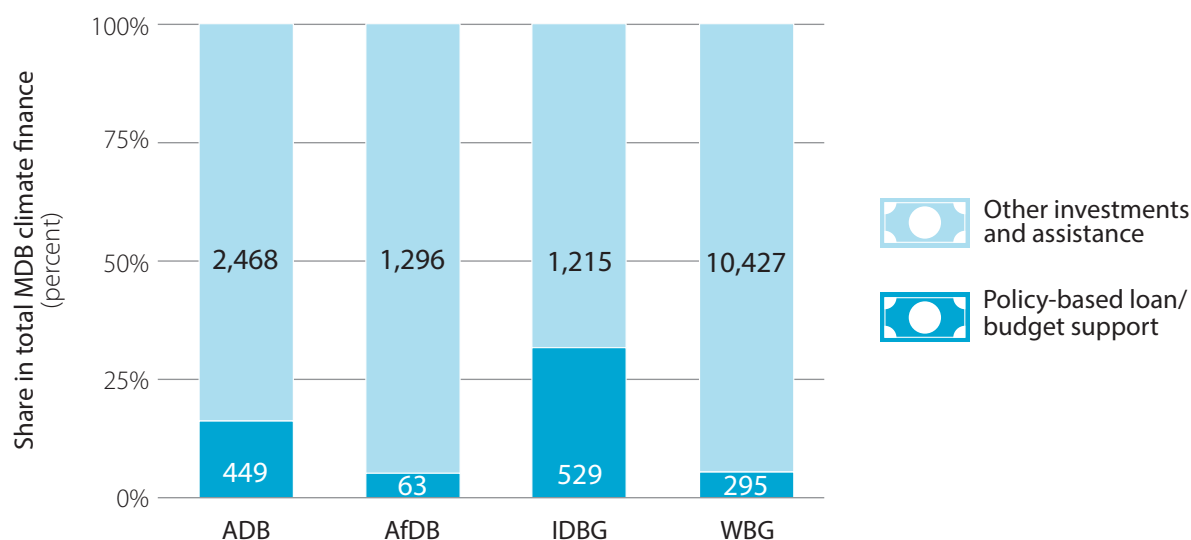
Figure 6: Total MDB Climate Finance Split by Instrument Type, 2015



Note: "Other instruments" include advisory services and instruments such as carbon funds, currency and interest rate swaps, and other derivative instruments.

Out of the USD 25,096 million in MDB climate finance committed in 2015, ADB, AfDB, IDBG and WBG committed resources in the form of policy-based instruments totaling USD 1,336 million or 5 percent of the total MDB climate finance. Figure 7 shows the share and commitments to policy-based loans per institution. Policy-based instruments are fast disbursing financing instruments provided to the national budget in the form of loans or grants together with associated policy dialogue and economic and sector work in support of policy and institutional reforms. For example, one of the policy-based loans made in 2015 is for a country in East Asia and the Pacific to address the country’s longstanding air pollution problem in one of its provinces. The policy-based loan supports the provincial government in making fundamental reforms in its energy and socioeconomic policies and establishing a solid basis for incremental reforms and investments in improving air quality and public health. These include policy actions to switch from coal to cleaner energy, promote public transport in urban areas, and increase use of biomass for energy in rural areas. It will also develop a monitoring and analysis system and help strengthen environmental regulatory enforcement.

Figure 7: Share of Policy-Based Instruments in MDB Climate Finance, 2015



Notes:

1. Numbers on columns are in USD million.
2. “Other investments and assistance” refer to the aggregation of all instrument types, apart from policy-based loan/budget support.
3. EBRD and EIB do not provide policy-based loans/budget support instruments.

3.5 MDB Climate Finance by Region

This report covers climate finance committed by the MDBs in developing and emerging economies only.⁶ Twenty percent of total climate finance was committed to recipients/borrowers located in Non-EU Europe and Central Asia, 18 percent was committed in South Asia, 15 percent in Latin America and the Caribbean, 14 percent in East Asia and the Pacific⁷, 13 percent in the EU 11⁸, 9 percent in Sub-Saharan Africa, 9 percent in the Middle East and North Africa, and Multi-Regional commitments accounted for 2 percent of the total, as represented in Figure 8.

In addition to the geographical distribution of climate commitments per region, distribution to small island states and to least developed countries is shown in Table 5. About 15 percent and 2 percent of total climate finance was committed to least developed countries and small island states, respectively.⁹

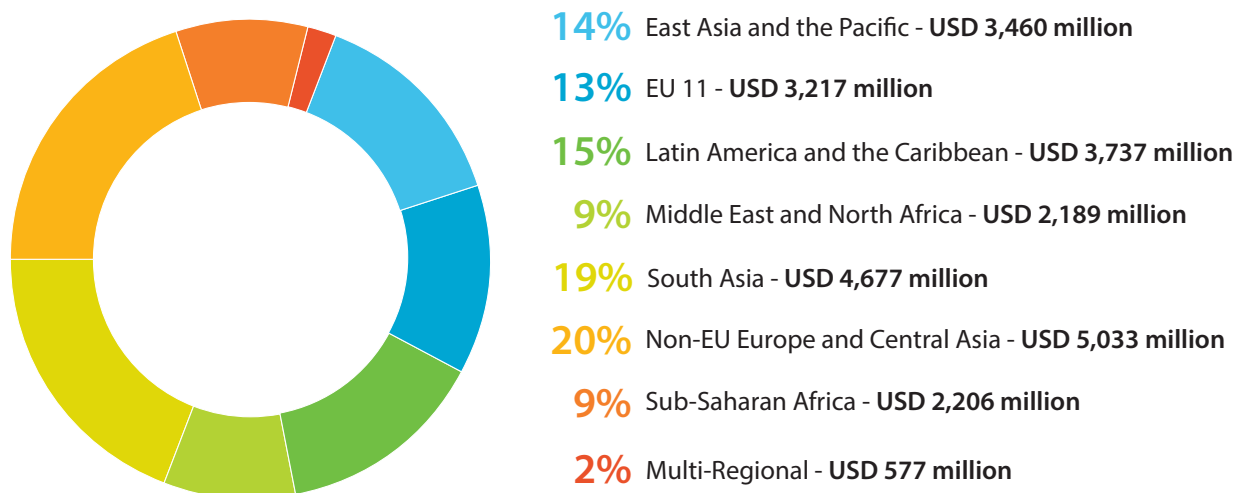
⁶ For the purposes of this report, the regional groupings are defined in Annex G.

⁷ East Asia and the Pacific include countries in East Asia, Southeast Asia, and the Pacific islands.

⁸ For 2015 reporting, the MDBs agreed to report the climate finance for EU 11 only instead of EU 13. EU 11 is composed of EU 13 countries less the Czech Republic and Malta.

⁹ The list of small island states used in this report includes the 39 members of Alliance of Small Island States, excluding developed countries. The list of least developed countries used in this report reflects the roster in the UNFCCC website (http://unfccc.int/cooperation_and_support/ldc/items/3097.php). Nine countries are included in both least developed countries and small island states lists. These are Comoros, Guinea Bissau, Haiti, Kiribati, Sao Tome and Principe, Solomon Islands, Timor-Leste, Tuvalu, and Vanuatu.

Figure 8: Total MDB Climate Finance by Region, 2015



Notes:

1. East Asia and the Pacific includes countries in East Asia, Southeast Asia, and the Pacific islands.
2. For 2015 reporting, the MDBs agreed to report the climate finance for EU 11 only instead of EU 13. EU 11 is composed of EU 13 countries less the Czech Republic and Malta, for consistency with MDB reporting on finance for Sustainable Development.
3. Percentages may not add up to 100 percent because of rounding.

Table 5: Total MDB Climate Finance to Least Developed Countries and Small Island States, 2015 (in USD million)

| | Adaptation Finance | Mitigation Finance | Total |
|---------------------------|--------------------|--------------------|-------|
| Least developed countries | 1,556 | 2,211 | 3,767 |
| Small island states | 269 | 254 | 523 |



4 MDB ADAPTATION FINANCE, 2015

In 2015, MDBs reported a total of USD 5,024 million in commitments in climate adaptation finance. Table 6 presents the 2015 adaptation finance split by MDB. Data reported corresponds to the financing of adaptation projects or of those project components, sub-components, or elements, or proportions of projects that provide adaptation benefits that specifically address climate change vulnerabilities (rather than the entire project cost). For MDBs that report dual benefit finance, this section as well as the accompanying tables and figures include the adaptation component of that dual benefit financing. Specific information and data on dual benefit numbers can be found in Annex E.

4.1 MDB Adaptation Finance by Source

Total 2015 MDB adaptation finance was USD 5,024 million, with USD 4,596 million from MDBs' own resources and USD 428 million from external resources. Table 6 provides a breakdown of the climate adaptation finance committed by the MDBs by own resources and external resources.

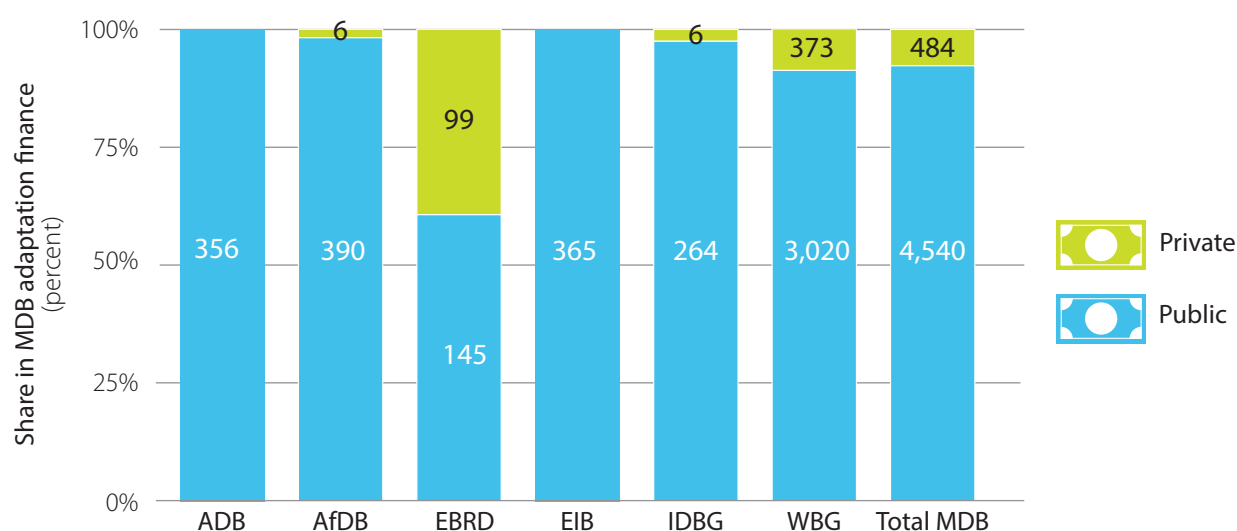
Table 6: MDB Adaptation Finance by MDB according to Source of Funds, 2015 (in USD million)

| | ADB | AfDB | EBRD | EIB | IDBG | WBG | Total |
|--------------------|------------|------------|------------|------------|------------|--------------|--------------|
| MDB Own Resources | 283 | 305 | 234 | 365 | 194 | 3,215 | 4,596 |
| External Resources | 73 | 91 | 10 | 0 | 76 | 178 | 428 |
| Total | 356 | 396 | 244 | 365 | 270 | 3,393 | 5,024 |

4.2 MDB Adaptation Finance by Recipient/Borrower Type

Regarding the distribution of adaptation finance to recipients/borrowers, 90 percent of total adaptation finance was committed to public recipients/borrowers and 10 percent to private recipients/borrowers. Due to the differing nature and clients of the various MDBs, the share of adaptation finance varies across the MDBs when assessed against recipient/borrower type, as shown in Figure 9.

Figure 9: MDB Adaptation Finance by Recipient/Borrower Type and MDB, 2015

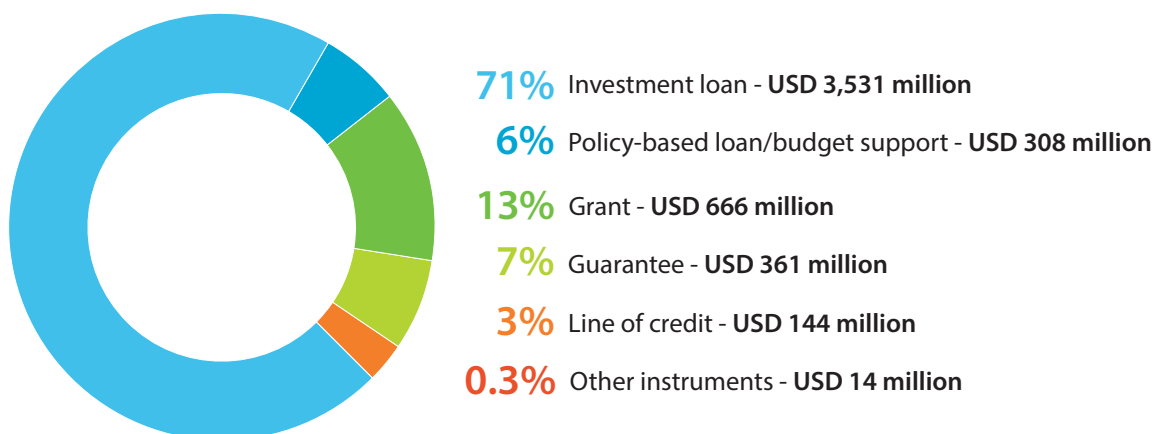


Note: Numbers on the columns are in USD million.

4.3 MDB Adaptation Finance by Instrument Type

MDBs reported that 71 percent of total adaptation finance in 2015 was committed through investment loans, 13 percent through grants, 7 percent through guarantees, and 6 percent through policy-based loans/budget support. Lines of credit, and other instruments such as equity investments, and advisory services made up only a very small proportion. Figure 10 provides a breakdown of the volumes and shares of total MDB adaptation finance split by financial instrument.

Figure 10: MDB Adaptation Finance Split by Instrument Type, 2015

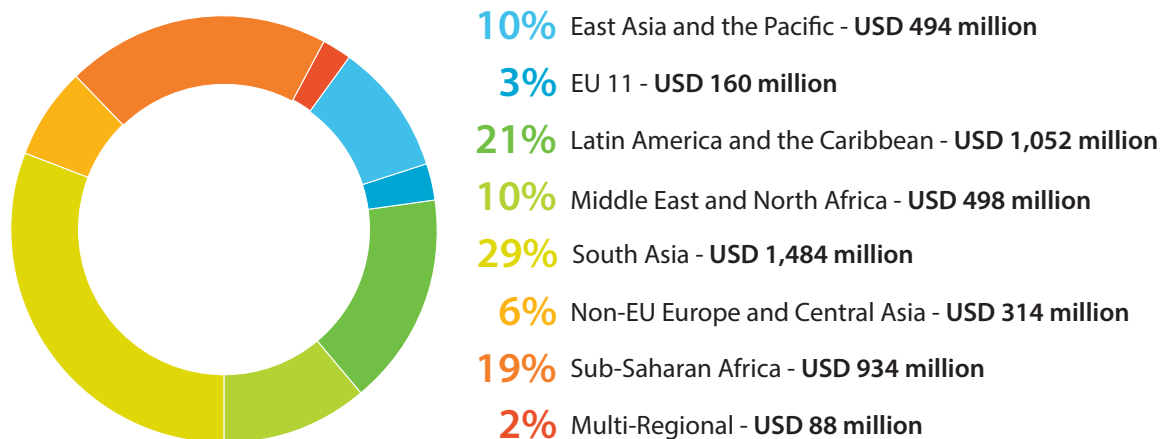


Note: "Other instruments" include equity, advisory services, and instruments such as carbon funds, currency and interest rate swaps, and other derivative instruments.

4.4 MDB Adaptation Finance by Region

Figure 11 shows total adaptation finance by region. In 2015, the regions which drew the largest proportions of adaptation finance were South Asia with 29 percent, Latin American and the Caribbean with 21 percent, and Sub-Saharan Africa with 19 percent. The regions drawing the least amount of adaptation finance were Non-EU Europe and Central Asia with 6 percent, the EU 11 with 3 percent and Multi-Regional activities receiving 2 percent. MDB adaptation finance for small island states and least developed countries is shown in Table 7. About 6 percent of MDB adaptation finance was committed to least developed countries and 1 percent to small island states.

Figure 11: MDB Adaptation Finance by Region, 2015



Note: The regions are defined in accordance with Annex G of this report.

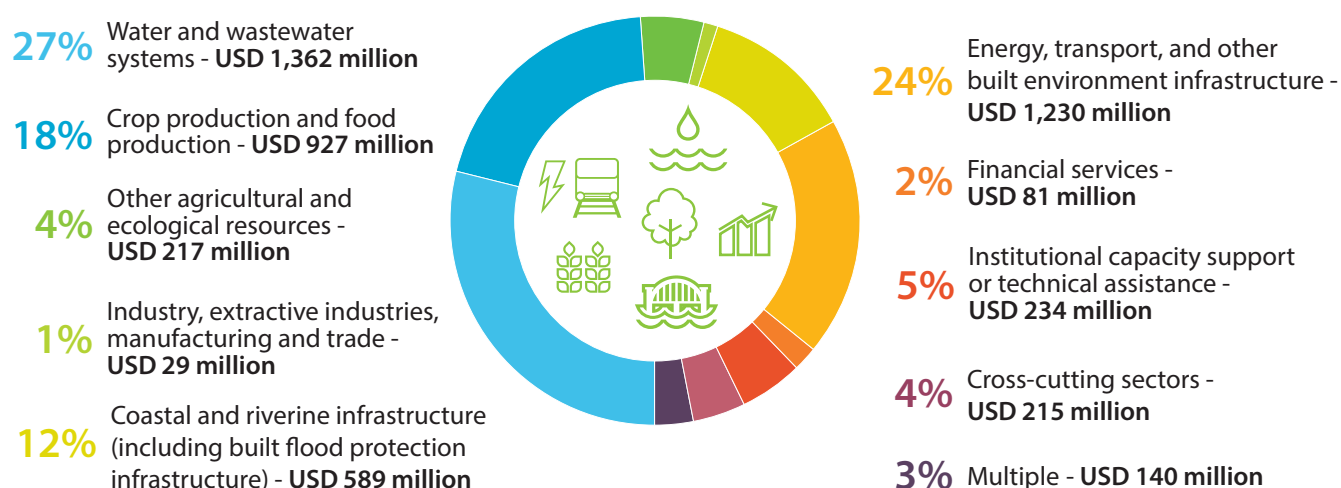
Table 7: MDB Adaptation Finance in Least Developed Countries and Small Island States, 2015 (in USD million)

| | MDB Own Resources | | | External Resources | | | Total |
|---------------------------|-------------------|--------|----------|--------------------|--------|----------|--------------|
| | Private | Public | Subtotal | Private | Public | Subtotal | |
| Least developed countries | 0 | 1,399 | 1,399 | 5 | 152 | 157 | 1,556 |
| Small island states | 0 | 197 | 197 | 2 | 70 | 72 | 269 |

4.5 MDB Adaptation Finance by Sectoral Grouping

Figure 12 reports MDB adaptation finance by sectoral grouping, i.e. sector groups for which some adaptation finance has been reported.¹⁰ MDB Adaptation finance was mainly distributed to three sector groupings, namely: water and wastewater systems (27%), energy, transport and other built environment and infrastructure (24%) and crop production and food production (18%).

Figure 12: MDB Adaptation Finance by Sector Grouping, 2015



Note: Adaptation finance reported for some projects /project components for which there was not enough data granularity to allow apportioning of the adaptation finance among the sector groups are included in "Multiple".

Figure 13 shows the sectoral split of regional adaptation climate finance. A more detailed sectoral breakdown of the adaptation finance in East Asia and the Pacific is shown in Figure 14, as an example of the significant variations within a region in terms of sectoral focus. Adaptation finance for East Asia and the Pacific is roughly evenly distributed across the four largest sectoral groupings: coastal and riverine infrastructure (including built flood protection infrastructure); water and wastewater systems; crop production and food production; and, energy, transport and other built environment and infrastructure. However, when broken down into sub-regions (East Asia¹¹, Southeast Asia¹² and Pacific¹³), quite significant variations in sectoral focus can be observed (Figure 14). Coastal and riverine infrastructure (including built flood protection infrastructure) is the dominant sector grouping in East Asia; 89 percent of climate adaptation finance in Southeast Asia is within the sector groups of crop production and food production, and energy,

¹⁰ Refer to Annex B for details on the adaptation methodology and sector grouping for MDB adaptation finance.

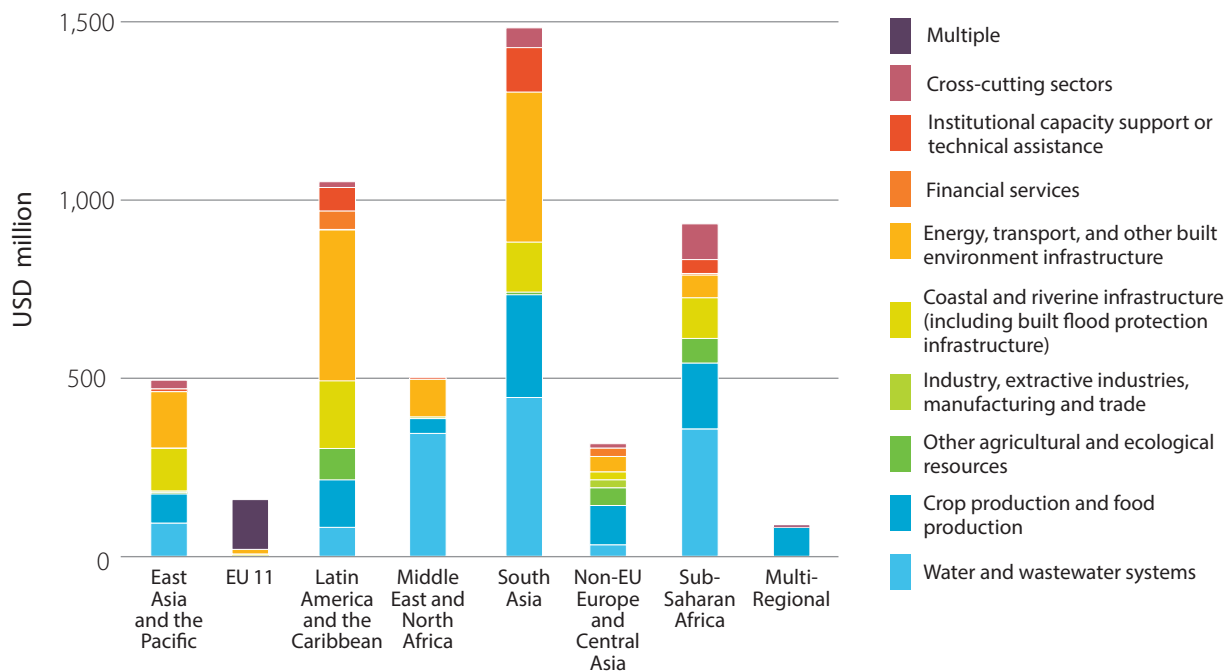
¹¹ East Asia comprises People's Republic of China and Mongolia.

¹² Southeast Asia comprises Cambodia, Indonesia, Lao People's Democratic Republic, Malaysia, Myanmar, Philippines, Thailand, and Vietnam.

¹³ Pacific Islands comprises Cook Islands, Fiji, French Polynesia, Kiribati, Marshall Islands, Federated States of Micronesia, Nauru, Palau, Papua New Guinea, Samoa, Solomon Islands, Timor-Leste, Tonga, Tuvalu, and Vanuatu.

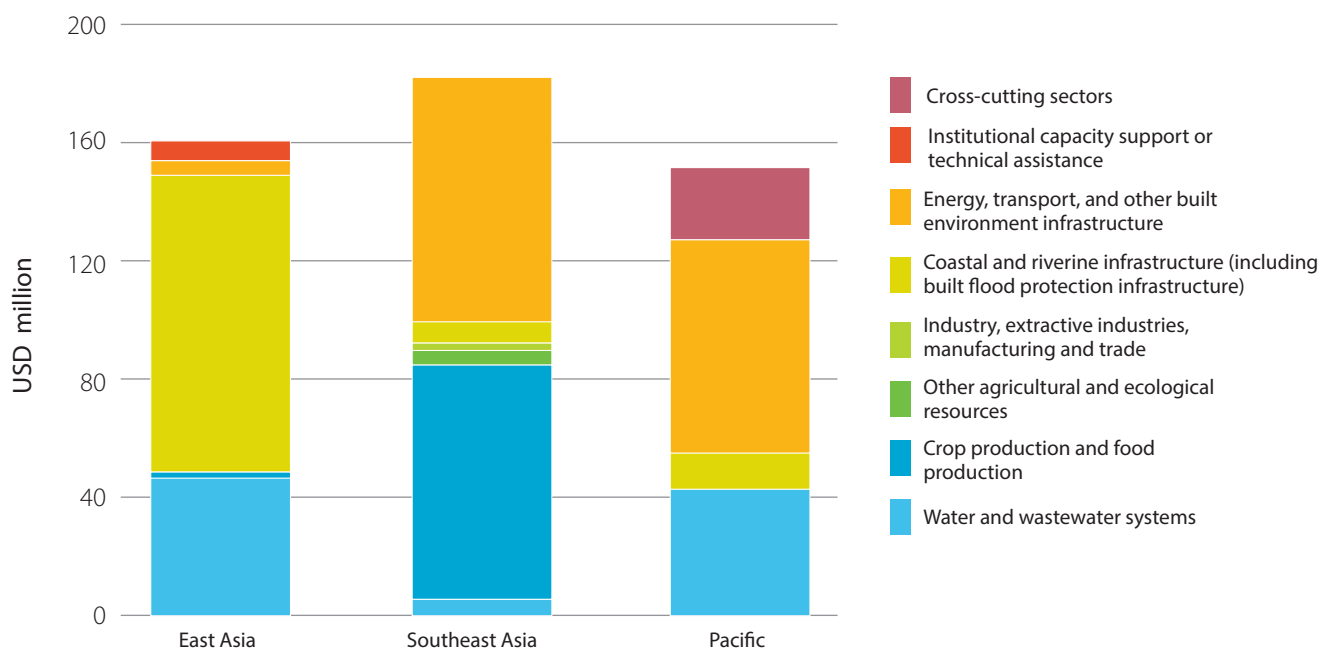
transport and other built environment; and in the Pacific, the largest sector grouping is in energy, transport and other built environment and infrastructure.

Figure 13: MDB Adaptation Finance by Sector Groupings and by Region, 2015



Note: Adaptation finance reported for some projects/project components for which there was not enough data granularity to allow apportioning the adaptation finance among the sector groups are included in "Multiple".

Figure 14: Example of Sectoral Variations of MDB Adaptation Finance – East Asia and the Pacific, 2015



5 MDB MITIGATION FINANCE, 2015

In 2015, MDBs reported a total of USD 20,072 million in commitments in climate mitigation finance. Data reported corresponds to the financing of mitigation projects or of those components, sub-components, or elements, or proportions of projects that provide mitigation benefits (rather than the entire project cost). For MDBs that report dual benefit finance separately, this section as well as the accompanying tables and figures include the mitigation component of that dual benefit financing. Specific information and data on dual benefit numbers can be found in Annex E.

5.1 MDB Mitigation Finance by Source

Total 2015 MDB mitigation finance was USD 20,072 million, with USD 18,851 million from MDBs' own resources and USD 1,221 million from external resources. Table 8 provides a breakdown of climate mitigation finance committed by the MDBs in 2015 from own resources and external resources.

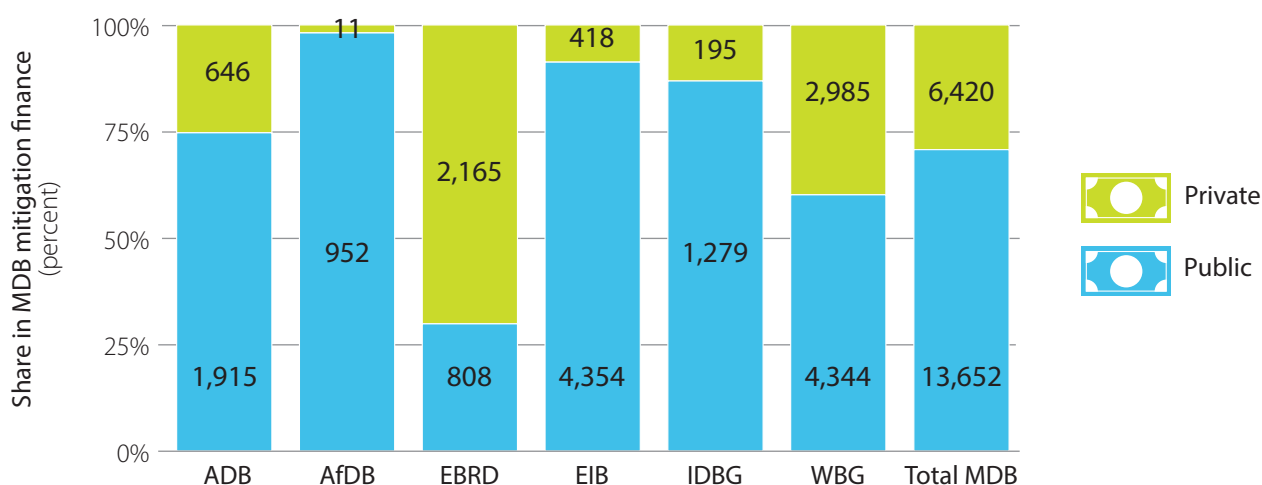
Table 8: MDB Mitigation Finance by MDB according to Source of Funds, 2015
(in USD million)

| | ADB | AfDB | EBRD | EIB | IDBG | WBG | Total |
|--------------------|--------------|------------|--------------|--------------|--------------|--------------|---------------|
| MDB Own Resources | 2,372 | 905 | 2,775 | 4,723 | 1,293 | 6,783 | 18,851 |
| External Resources | 189 | 58 | 198 | 49 | 181 | 546 | 1,221 |
| Total | 2,561 | 963 | 2,973 | 4,772 | 1,474 | 7,329 | 20,072 |

5.2 MDB Mitigation Finance by Recipient/Borrower Type

Regarding the share of recipients/borrowers, 68 percent of total mitigation finance was committed to public recipients/borrowers and 32 percent to private recipients/borrowers. Due to the differing nature and clients of the various MDBs, the share of mitigation finance varies significantly across MDBs when assessed against recipient/borrower type, as shown in Figure 15.

Figure 15: MDB Mitigation Finance by Recipient/Borrower Type, 2015 (in USD million)

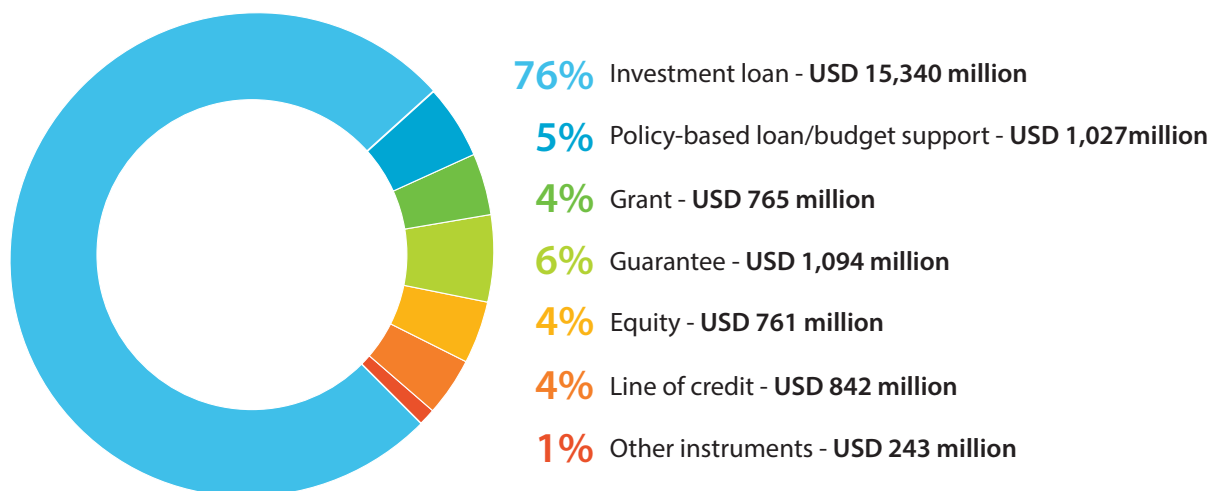


Note: Numbers on columns are in USD million.

5.3 MDB Mitigation Finance by Instrument Type

MDBs reported that 76 percent of total climate mitigation finance in 2015 was committed through investment loans, while the remaining were split among guarantees (6%), policy-based loan/budget support (5%), lines of credit (4%), grants (4%), equity investments (4%), and other instruments (1%), as shown in Figure 16.

Figure 16: MDB Mitigation Finance Split by Instrument Type, 2015



Note: "Other instruments" includes advisory services; and instruments such as carbon funds, currency and interest rate swaps, and other derivative instruments.

5.4 MDB Mitigation Finance by Region

Figure 17 shows total MDB mitigation finance by region. In 2015, 24 percent of mitigation finance was committed to recipients/borrowers located in Non-EU Europe and Central Asia, 16 percent in South Asia, 15 percent in EU 11, 15 percent in East Asia and the Pacific, 13 percent in Latin America and the Caribbean, 8 percent in the Middle East and North Africa, 6 percent in Sub-Saharan Africa, and 3 percent to Multi-Regional activities. Mitigation finance for small island states and least developed countries is shown in Table 9. About 9 percent of MDB mitigation finance was committed to least developed countries and 1 percent to small island states.

Figure 17: MDB Mitigation Finance by Region, 2015

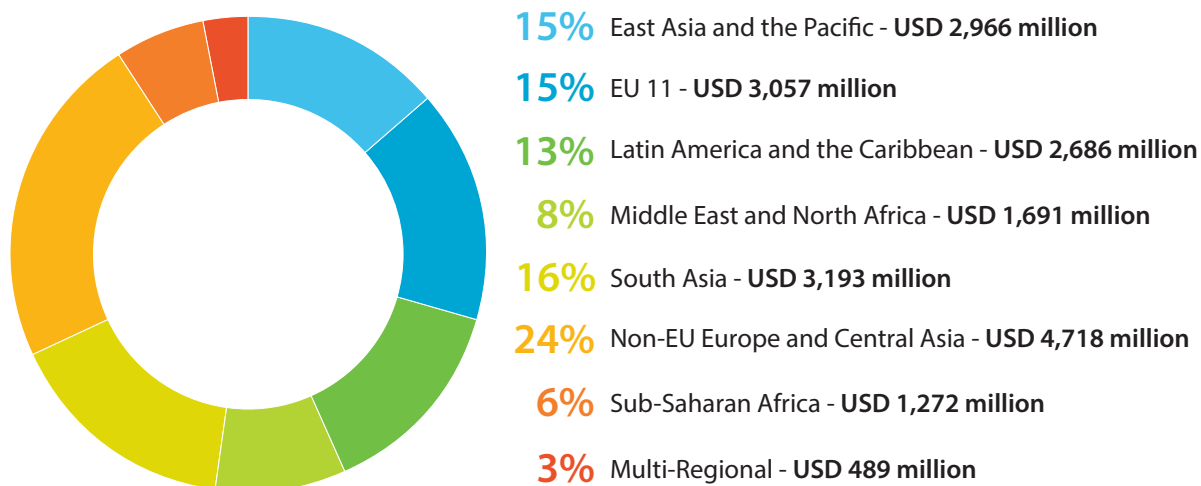


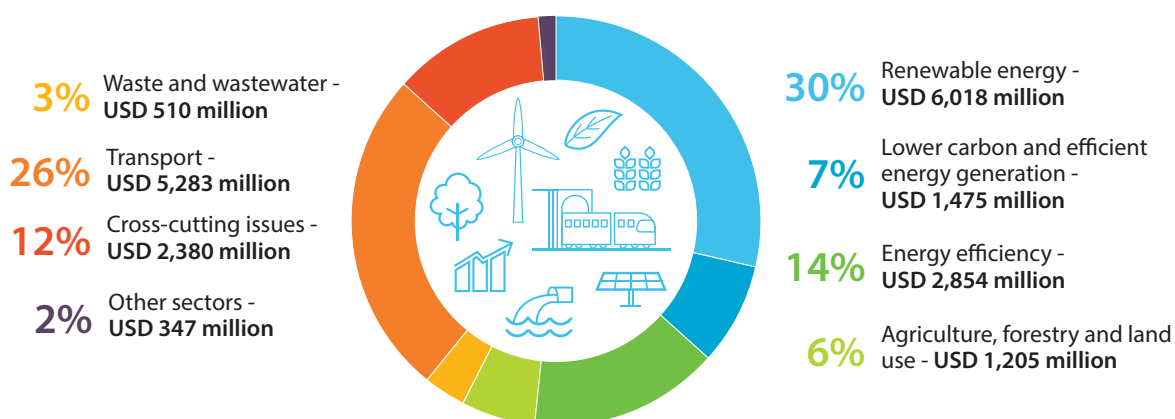
Table 9: MDB Mitigation Finance to Least Developed Countries and to Small Island States, 2015 (in USD million)

| | MDB Own Resources | | | External Resources | | | Total |
|---------------------------|-------------------|--------|----------|--------------------|--------|----------|--------------|
| | Private | Public | Subtotal | Private | Public | Subtotal | |
| Least developed countries | 160 | 1,914 | 2,074 | 46 | 91 | 137 | 2,211 |
| Small island states | 58 | 127 | 185 | 29 | 40 | 69 | 254 |

5.5 MDB Mitigation Finance by Sector Type

Figure 18 shows climate mitigation finance by sector. More than half of the MDB mitigation finance went to energy-related sectors (30 percent for renewable energy, 7 percent for lower-carbon and efficient energy generation, and 14 percent energy efficiency). The remaining portions were distributed to the transport sector (26 percent), cross-cutting issues (12 percent), agriculture, forestry and land use (6 percent), water and waste water (3 percent) and other sectors (2 percent).

Figure 18: MDB Mitigation Finance by Sector Type, 2015



Note: "Other sectors" include the following: non-energy GHG reductions; low-carbon technologies; miscellaneous; and multiple. Miscellaneous is defined in Annex Table 3 in Annex C. Mitigation finance reported for some projects/project components for which there was not enough data granularity to allow apportioning of the mitigation finance among the sectors are included in "Multiple".

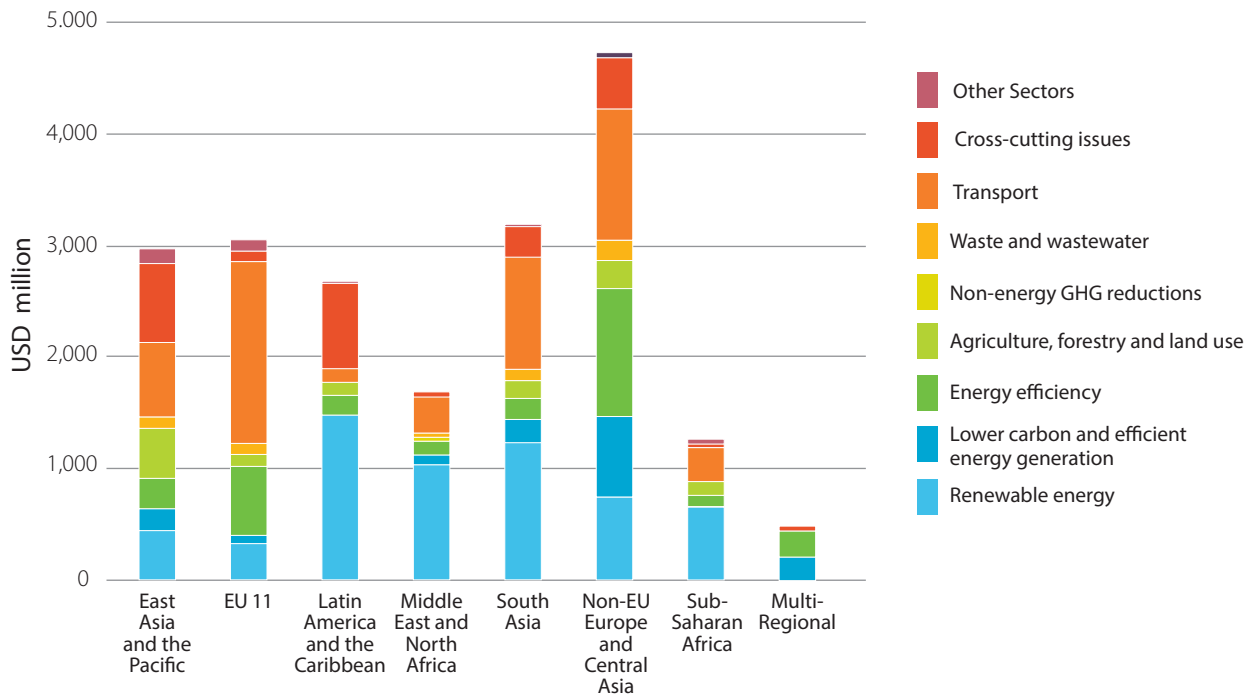
Figure 19 shows the sectoral split of mitigation climate finance by region. Figure 20 shows a more detailed breakdown of climate mitigation finance in East Asia and the Pacific to provide more granularity, and to show that there may be significant sectoral variations of climate mitigation finance within a region. Climate mitigation finance in East Asia and the Pacific is roughly evenly split across most project categories, with the two largest categories being transport and renewable energy. However, variation across sub-regions (East Asia¹⁴, Southeast Asia¹⁵ and Pacific¹⁶) can be observed. In Southeast Asia, cross-cutting issues dominate the sectoral split, representing support to regional and national policies and financing instruments/mechanisms, while in the Pacific, 90% of climate mitigation finance is for renewable energy.

¹⁴ East Asia comprises People's Republic of China and Mongolia.

¹⁵ Southeast Asia comprises Cambodia, Indonesia, Lao People's Democratic Republic, Malaysia, Myanmar, Philippines, Thailand, and Vietnam.

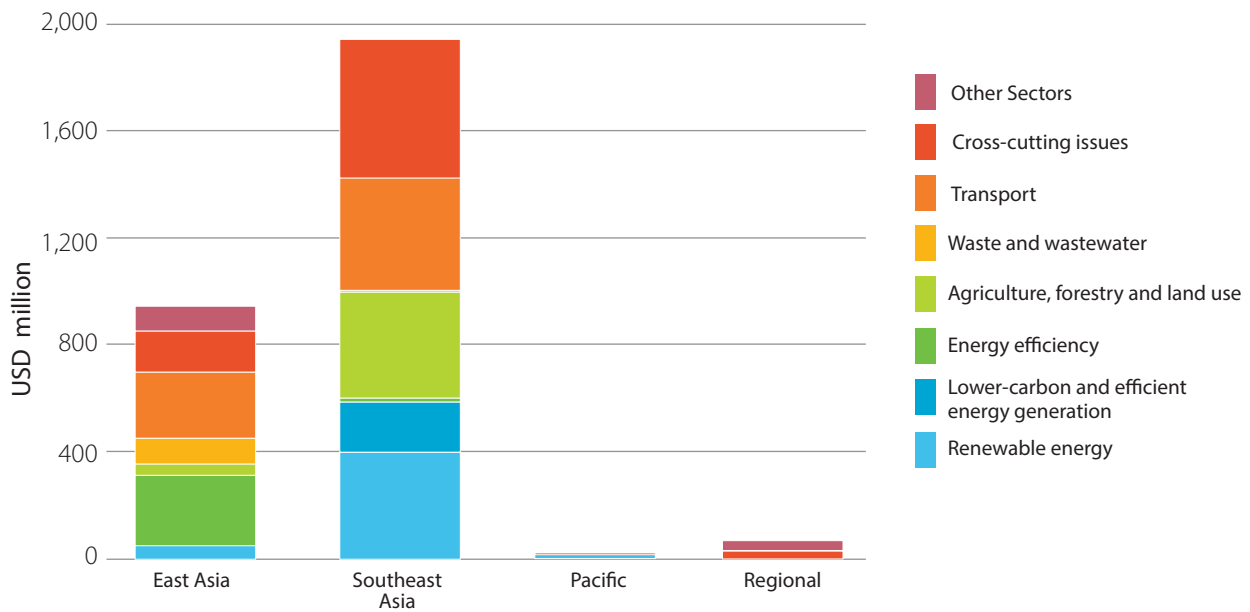
¹⁶ Pacific Islands comprises of Cook Islands, Fiji, French Polynesia, Kiribati, Marshall Islands, Federated States of Micronesia, Nauru, Palau, Papua New Guinea, Samoa, Solomon Islands, Timor-Leste, Tonga, Tuvalu, and Vanuatu.

Figure 19: MDB Mitigation Finance by Sector and by Region, 2015



Note: "Other sectors" include the following: low-carbon technologies; miscellaneous; and multiple. Miscellaneous is defined in Annex Table 3 in Annex C. Mitigation finance reported for some projects/project components for which there was not enough data granularity to allow apportioning of the mitigation finance among the sectors are included in "Multiple".

Figure 20: Example of Sectoral Variations of MDB Mitigation Finance – East Asia and the Pacific, 2015



Notes:

- "Other sectors" include the following: low-carbon technologies; miscellaneous; and multiple. Miscellaneous is defined in Annex Table 3 in Annex C. Mitigation finance reported for some projects/project components for which there was not enough data granularity to allow apportioning of the mitigation finance among the sectors are included in "Multiple".
- Projects/project components that are implemented in two or more subregions are classified as regional.

6 CLIMATE CO-FINANCE, 2015

In 2015, the MDBs defined a common approach to report climate co-financing (CCF) flows and harmonized definitions and indicators that estimate climate co-financing. This joint effort produced preliminary figures of 2014 CCF, which were presented at the United Nations Climate Change Conference in Paris at the end of 2015. The MDBs are now integrating climate co-finance data into this joint MDB report.

Tracking of climate co-finance intends to estimate the volume of financial resources invested by public and private external parties alongside MDBs for climate mitigation and adaptation projects. The approach categorizes CCF sources of funds as: (i) other MDBs; (ii) IDFC member institutions, including bilateral and multilateral members; (iii) other international public entities such as donor governments; (iv) other domestic public entities such as recipient country government contributions; and, (v) all private entities (defined as those with at least 50 percent privately-held shares). This level of granularity enables MDBs to present an increasingly nuanced picture of co-finance flows to climate change interventions.

Table 10 presents 2015 CCF flows as reported by each institution, segmented by the source of co-financing. CCF figures shown below are the best estimation of resource flows based on available information at the time of board approval and/or commitment to each project. In some cases, two or more MDBs jointly finance a project, which results in some overlap between the gross co-finance figures reported by the different MDBs. In order to avoid double-counting, the last column of Table 10 nets out potentially double-counted co-financing by considering only the proportion of co-financing for every project which features co-financing from another MDB. Such CCF figures are also presented in Table 3 alongside each MDB's own climate finance flows.

Table 10: Climate Co-Finance Flows by Institution and Source, 2015 (in USD million)

| | ADB | AfDB | EBRD | EIB | IDBG ^a | WBG ^b | Total Climate Co-Finance (Gross) | Total Climate Co-Finance (Net) ^c |
|----------------------------|--------------|--------------|--------------|---------------------------|-------------------|------------------|----------------------------------|---|
| Other MDBs | 714 | 1,036 | 804 | 1,129 | 70 | 2,006 | 5,759 | 0 |
| IDFC Members | 541 | 217 | 198 | 1,105 | 300 | 1,101 | 3,462 | 2,412 |
| Other International Public | 257 | 495 | 509 | 22,724 | - | 5,815 | 29,799 | 28,602 |
| Other Domestic Public | 2,766 | 214 | 13 | 6,475 | 870 | 4,727 | 15,067 | 13,794 |
| Private | 1,160 | 121 | 2,683 | 1,386 | 18 | 6,745 | 12,113 | 10,941 |
| Total | 5,438 | 2,083 | 4,207 | 32,819^d | 1,259 | 20,394 | 66,200 | 55,749 |

Note: Values may not add up to total because of rounding.

^a IDBG climate co-finance figures do not account for finance in the form of equity. In addition, beginning in 2015 and as explained in a note to Table 3, the IDBG reports climate finance figures for private sector operations based on year of financial closure and no longer year of Board approval. In order to avoid double-counting between 2014 and 2015 reporting, Table 10 discounts USD 1,751 million for operations with financial close in 2015 that were approved by the Board and reported in 2014. The total IDBG 2015 CCF figure is USD 3,010 million.

^b Includes IFC, MIGA, and WB CCF volumes. Gross CCF for IFC, MIGA and WB are USD 10,450 million, USD 2,327 million and USD 7,617 million, respectively.

^c Net CCF amount is based on pro-rating the climate finance commitment of the reporting MDB against the climate finance commitment of the co-financing MDB (as reported by the first MDB without review by the second MDB).

^d EIB co-finance is dominated by EU funding, for example through structural funds for climate-related projects.

Capturing co-finance data at the project level affords a greater depth of analysis, including segmenting CCF along thematic lines (i.e. mitigation, adaptation and dual benefit). Mitigation activities account for about 79 percent of all CCF flows, while adaptation activities account for about 20 percent. Table 11 presents the 2015 CCF flows per the thematic conventions used by the MDBs.

Table 11: Climate Co-Finance Flows by Institutions and Thematic Focus, 2015 (in USD million)

| | ADB | AfDB | EBRD | EIB | IDBG | WBG | Total Climate Co-Finance (Gross) | Total Climate Co-Finance (Net) |
|--------------|--------------|--------------|--------------|---------------|--------------|---------------|----------------------------------|--------------------------------|
| Adaptation | 115 | 220 | 17 | 10,065 | 59 | 1,252 | 11,729 | 11,188 |
| Mitigation | 5,073 | 1,862 | 3,153 | 22,754 | 1,126 | 18,898 | 52,866 | 43,808 |
| Dual benefit | 250 | — | 1,038 | — | 73 | 245 | 1,605 | 753 |
| Total | 5,438 | 2,083 | 4,207 | 32,819 | 1,259 | 20,394 | 66,200 | 55,749 |

Note: Values may not add up to total because of rounding.

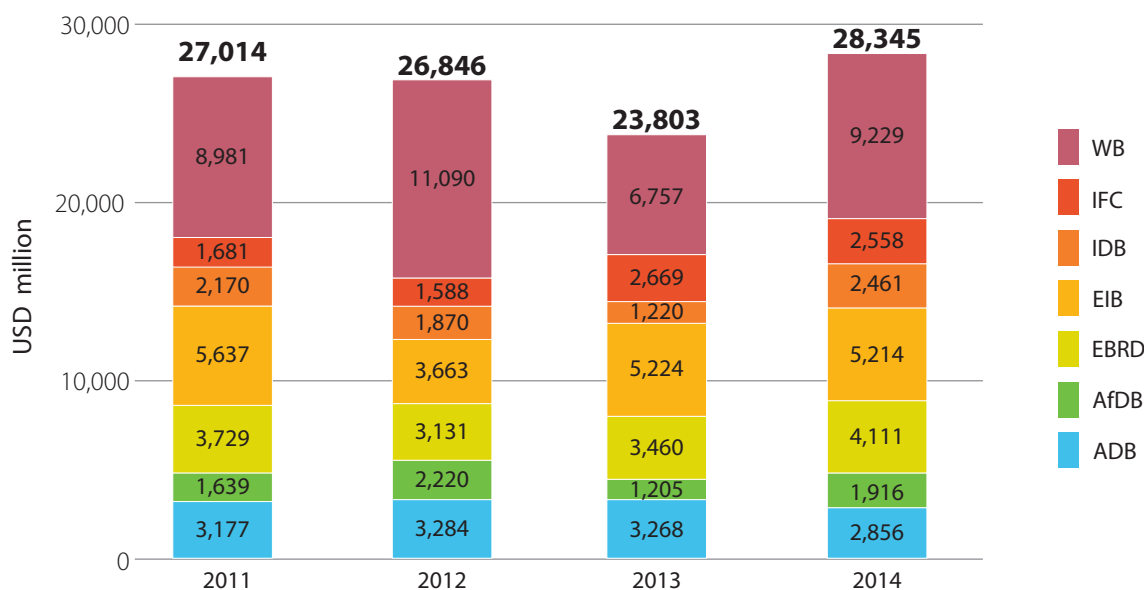
For 2015 data, the MDBs opted to use the same guiding principles presented alongside the results shared at the Paris Conference of Parties. It is important to note, however, that due to changes in the internal accounting systems of some MDBs, 2014 and 2015 CCF flows are not directly comparable. Looking forward to 2016 and beyond, the MDBs continue their work to enhance the CCF approach. This includes improvements to the integrated data capture process and options to further disaggregate co-finance sources, particularly from private entities. The MDBs will also continue to engage with key external stakeholders on the CCF approach.



7 MDB CLIMATE FINANCE: REVIEW AND OUTLOOK

The MDBs have reported jointly on climate finance since 2012, with the first report published in 2012 reporting 2011 figures, and have collectively committed over USD 131 billion in climate actions over the last five years. Figure 21 shows the reported climate finance commitments from 2011 to 2014.

Figure 21: Reported MDB Climate Finance Commitments, 2011–2014



Notes:

1. IFC and WB reported climate finance separately from 2011–2014. MIGA climate finance numbers are not included in the reported MDB climate finance numbers from 2011–2014.
2. MDB financing in Euros is affected by the fluctuation in exchange rate. In 2015, the Euro/USD exchange rate dropped by about 18 percent compared to 2014. This exchange rate trend is expected to continue in the next few years. (<https://www.ecb.europa.eu/pub/pdf/other/eurosystemstaffprojections201606.en.pdf?8774facfb96d540891ce434a5ab4394b>)

Source: 2014 Joint Report on Multilateral Development Banks' Climate Finance.

2015 climate finance figures reflect changes in reporting parameters of the IDB and the WB Groups, and modifications in EU reporting. Reporting for the WB and IFC has been integrated with contributions from MIGA to be aligned with WBG finance targets. Similarly, the 2015 figures encompass activity of the IDB Group, considering both the IDB and IIC, as compared to previous years when climate finance commitments for IDB only were reported. Also, beginning 2015, IDBG reports climate finance for private sector operations according to year of financial closure, as opposed to prior years when such reporting was based on the year of IDBG Board approval. For IFC, only climate finance for long-term investments were reported in 2015. In previous years, both short-term and long-term investments were included in IFC's climate finance values. Lastly, climate finance commitments to the Czech Republic and Malta are not included in the 2015 reporting, revising the EU 13 group to the EU 11 group.

The 2015 mitigation finance tracking is based on the "List of activities eligible for classification as climate mitigation finance"¹⁷ contained in the Common Principles for Climate Mitigation Tracking jointly developed by the MDBs and the IDFC. This is a variant of the MDB Joint Typology, which served as the basis for mitigation finance tracking in previous years.

The MDBs are also now tracking climate co-financing. In 2015, guidelines were established to define a common approach on how to report on climate co-financing flows that are invested alongside each MDBs' climate finance, and to harmonize definitions and indicators that estimate climate co-financing alongside MDB-managed resources for

¹⁷ The list is included in Annex C of this report.

climate projects. MDBs continue to work on improving the approach in tracking co-financing, realizing the critical roles played by the MDBs in catalyzing other investments, particularly those from the private sector.

A significant amount of work has also been undertaken to establishing better tracking systems within the MDBs. Harmonized methodologies and better systems enable the MDBs to more transparently and accurately capture the amount of climate finance committed specifically for mitigation and adaptation (i.e. in accordance with the MDBs methodologies which specify that only the components, or proportion of a project directly attributable to mitigation and adaptation activities are included in the climate finance figures). Tracking climate finance flows is increasingly important to promote transparency and accountability concerning climate finance commitments. The MDB group has also been working closely together, sharing experiences, developing common methodologies and building best practices, which include, among others, the following work:

- a. Harmonized approaches for estimating and reporting GHGs;¹⁸
- b. Harmonized definitions and reporting on climate co-financing flows in operations, i.e. the amount of public and private co-finance contributed by external entities alongside climate finance invested by MDBs. The MDB group continues to improve its framework and methodology for measuring co-financing.¹⁹
- c. Harmonized approaches for impact reporting on Green Bonds.²⁰

The MDBs are also working closely with the IDFC²¹, and in March 2015 agreed on the Common Principles for Tracking Climate Mitigation Finance between the MDBs and IDFC member institutions, as well as increased collaboration on climate adaptation finance tracking. The common mitigation typology is the version used in this 2015 Joint Report²²; however both groups will continue to refine this and will discuss approaches for other sectors, such as green buildings, climate-smart cities, among others. The adaptation finance working group, has agreed on four common principles that put in place the groundwork for a more formal common public disclosure process. Discussions on alignment of the adaptation tracking process, and areas of differentiation (sectors and measurement) are ongoing.

Leading up to the Paris Agreement, all MDBs made commitments to substantially increase their climate investments by coordinating and scaling up activities, building institutional capacity, providing access to finance, and delivering technical support to client countries and their private sectors to enable effective implementation of their Nationally Determined Contributions. It is expected that the MDBs will play a central role in supporting their clients to generate the pipelines of projects needed to deliver the Paris Agreement outcomes, and in providing risk-sharing measures aimed at catalyzing private finance. The MDBs will assist clients, both at national and sub-national levels, as well as the private sector, in translating the countries' Nationally Determined Contributions into financeable investment plans, programs, and projects.

The MDBs are significantly scaling up activities across multiple sectors required for countries' low-carbon and climate-resilient development pathways, through direct investments, advisory services, and by accessing concessional resources for new and innovative approaches towards mobilizing the public and private sectors. In particular, the MDBs are scaling up actions in renewable energy and energy efficiency; low-carbon and climate-resilient cities, regions and industries; low-carbon transport; natural resource efficiency and security for communities and the economy; and climate-smart agriculture and food security. In addition, the MDBs are increasing cooperation to scale up financial resources for low-carbon and resilient investments through improving the planning, preparation, structuring, financing, aggregating and de-risking of public and private investments.

¹⁸ See http://www.worldbank.org/content/dam/Worldbank/document/IFI_Framework_for_Harmonized_Approach%20to_Greenhouse_Gas_Accounting.pdf

¹⁹ See <http://www.ebrd.com/documents/climate-finance/tracking-climate-cofinancing.pdf>

²⁰ See <http://www.eib.org/attachments/press/20151202-0530-finalrevised-proposal.pdf>

²¹ IDFC brings together 23 leading international, national and sub-regional development banks from across the world. KfW manages the secretariat. See <https://www.idfc.org/Who-We-Are/facts-and-figures.aspx> for the full listing of members.

²² See Annex C.

ANNEX A: DEFINITIONS AND CLARIFICATIONS

Brownfield: The general principle for brownfield energy efficiency activities involving the substitution of technologies or processes is that: (i) the old technologies are substituted well before the end of their lifetime and the new technologies are substantially more efficient; or (ii) new technologies or processes are substantially more efficient than those normally used in greenfield projects.

Comparability: Figures reported in 2015 are not directly comparable with previous years. For this year's report, IFC is only reporting climate finance from long-term investments; previously, short-term investments were also included. Reporting for the WB and IFC was combined into the WBG with contributions from MIGA. Further, IDBG has shifted to reporting based on total approvals as well as on financially closed operations.

External resources: Refers to operations supported by bilateral donors and dedicated climate finance entities such as GEF and CIF, which may also be reported to the Development Assistance Committee of the Organization for Economic Co-operation and Development by contributor countries.

Financing instruments: All instruments associated with MDB climate finance are covered, including grants, loans, guarantees, equity, and performance-based instruments.

Granularity: Finance reported covers only those components and/or subcomponents or elements/proportions of projects with activities that directly contribute to or promote adaptation and/or mitigation.

Greenfield: The general principle for greenfield activities is that they prevent a long-term lock-in in high-carbon infrastructure (urban, transport, and power sector infrastructure).

Investments and technical assistance: Related to all vehicles used by MDB clients to support specific investments covering a mix of capital and recurrent expenditures, as well as advisory services and capacity building.

Point of reporting: Data corresponds to commitments at the time of Board approval or financial agreement signature and are therefore based on *ex ante* estimations. All efforts have been taken to prevent double counting. No corrections will be issued in cases where a project's scope has changed to either increase or decrease climate financing.

Public and private: This is decided by the status of the first recipient/borrower of MDB finance. The first recipient/borrower is considered public when at least 50 percent of the recipient/borrower is publicly owned.

Recipient/Borrower: First borrower/beneficiary to whom finance will flow directly. There is an acknowledgement that this is a complicated topic and that the status of the first recipient/borrower may not be the same as the final beneficiary/borrower. For example: loan to national development bank (first recipient) for energy efficiency in small and medium enterprises (final beneficiary). This particularly becomes more complicated when there is a public-private partnership (PPP).

Reporting period: Data covers fiscal year 2015. Even though MDBs do not follow the same reporting cycle, data remains comparable across MDBs as all reporting cycles correspond to a 12-month period.

Reporting: Reporting is complete for all fields and tables. A value of 0 in a table means the value is below USD 0.5 million and if the value is shown as '—', then nothing was reported. As all finance figures are rounded to the nearest USD million, tables calculated by hand may not give the exact result shown as the total figures in the tables.

Sources covered: MDBs' own resources as well as a range of external resources managed by the MDBs and various sources or co-financing.

ANNEX B: JOINT METHODOLOGY FOR TRACKING CLIMATE ADAPTATION FINANCE

Background and Guiding Principles

The MDB adaptation finance tracking methodology uses a context- and location-specific, conservative and granular approach that is intended to reflect the specific focus of adaptation activities, and reduce the scope for over-reporting of adaptation finance against projects. The approach drills down into the 'sub-project' or 'project element' level as appropriate, in line with the overall MDB climate finance tracking methodology. It also employs a clear process in order to ensure that project activities address specific climate vulnerabilities identified as being relevant to the project and its context/location.

The reported finance, therefore, only captures the amounts associated with specific activities that are identified in the project document and that contribute to overall project outcomes. Likewise, the approach might not always capture and count activities that may significantly contribute to resilience, but cannot always be tracked in quantitative terms, such as some operational procedures that ensure business continuity, or may not have associated costs, for example siting assets outside of future storm surge range.

It is important to note that this granular approach is not intended to capture the value of the entire project or investment that may increase resilience as a consequence of specific adaptation and resilient activities within the project, e.g. improved drainage of a section of a newly constructed road to deal with the impacts of heavy rainfall or storm surges that then contributes to overall road and investment resilience.

Overview of the Adaptation Finance Tracking Methodology

This methodology is composed of the following key steps:

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

Furthermore, when applying the methodology, the reporting of adaptation finance is limited solely to those project activities (i.e. projects, project components or elements/proportions of projects) that are clearly linked to the climate vulnerability context.

Context of Vulnerability to Climate Variability and Change

For a project to be considered as one that contributes to adaptation, the context of climate vulnerability must be set out clearly using a robust evidence base. This could take a variety of forms, including use of material from existing analyses and reports, or original, bespoke climate vulnerability assessment analysis carried out as part of the preparation of a project.

Examples of good practice in the use of existing analyses or reports include using sources that are authoritative and preferably peer-reviewed, such as academic journals, national communications to the UNFCCC, reports of the Intergovernmental Panel on Climate Change, and Strategic Programs for Climate Resilience.

Examples of good practice in conducting original, bespoke analysis include using records from trusted sources showing vulnerable communities or ecosystems particularly vulnerable to climate change, as well as recent climate trends including any departures from historic means. These may be combined with climate change projections drawn from a wide range of climate change models, with high and low greenhouse gas (GHG) emissions scenarios, in order to explore the full envelope of projected outcomes and uncertainties. Climate projection uncertainties should be presented and interpreted in a transparent way. The timescale of the projected climate change impacts should match the intended lifespan of the assets, systems or institutions being financed through the project (e.g. time horizon of 2030, 2050, 2080, etc.).

Statement of Purpose or Intent

The project should set out how it intends to address the context- and location-specific climate change vulnerabilities, as set out in existing analyses, reports or the project's climate vulnerability assessment. This is important for distinguishing between a development project contributing to climate change adaptation and a standard development project. The methodology is flexible regarding exactly where and how the statement of intent or purpose is documented. As long as the MDB concerned is able to record and track the rationale for each adaptation project or adaptation component of a project linked to the context of climate vulnerability established above, this could be described in the final technical document, Board document, internal memo or other associated project document.

Clear and Direct Link between Climate Vulnerability and Project Activities

In line with the principles of the overall MDB climate finance tracking methodology, only specific project activities that explicitly address climate vulnerabilities identified in the project documentation are reported as climate finance. Where climate change adaptation is incorporated into project activities that also have other objectives, the amount of adaptation finance counted at the project level depends on the project context, location and specific characteristics. It is based on the estimated incremental cost/investment associated with discrete project components or elements of project design that address risk and vulnerabilities under current and future climate change, in comparison with a project design that does not consider such conditions. In the absence of the possibility to estimate incremental cost/investment directly from project cost information—for example, when using policy instruments/balance sheet lending, equity investments or credit line lending through financial intermediaries—a proportion of the project cost/investment corresponding to adaptation activities may be used to represent the incremental amount. This approach may also be applied to project preparation activities if appropriate, depending on the standard practices of the specific MDB in question.

Harmonization of Tracking of Climate Adaptation Finance

A growing number of institutions and initiatives are working towards harmonizing the methodologies for tracking climate adaptation finance. The MDBs and the International Development Finance Club (IDFC) agreed to work jointly towards improved understanding of definitions of the different approaches and principles for climate change adaptation finance tracking. In July 2015, the two groups agreed on a set of outline principles - the Common Principles for Climate Change Adaptation Finance Tracking²³ - as an essential and important first step. These define the context of adaptation finance in development and lay the basis for further joint work that includes addressing comparability of the reporting process and relevant process-based concepts and guidelines.

In addition, the Organization for Economic Co-operation and Development's (OECD) Development Assistance Committee (DAC), in close collaboration with the MDBs, has been working to better align its "Rio Markers" with the MDB methodology in its approach to tracking climate adaptation finance. The Rio markers were originally designed to help members in their preparation of National Communications or National Reports to the Rio Conventions, by identifying activities that mainstream the Conventions' objectives into development co-operation. Initially, there were three Rio markers that have been used since 1998: biodiversity, climate change mitigation, and desertification. In 2009, an additional marker was created to capture flows for climate change adaptation. The Rio Markers apply a 3-value ("principal", "significant" or "not targeted") approach to track the extent to which bilateral development assistance targets adaptation to climate change as an overall activity objective (i.e. descriptive), and assigns a percentage of climate adaptation finance based on the identified adaptation value of the project. In April 2016, the OECD-DAC, with contributions from the MDBs, made available an improved guidance for tracking bilateral official development assistance (ODA) targeting climate change adaptation.²⁴ While the MDB methodology takes a granular approach to track only adaptation activities, the Rio Markers consider the objective of specific projects as it relates to adaptation.

Annex Table 1 presents the sectoral groupings used in tracking MDB adaptation finance, while Annex Table 2 presents case studies that illustrate how the adaptation finance tracking approach has been recently used by the MDBs.

²³ The Common Principles are contained in http://www.afdb.org/fileadmin/uploads/afdb/Documents/Generic-Documents/Common_Principles_for_Climate_Change_Adaptation_Finance_Tracking_-_Version_1__02_July__2015.pdf

²⁴ The guidance is available at [http://www.oecd.org/dac/stats/DCD-DAC\(2016\)3-ADD2-FINAL%20-ENG.pdf](http://www.oecd.org/dac/stats/DCD-DAC(2016)3-ADD2-FINAL%20-ENG.pdf)

Annex Table 1: Examples of Potential Adaptation Activities in Some Sectoral Groupings

| Sectoral grouping | Examples of Sectors | Potential impacts | Potential Adaptation Activities in Response |
|--|---|--|--|
| Water and Wastewater Systems | Water supply | Increased risk of flooding of well fields leading to contamination | Well fields relocated away from floodplains, raised well heads |
| | Wastewater infrastructure/management | Increased exposure to damage and storm water overload due to coastal flooding and sea-level rise | Protection of wastewater infrastructure from increased flooding |
| | Water resources management (not included under cross-sector) | Reduction in river water levels and flows due to reduced rainfall | Improved catchment management planning and regulation of water abstraction |
| Crop Production and Food Production ^a | Primary agriculture and food production | Increased variability in crop productivity | Investments in research and development of crops that are more resilient to climate extremes and change |
| Other Agricultural and Ecological Resources | Agricultural irrigation | Increasing drought including seasonal droughts and shorter rainy season | Supplemental irrigation, multi-cropping systems, drip irrigation, leveling and other approaches and technologies that reduce risk of large crop failures |
| | Forestry | Increased frequency of forest fires and pest/disease outbreaks | Improved forest fire management and pest/disease outbreak management |
| | Livestock production | Decrease in forage quantity or quality | Increased production of fodder crops to supplement rangeland foraging |
| | Fisheries | Loss of river fish stocks due to changes in water flows and/or increased temperature | Adoption of sustainable aquaculture techniques to compensate for the reduction in local fish supplies |
| | Ecosystems/Biodiversity (including ecosystem-based flood protection measures) | Drought leading to loss of wetlands and livelihoods/biodiversity | Establishment of core protected areas and buffer zones for sustainable use of biodiversity and water to meet livelihood needs in more extreme droughts |
| Industry, Extractive Industries, Manufacturing and Trade | Manufacturing | Historic specifications for equipment inappropriate under new climate conditions | Design of climate-resilient equipment, such as more stable cranes for harbors in cyclone zones |
| | Food processing distribution and retail | Increased risk of food poisoning and/or spoilage | Improved refrigeration or other changes in food processing and/or distribution that address more extreme heat |
| | Trade | Disruption of national trade due to climate-related disasters | Establishment of alternative trade routes in case of disruption of main route |
| | Extractive industries (oil, gas, etc.) | Shift in zones affected by typhoons/hurricanes | Increased search for resources and offshore drilling outside hurricane seasons or zones |
| | Mining | Increased precipitation intensity causes floods in open-pit mines | Improved design and construction of tailings |

Annex Table 1 continued on next page

| Sectoral grouping | Examples of Sectors | Potential impacts | Potential Adaptation Activities in Response |
|--|--|--|--|
| Coastal and Riverine Infrastructure (including built flood protection infrastructure) ^b | Sea defenses/flood protection barriers | Increased storm damage along coastline due to sea level rise and increased storm surges | Physical/natural reinforcement of coastline and/or additional coastal structures/vegetation |
| | River flood protection measures | Increased risk of riverine flooding due to heavier and/or more frequent rainfall events | Increased river dredging programs, reinforcement of levees, reestablishment of natural flood plains and vegetation in upstream areas/river banks |
| Energy, Transport, and other Built Environment and Infrastructure | Construction | Shift in zones affected by typhoons/hurricanes/storm surges | More robust building regulations and improved enforcement |
| | Transport | More extreme river flows cause erosion of embankments and loss of bridges | Use of revised codes for infrastructure design that consider increased frequency/severity of extreme events |
| | Urban development | Increased risk of floods | Improved solid waste management and collection, increased capacity and other changes in drainage systems |
| | Tourism ^c | Storms disrupt tourist season | Diversification of tourist attractions to encompass inland or low-risk areas |
| | Solid waste management | Increased risk of pollution of areas below landfill sites due to risk of flood | Completion of a climate risk assessment prior to location of landfill sites |
| | Thermal energy generation | Increased seasonality of rainfall, creating periods of low river flows | Investment in thermal power generators with minimal cooling water requirements |
| | Energy generation (including renewables) | Reduction in river flows lead to loss of generation from hydroelectric plant | Optimization of hydro-infrastructure design subject to due diligence based on climate and hydrological models |
| Energy transmission and distribution | Higher temperatures reduce distribution efficiency | Investment in embedded renewable generation to reduce distribution requirements | |
| Information and Communications Technology (ICT) | ICT hardware and software to beneficiary organizations | Damage to key national data centers and infrastructure from increased storms or floods | Identification of sites at greatest risk and enhancement of resilience of those sites and/or services |
| | Information technology | Lack of sector-relevant, short-term weather forecast | Investments in weather and climate services that can reach the end users efficiently |
| Financial Services | Banking | Increased strain on banking sectors as clients experience climate impacts and affect business continuity | Creation of infrastructure and "hubs" that would support improved business continuity during and after extreme weather events |
| | Insurance | Increased negative effects of extreme weather events and payout | Changes in structuring of index-based insurance products |

Annex Table 1 continued on next page

| Sectoral grouping | Examples of Sectors | Potential impacts | Potential Adaptation Activities in Response |
|---|--|--|---|
| Institutional Capacity Support or Technical Assistance | Technical services or other professional support | Increase in the demand for professional services, e.g. for climate risk assessment | Provision of finance to small and medium enterprises providing relevant services, e.g. engineering of adaptation solutions or insurance |
| Cross-Cutting Sectors | Education | Climate change results in technical syllabus being outdated for high risk sectors | Technical capacity building for training the trainers in water and agri-sectors |
| | Health | Changing patterns of diseases as a result of changing climatic conditions | Monitoring of changes in disease outbreaks and development of a national response plan |
| | Cross-sector policy and regulation | Rapidly changing policy and regulation regimes due to climate change impacts | Institutional reforms and strengthening to include climate aspects in policies and regulations in flexible manner |
| | Disaster risk management | Change in seasonality of hydro-meteorological disasters | Integration of climate change scenarios into disaster risk plans and preparedness |

^a Prior to the 2014 Joint Report on Multilateral Banks Climate Finance, "Crop production and food production" was part of the "Agricultural and ecological resources" sectoral grouping and labeled as "Primary agriculture and food production".

^b Natural flood protection (e.g. mangrove restoration) is normally included under "Ecosystems/Biodiversity (including ecosystem-based flood protection measures)."

^c Tourism is included in this category as the sector essentially revolves around "built environment" (e.g. hotels, transport facilities).

Annex Table 2: Adaptation Finance Tracking Case Studies

| Project Focus | Disaster Risk Management | Water Supply |
|-----------------------------------|--|--|
| Sector | Cross-Cutting | Water and Wastewater Systems |
| Brief Description of Project | The project outcome is the immediate resumption of critical economic and social services with disaster-resilient infrastructure. To achieve this, targeted infrastructure for rehabilitation and/or retrofitting include schools, strategic roads and rural roads, and district-level government buildings damaged by the earthquake and landslides. The project also involves strengthening disaster preparedness and climate change adaptation of communities, and management capacities of relevant government agencies | The project consists of a new water intake facility, a treatment plant, pumping facilities and a transmission pipeline to a reservoir serving an urban center and providing an additional 30 million cubic meters of potable water per year. |
| Climate Vulnerability Context | An initial climate change risk assessment indicated that risks associated to climate change manifested through increased rainfall intensity, and higher probability of landslides and flash flooding. Higher level of vulnerability to flooding and landslide risks resulted from cracked and eroded topography, posed a serious threats to planned infrastructure works. | The target country is ranked as one of the most water scarce countries in the world, with climate change expected to increase the frequency and magnitude of extreme temperatures and to result in lower precipitation, according to the country's National Communication to UNFCCC. Water is the most important natural resource that constrains the country's economic development. Even with an enhanced strategy to reduce allocations to irrigated agriculture, to reuse treated wastewater in agriculture and to further apply demand management for households and industries, projections indicate that water demand will continue to outstrip resource capacities by more than 20 percent. According to the United Nations, in 2011, the country was using 99.4 percent of all its available renewable water resources. |
| Statement of Purpose or Intent | The project adopted an integrated approach in dealing with the engineering aspects of the "building back better" and increasing resilience of the infrastructure components of the project to both earthquake and climate change. | The project will improve the resilience of the communities to extreme droughts and climate change, as further overexploitation of the current fragile local groundwater sources can be avoided. It contributes strongly to country development objectives as defined in the country's national water strategy and to the EU policy objectives as laid out in the country's action plan. |
| Link to Project Activities | <p>Engineering design changes included:</p> <ol style="list-style-type: none"> 1) the installation of stronger and more climate-resilient government buildings and schools with pre-stressed, spun concrete poles for reinforcement purposes. 2) increase capacity of side drains, cross drains and embankment height for roads and 3) bridges and bridges' drainage structures designed for higher return periods, and more resilient to over topping by high floods. <p>Non engineering measures include:</p> <ol style="list-style-type: none"> 1) improved preparedness for climate variability and change. 2) capacity building of district environmental officers and project staff to also incorporate climate change adaptation. <p>Additional activities that could also be investigated as part of the climate risk management strategy of the project are:</p> <ol style="list-style-type: none"> 1) increasing invert levels of bridges/culverts to accommodate for high flood levels. 2) reviewing specifications for materials and mixes used for all construction works to increase their resilience to the impacts of increased rainfall, increased flows and fluctuations in temperature variations. | <ol style="list-style-type: none"> 1) Treating and conveying 30 million cubic meters per year of fresh water from the source to the reservoir which serves the city. 2) The additional water will supplement the limited potable water resources available in the administrative division where city belongs, and where population continues to grow. |
| Calculation of Adaptation Finance | The incremental cost of adaptation was estimated to be USD 35 million or 17 percent of the total investment, representing only the cost of the measures integrated in the project design to reduce risks of climate change, and not the cost of the disaster risk management measures integrated in the project design to strengthen resilience to earthquakes. | <p>The adaptation finance is USD 5.6 million or 10 percent of the MDB loan amount.</p> <p>The project is providing additional water into the country's river basin, and increases the sources and amounts of water available for the consumption of the particular administrative region. Water is currently provided in an intermittent basis and population growth (also due to refugees), which when coupled with climate change (e.g. longer dry spells) means there is a growing trend of vulnerability. As the appropriate amount as a percentage of project cost going toward adaptation is not measurable, and since the project is needed due to the strong population growth, it was felt that a conservative figure (i.e. low) should be used.</p> |
| Type of Adaptation Finance | Concessional loan and technical assistance grant, MDB own resource | Loan, MDB own resource |

Annex Table 2 continued on next page

| Project Focus | Water Efficiency | Agribusiness |
|-----------------------------------|--|--|
| Sector | Industry, Extractive Industries, Manufacturing and Trade (Mining) | Agricultural and Ecological Resources |
| Brief Description of Project | The project will upgrade the facilities and operations of a major copper mining facility, including the introduction of highly efficient milling and processing equipment. The new plant and modern equipment will reduce water consumption by half, as well as reduce dust and emissions. | <p><i>La roya</i>, or coffee rust, is a disease affecting coffee plantations and significantly reducing their yield. It is estimated that over half of coffee plantations in the country are affected by the fungus, reducing yields by upwards of 50%. The resulting impacts affect the livelihoods of producers, often small to medium farmers. The disease is primarily driven by meteorological conditions and the changing variability that is influenced by climate change. Climate projections for the future indicate that frequency and severity of coffee rust's outbursts, if not addressed, will be continuously increasing, further affecting the producers.</p> <p>The MDB project provides viable long-term financing and appropriate risk-mitigation and adaptation actions required for a sustainable coffee farming business. The MDBs' finance enables small and medium-holding farmers to substitute affected plantations with varieties that are resistant to the coffee rust, while supplementary technical assistance aims to improve financial management and sustainable agronomy practices. In addition, MDBs and a regional think tank support scientific research on more adaptable and resistant varieties of coffee.</p> |
| Climate Vulnerability Context | The country's Second National Communication to the UNFCCC (2009) identifies increasing water scarcity as a major climate change risk. In response, adaptation priorities include action to improve water efficiency, especially in water-intensive sectors such as oil and gas exploration. Industrial water use accounts for an unusually high proportion (40 percent) of water abstraction in the country – much of this occurring in the large mining sector. | Changes in meteorological conditions are seen as the crucial driver of <i>la roya</i> outbursts. Of those, change in temperature and diurnal temperature range, and change in rainfall distribution (rather than total rain) are seen as the main drivers. Recent weather observations in the regions experiencing <i>la roya</i> are in conformity with these conclusions. Projected changes in climate—higher temperatures, particularly night temperatures, and more variability in precipitation—indicate that the trend in <i>la roya</i> outbursts is likely to continue, as well as the expansion of the area suitable for the spreading of the fungus. |
| Statement of Purpose or Intent | At present, this facility – like many mining operations in the country – is vulnerable to water shortages and disruption in water supply, including through competition with other priority water uses such as irrigation. The project will halve the facility's water consumption through reducing the processing plant's water needs and tail dumps, thus contributing to climate resilience through water conservation in the face of projected increases in water stress as a consequence of climate change. | Project documentation recognizes the causes of the impacts and states that the combination of the introduction of rust-resilient coffee varieties in a gradual and sustainable renovation program, along with best management practices, are put in place to address climate impacts and increase resilience. The project is expected to benefit small and medium size farmers to increase their productivity by approximately three times. |
| Link to Project Activities | Best available acid-free ore processing methods was utilised to reduce water consumption and tailing dumps. This was done in order to drastically reduce water consumption thereby allowing the facility to continue operating even during periods of water stress and/or competition. | <p>The investment will be entirely used for the purposes of replanting the affected plantations with rust-resilient coffee varieties and operational costs directly related to these activities. The investment will be accompanied with advisory services and technical assistance to ensure implementation of best management practices that will further contribute to the resilience of plantations.</p> <p>The investment would not have been needed now without the climate change-induced <i>la roya</i> acceleration, as the existing trees would have had significant remaining life otherwise.</p> |
| Calculation of Adaptation Finance | MDB finances USD 100 million out of the total USD 305 million project value or roughly 33 percent. The amount of the loan finance dedicated to decrease water consumption and pollution through the additional Best Available Technology (BAT) processing plant is USD 68 million (flotation plant equipment, paste thickeners, drier drum). Thus 33 percent of the amount or USD 22.7 million was recorded as adaptation finance. | Two MDBs provided USD 12 million each in loans to approximately 500 small and medium size farmers. Additional finance of USD 6 million was provided by two private sector companies. As all of the MDB finance is allocated to adaptation activities described above, 100% of MDB finance or USD 24 million is considered adaptation finance. |
| Type of Adaptation Finance | Non-concessional loan, MDB own resource | Loan, MDB own resource |

Annex Table 2 continued on next page

| | |
|--|---|
| Project Focus | Roads Rehabilitation |
| Sector | Energy, Transport, and Other Built Environment and Infrastructure |
| Brief Description of Project | The project aims to enhance the connectivity of selected national and regional roads and to improve the government's capacity for road safety and climate resilience. |
| Climate Vulnerability Context | The project aims to address vulnerability to climate change and incorporate climate resilience measures into the technical design to help reduce risks of erosion and landslides due to sudden short heavy rainfalls. Assessment of vulnerability was done through available literature reviews and country documents. |
| Statement of Purpose or Intent | The project includes consideration of climate adaptation in the design of road works to ensure the construction of proper drainage systems on the roads, therefore increasing their resistance to flooding. Climate resilience is also included at various points throughout the project's results indicators. |
| Link to Project Activities | One portion (sub-component A3) of the project involves civil works specifically identified as necessary to build climate resilience as a result of erosion and landslides on selected locations of the road network. Another portion (sub-component B4) involves institutional and technical assistance to evaluate additional resilience enhancing measures and to prepare guidelines for the road agency to consider resilience in design of road works. |
| Calculation of Adaptation Finance | <p>Sub-components A3 and B4 are combined to total the incremental cost of adaptation for this project, or USD 3.07 million, or less than 1% of total project commitment.</p> <p>Note that while the project document lists the exact cost of the sub-component A3 portion of the project, this number is used directly. However, because the project document does not identify the cost of each sub-component within component B, the proportional approach was used to assign 25 percent co-benefits from the overall funding allocated for sub-component B4.</p> |
| Type of Adaptation Finance | Loan, MDB own resource |

ANNEX C: JOINT METHODOLOGY FOR TRACKING CLIMATE MITIGATION FINANCE

The 2015 mitigation finance tracking is based on the Common Principles for Climate Mitigation Finance Tracking,²⁵ henceforth referred to as the “Common Principles.” The Common Principles were developed by the joint climate finance group of MDBs and the IDFC, based on their experience on the topic and with the intention to be shared with other institutions that are looking for common approaches for tracking and reporting. The principles consist of a set of common definitions and guidelines, including the list of activities, but do not cover aspects related to their implementation, including quality control procedures which remain the sole responsibility of each institution and/or group. The Common Principles reflect the approach that both groups (MDBs and IDFC) have been following for tracking climate change mitigation activities for the past 5 years, and are based on the application of harmonized terms. While the MDBs and the IDFC continue to report through their respective group-based efforts, the Joint MDB Approach for Mitigation Finance Reporting is closely aligned with the Common Principles, and is based on the following attributes:

- a) **Additionality:** This approach, as well as the Common Principles, are activity-based, focusing on the type of activity to be executed, and not on its purpose, the origin of the financial resources or actual results.
- b) **Timeline:** Project reporting is *ex ante* project implementation at Board approval or time of financial commitment.
- c) **Conservativeness:** Where data is unavailable, any uncertainty must be overcome taking a conservative approach, where under reported rather than over reported climate finance is preferable.
- d) **Granularity:** Only mitigation activities that are to be disaggregated from non-mitigation activities as far as reasonably possible are covered. If such disaggregation is needed and not possible using project specific data, a more qualitative/experience-based assessment can be used to identify the proportion of the project that covers climate mitigation activities, consistent with the conservativeness principle. This is applicable to all categories, but of particular significance for energy efficiency projects.
- e) **Scope:** Mitigation activities or projects can consist of a stand-alone project, multiple stand-alone projects under a larger program, a component of a stand-alone project or a program financed through a financial intermediary. For example, a project with a total cost of USD 100 million may have a USD 10 million documented component for energy-efficiency improvement; in this case, only the USD 10 million would be reported. Another example may be a USD 100 million credit line to a financial intermediary for renewable energy and pollution control investments, where it is foreseen that at least 60 percent of the resources will flow into renewable energy investments; in this case, only USD 60 million would be reported.
- f) **Impact Reporting:** Climate finance tracking is independent of GHG accounting and reporting in the absence of a joint GHG methodology.
- g) **Verification:** An activity will be classified as related to climate change mitigation if it promotes “efforts to reduce or limit GHG emissions or enhance GHG sequestration.”²⁶ Mitigation activities considered in this joint approach are assumed to make finance flows consistent with a pathway towards low greenhouse gas emissions development²⁷ based on experience and/or technical analysis.
- h) **Mitigation Results:** Reporting according to this methodology and the Common Principles does not imply evidence of climate change impacts, and any inclusion of climate change impacts is not a substitute for project-specific theoretical and/or quantitative evidence of GHG emission mitigation. Projects seeking to demonstrate climate change impacts should do so through project-specific data.

²⁵ <http://www.worldbank.org/content/dam/Worldbank/document/Climate/common-principles-for-climate-mitigation-finance-tracking.pdf>

²⁶ OECD/DAC Climate Markers (September 2011).

²⁷ Paris Agreement December 2015, (FCCC/CP/2-15/L9/Rev.1, Article 2c).

- i) **Eligibility:** In fossil fuel combustion sectors (transport, and energy production and use), the methodology recognizes the importance of long-term structural changes, such as the energy production shift to renewable energy technologies, and the modal shift to low-carbon modes of transport. Consequently, both greenfield²⁸ and brownfield renewable energy and transport modal shift projects are included. In energy efficiency, however, the methodology acknowledges that drawing the boundary between increasing production and reducing emissions per unit of output is difficult. Consequently, greenfield energy efficiency investments are included only in a few cases when they enable preventing a long-term lock-in in high-carbon infrastructure. In the case of brownfield energy efficiency investments, old technologies are required to be replaced well before the end of their lifetime, and new technologies are substantially more efficient than the replaced technologies. Alternatively, new technologies or processes are required to be substantially more efficient than those normally used in greenfield projects.
- j) **Exclusions:** The methodology assumes that care will be taken to identify cases when projects do not mitigate emissions due to their specific circumstances. For example, hydropower plants with high methane emissions from reservoirs exceed associated renewable energy GHG reductions; geothermal power plants with high CO₂ content in the geothermal fluid that cannot be reinjected; or biofuel projects that deplete carbon pools more than they reduce GHG emissions, with high emissions in production, processing and transportation.
- k) **Avoiding 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. Some MDBs are reporting projects where the same components or elements contribute to both mitigation and adaptation as a separate category. The MDBs are working on the best reporting method for projects where the same components or elements contribute to both mitigation and adaptation.

Annex Table 3 lists the activities eligible to be classified for climate mitigation finance, as agreed by the MDBs and the IDFC. Annex Table 4 shows case studies that illustrate how the MDBs used the mitigation tracking approach recently.

²⁸ The general principle for greenfield activities is that they prevent a long-term lock-in in high-carbon infrastructure.

Annex Table 3: List of Activities Eligible for Classification as Climate Mitigation Finance

| Category | Sub-Category | Eligible Activities |
|--|---|---|
| 1. Renewable Energy | 1.1 Electricity generation | Wind power |
| | | Geothermal power (only if net emission reductions can be demonstrated) |
| | | Solar power (concentrated solar power, photovoltaic power) |
| | | Biomass or biogas power (only if net emission reductions, including carbon pool balance, can be demonstrated) |
| | | Ocean power (wave, tidal, ocean currents, salt gradient, etc.) |
| | | Hydropower plants (only if net emission reductions can be demonstrated) |
| | | Renewable energy power plant retrofits |
| | 1.2 Heat production or other renewable energy application | Solar water heating and other thermal applications of solar power in all sectors |
| | | Thermal applications of geothermal power in all sectors |
| | | Wind-driven pumping systems or similar applications |
| | | Thermal applications of sustainably/produced bioenergy in all sectors, including efficient, improved biomass stoves |
| | 1.3 Measures to facilitate integration of renewable energy into grids | New, expanded and improved transmission systems (lines, substations) |
| | | Storage systems (battery, mechanical, pumped storage) |
| New information and communication technology, smart-grid and mini-grid | | |
| 2. Lower-Carbon and Efficient Energy Generation | 2.1 Transmission and distribution systems | Retrofit of transmission lines or substations and/or distribution systems to reduce energy use and/or technical losses including improving grid stability/reliability, (only if net emission reductions can be demonstrated) ^a |
| | 2.2 Power plants | Thermal power plant retrofit to fuel switch from a more GHG-intensive fuel to a different and less GHG-intensive fuel type ^b |
| | | Conversion of existing fossil-fuel based power plant to co-generation ^c technologies that generate electricity in addition to providing heating/cooling |
| | | Energy-efficiency improvement in existing thermal power plant |

Annex Table 3 continued on next page

| Category | Sub-Category | Eligible Activities |
|---|--|--|
| 3. Energy Efficiency | 3.1 Energy efficiency in industry in existing facilities | Industrial energy efficiency improvements through the installation of more efficient equipment, changes in processes, reduction of heat losses and/or increased waste heat recovery |
| | | Installation of co-generation plants that generate electricity in addition to providing heating/cooling |
| | | More efficient facility replacement of an older facility (old facility retired) |
| | 3.2 Energy efficiency improvements in existing commercial, public and residential buildings | Energy efficiency improvement in lighting, appliances and equipment |
| | | Substitution of existing heating/cooling systems for buildings by co-generation plants that generate electricity in addition to providing heating/cooling ^d |
| | | Retrofit of existing buildings: architectural or building changes that enable reduction of energy consumption |
| | 3.3 Energy efficiency improvements in the utility sector and public services | Energy efficiency improvement in utilities and public services through the installation of more efficient lighting or equipment |
| | | Rehabilitation of district heating and cooling systems |
| | | Utility heat loss reduction and/or increased waste heat recovery |
| | | Improvement in utility scale energy efficiency through efficient energy use, and loss reduction |
| | 3.4 Vehicle energy efficiency fleet retrofit | Existing vehicles, rail or boat fleet retrofit or replacement (including the use of lower-carbon fuels, electric or hydrogen technologies, etc.) |
| 3.5 Energy efficiency in new commercial, public and residential buildings | Use of highly efficient architectural designs, energy efficient appliances and equipment, and building techniques that reduce building energy consumption, exceeding available standards and complying with high energy efficiency certification or rating schemes | |
| 3.6 Energy audits | Energy audits to energy end-users, including industries, buildings, and transport systems | |
| 4. Agriculture, Forestry and Land-Use | 4.1 Agriculture | Reduction in energy use in traction (e.g. efficient tillage), irrigation, and other agricultural processes |
| | | Agricultural projects that improve existing carbon pools (e.g. rangeland management, collection and use of bagasse, rice husks, or other agricultural waste, reduced tillage techniques that increase carbon contents of soil, rehabilitation of degraded lands, peatland restoration, etc.) |
| | | Reduction of non-CO ₂ GHG emissions from agricultural practices (e.g. paddy rice production, reduction in fertilizer use) |
| | 4.2 Afforestation and reforestation, and biosphere conservation | Afforestation (plantations) on non-forested land |
| | | Reforestation on previously forested land |
| | | Sustainable forest management activities that increase carbon stocks or reduce the impact of forestry activities |
| | | Biosphere conservation projects (including payments for ecosystem services) targeting reducing emissions from the deforestation or degradation of ecosystems |
| | 4.3 Livestock | Livestock projects that reduce methane or other GHG emissions (manure management with biodigesters, etc.) |
| | 4.4 Biofuels | Production of biofuels, including biodiesel and bioethanol (only if net emission reductions can be demonstrated) |

Annex Table 3 continued on next page

| Category | Sub-Category | Eligible Activities |
|------------------------------|--|--|
| 5. Non-Energy GHG Reductions | 5.1 Fugitive emissions | Reduction of gas flaring or methane fugitive emissions in the oil and gas industry |
| | | Coal mine methane capture |
| | 5.2 Carbon capture and storage | Projects for carbon capture and storage technology that prevent release of large quantities of CO ₂ into the atmosphere from fossil fuel use in power generation, and process emissions in other industries |
| | 5.3 Air conditioning and refrigeration | Retrofit of existing industrial, commercial and residential infrastructure to switch to cooling agent with lower global warming potential |
| | 5.4 Industrial processes | Reduction in GHG emissions resulting from industrial process improvements and cleaner production (e.g. cement, chemical), excluding carbon capture and storage |
| 6. Waste and Wastewater | 6.1 Waste and wastewater | Treatment of wastewater if not a compliance requirement (e.g. performance standard or safeguard) as part of a larger project that reduces methane emissions (only if net GHG emission reductions can be demonstrated) |
| | | Waste management projects that capture or combust methane emissions |
| | | Waste to energy projects |
| | | Waste collection, recycling and management projects that recover or reuse materials and waste as inputs into new products or as a resource (only if net emission reductions can be demonstrated) |
| 7. Transport | 7.1 Urban transport modal change | Urban mass transit |
| | | Non-motorized transport (bicycles and pedestrian mobility) |
| | 7.2 Transport oriented urban development | Integration of transport and urban development planning (dense development, multiple land-use, walking communities, transit connectivity, etc.), leading to a reduction in the use of passenger cars ⁵ |
| | | Transport demand management measures dedicated to reduce GHG emissions (e.g. speed limits, high-occupancy vehicle lanes, congestion charging/road pricing, parking management, restriction or auctioning of license plates, car-free city areas, low-emission zones) |
| | 7.3 Inter-urban transport | Railway transport ensuring a modal shift of freight and/or passenger transport from road to rail (improvement of existing lines or construction of new lines) |
| | | Waterways transport ensuring a modal shift of freight and/or passenger transport from road to waterways (improvement of existing infrastructure or construction of new infrastructure) |
| 8. Low-Carbon Technologies | 8.1 Products or equipment | Projects producing components, equipment or infrastructure dedicated for the renewable and energy efficiency sectors |
| | 8.2 Research and development | Research and development of renewable energy or energy efficiency technologies |

Annex Table 3 continued on next page

| Category | Sub-Category | Eligible Activities |
|-------------------------|---|--|
| 9. Cross-Cutting Issues | 9.1 Support to national, regional or local policy, through technical assistance or policy lending | National, sectoral or territorial mitigation policies/planning/action plan/planning/institutions |
| | | Energy sector policies and regulations leading to climate change mitigation or mainstreaming of climate action (energy efficiency standards or certification schemes; energy efficiency procurement schemes; renewable energy policies) |
| | | Systems for monitoring the emissions of greenhouse gases |
| | | Efficient pricing of fuels and electricity (subsidy rationalization, efficient end-user tariffs, and efficient regulations on electricity generation, transmission, or distribution) |
| | | Education, training, capacity building and awareness raising on climate change mitigation/sustainable energy/sustainable transport; mitigation research |
| | | Other policy and regulatory activities, including those in non-energy sectors, leading to climate change mitigation or mainstreaming of climate action |
| | 9.2 Financing instruments | Carbon markets and finance (purchase, sale, trading, financing and other technical assistance). Includes all activities related to compliance-grade carbon assets and mechanisms, such as Clean Development Mechanism, Joint Implementation, Assigned Amount Units, as well as well-established voluntary carbon standards like the Verified Carbon Standard or the Gold Standard. |
| 10. Miscellaneous | 10.1 Other activities with net greenhouse gas reduction | Any other activity if agreed by MDBs may be added to the Joint Typology of Mitigation Activities when the results of <i>ex ante</i> GHG accounting (undertaken according to commonly agreed methodologies) show emission reductions that are higher than a commonly agreed threshold, and is consistent with a pathway towards low greenhouse gas emissions development. |

^a In case of capacity expansion, only the part that is reducing existing losses is included.

^b Excluding replacement of coal by coal.

^c In all cogeneration projects it is required that energy efficiency is substantially higher than separate production of electricity and heat.

^d Ibid

^e General traffic management is not included. This category is for demand management to reduce GHG emissions, assessed on a case-by-case basis.

Annex Table 4: Mitigation Finance Tracking Case Studies

| Project Focus | Grid-Scale Solar Photovoltaics | Afforestation for Fragile Lands |
|---|---|--|
| Sector | Renewable Energy | Agriculture, Forestry and Land-Use |
| Brief Description of Project | <p>The client company builds, owns and operates multiple independent solar power plants.</p> <p>The MDB made its first investment (venture capital) in the client company in 2010, when the company had just commissioned 2 megawatts (MW) of solar photovoltaic capacity.</p> <p>The MDB support has been provided at a critical stage of the client company's growth trajectory, crowding-in other investors enabling the client company to access the global knowledge and good international practices and broaden and diversify its sources of funding.</p> <p>With the MDB financial and technical support, the client company has since grown to become one of the leading solar power producers in its country with 240 MW of installed capacity and another 420 MW under implementation.</p> | <p>The project aims to promote cashew farming through:</p> <ul style="list-style-type: none"> • Re-afforestation of cashew plantations (43,000 hectares); • Rehabilitation of existing cashew plantations (8,000 hectares); and • Replanting the bare existing areas within the existing old cashew plantations (7,000 hectares). <p>The project's components are as follows:</p> <p>Component I. Support to Cashew Value Chain with 3 sub-components: (i) irrigation infrastructure for cashew nurseries and clone gardens; (ii) cashew plantation rejuvenation and establishment; and (iii) infrastructure for cashew processing and marketing.</p> <p>Component II. Capacity Building with 3 sub-components: (i) training; (ii) technical support; and (iii) matching fund</p> <p>Component III. Project Management with 2 sub-components: (i) project coordination; and (ii) monitoring and evaluation.</p> |
| Statement of Activity or Activities Captured by MDB Methodologies | <p>The project and the company's individual power projects are considered as mitigation activities as they will result in the reduction in energy consumption and greenhouse gas emissions.</p> | <p>This project involves carbon sequestration and capture by (i) soil sequestration through planting cashew nuts on previously exposed soils, and (ii) carbon sequestration above ground in cashew trees.</p> |
| Calculation of Mitigation Finance | <p>The client company has received USD 45 million in equity and debt from the MDB during the period 2010–2015, with 100 percent of this counted as mitigation finance.</p> | <p>The mitigation finance proportion is equal to 30 percent of the total MDB financing for the project or USD 12.95 million out of a total MDB contribution to project cost of USD 45 million.</p> <p>The project is a good sustainable development project but only 30 percent is counted as mitigation finance because of the lower carbon sequestration value of cashew as a perennial crop compared with real forest tree species.</p> |
| Type of Mitigation Finance | <p>The MDB provided venture capital, private equity, non-concessional loans and direct mobilization of additional investors. Furthermore, the MDB made a significant contribution to strengthen the client company's corporate governance and risk management, in particular in the areas of asset liability gap risk, contingent loss risk, and environmental and social risks.</p> | <p>The MDB provided a non-concessional loan to public entity.</p> |

Annex Table 4 continued on next page

| Project Focus | Energy Policy | Energy Efficiency in Industry |
|---|--|---|
| Sector | Cross-Cutting Issues | Energy Efficiency |
| Brief Description of Project | <p>This project is the first in a series of programmatic, policy-based loans which, although conceptually-linked, are financed independently from each other.</p> <p>The project's general objective is to support the country to strengthen and transform its energy matrix, thereby contributing to the consolidation of its capital and current accounts by reducing the importation of petroleum products and replacing the associated subsidies. The specific objectives of this first programmatic operation are to support: (i) establishment of conditions for the effective implementation of changes to the energy matrix; (ii) strengthening of the conditions to respond to the demand for electricity services; and, (iii) initiation of country commitments to more significant electric power exchanges in the region.</p> <p>The project's components are as follows: Component I. Macroeconomic Stability. This component will address the consistency within the macroeconomic environment, in line with the program's objectives, and will provide ongoing monitoring to ensure alignment with the policy-based loan's policy matrix. Component II. Sustainable Energy Sector. This component will support the preparation of policy commitments and monitoring of actions aimed at reorienting subsidies in the sector, as well as the formulation of the Energy Agenda and information management tools to be used for planning and monitoring sector investments. Component III. Strengthening of the Electricity Subsector. This component will support efforts to fulfill the sector's efficiency and sustainability targets. In particular, it will support actions designed to reduce the use of fossil fuels for generation and expand generation capacity using renewable energy sources.</p> | <p>The project will finance innovative, high impact technologies and process transformations that will improve energy efficiency and reduce emissions from various plants. This project will also demonstrate for the first time, a direct cooperation with a large state-owned enterprise to support industry-specific measures.</p> <p>The project is composed of two subprojects in separate plants:</p> <ol style="list-style-type: none"> A scaled up application of a successfully pilot-tested mercury-free catalyst to produce polyvinyl chloride (PVC). The subproject is expected to reduce energy consumption and eliminate tons of intentional use of mercury; and Retrofit the caustic soda production chain with the current state-of-the-art technology that will consume 30 percent less energy. <p>Targeting these two energy-intensive production processes (PVC and caustic soda), the project aims to make a large impact on energy efficiency and emission reductions in the country's chemical industry. Mainstreaming industry-specific energy service companies (ESCO) in the project's structure will also help remove barriers that have prevented their participation in energy efficiency retrofits in energy-intensive industries.</p> |
| Statement of Activity or Activities Captured by MDB Methodologies | The three components of the project are considered as mitigation activities as they will result in the reduction in fossil fuel consumption and greenhouse gas emissions. | Both subprojects are considered as mitigation activities as they are specific energy efficiency components in the industrial process, which will result in the reduction in energy consumption and greenhouse gas emissions. |
| Calculation of Mitigation Finance | The MDB will provide a policy loan of USD 500 million, to fund the entire project, and this entire amount is counted as mitigation finance. | Out of a total project cost of USD 245.01 million, the MDB will provide a loan of USD 100 million. The entire MDB loan is considered to be climate finance. The incorporation of climate risks in the engineering design of existing facilities and new technologies financed under the project will cost USD 5 million, and considered as adaptation finance. The remaining USD 95 million is considered as mitigation finance. |
| Type of Mitigation Finance | The MDB resource is a non-concessional loan to a public entity. The MDB assistance addresses barriers and supports de-risking of investments. | The MDB resource is a non-concessional financial intermediary loan to a public entity. The MDB assistance addresses barriers and supports de-risking of investments in potent technologies and process transformations that can improve energy efficiency in industries. |

Annex Table 4 continued on next page

| Project Focus | Energy Efficiency | Container Terminal Expansion and New Intermodal Rail Facility |
|---|---|--|
| Sector | Operational Efficiency to Improve Quality of Heating Services | Transport |
| Brief Description of Project | <p>The objective of the project is to contribute to improved operational efficiency and financial viability as well as to the quality and reliability of heating services delivered to the population through the following components:</p> <p>(a) Support priority investments aimed at optimizing and modernizing the heat distribution network, with the objectives of reducing heat losses, improving service quality, and increasing efficiency and security of supply of heat and hot water to end-user consumers. MDB financing for this component is USD 33.3 million.</p> <p>(b) Support the Government's decision to streamline operation and corporate structure of the dominant heating supplier, including closing down of the operation of a combined heat and power plant. The plant is inefficient and is being utilized beyond its designed life. To ensure a smooth closing, the component will support: alternative heat distribution connection and construction of new pumping stations in the service area; development of a social impact mitigation plan; and carrying out an environmental audit for the service area. MDB is financing for this component is USD 5.6 million.</p> <p>(c) Provide technical and financial support for project management. MDB financing for this component is USD 1.6 million.</p> | <p>Project aims to support the investment program of the port authority and support land freight transport in a more sustainable manner.</p> <p>The project's two main components are as follows:</p> <ol style="list-style-type: none"> 1. Expansion of existing container terminal to reach an annual capacity of 400 thousand twenty foot equivalent units (TEU) – plus the replacement of aging container handling and information technology (IT) equipment. 2. Construction of a new intermodal rail facility |
| Statement of Activity or Activities Captured by MDB Methodologies | <p>Mitigation co-benefits were identified for the financing aimed at supporting investments geared to optimize and modernize the heat distribution network.</p> <p>Financing for the project management and technical assistance sub-component was pro-rated for mitigation co-benefits.</p> | <p>The two components are captured differently:</p> <ol style="list-style-type: none"> 1. The terminal has a general upgrade of equipment and pavement and an expansion of yard area and additional equipment requirements. Additionally the IT system will be upgraded. The terminal has a rail connection which is separately being upgraded by the rail authority; the upgrade is aimed to increase rail traffic by 50%. For component 1, a granular approach is taken to capture lower carbon modes where modal shift has been demonstrated away from road. Since road container traffic at the terminal is projected to increase at a slower pace than rail and coastal vessel traffic, the modal share approach is deemed to be a conservative estimate of project costs associated with the lower carbon modes. 2. The intermodal terminal is a new facility dedicated to transfer containerised truck traffic onto rail. It is situated on an existing rail line. A small bulk facility has existed for some time and the port authority will now build a new intermodal terminal for containerised freight transfer to rail. Modal shift has been demonstrated in the traffic models for this facility aiming to handle 120 thousand TEU in the first phase of the development program. |
| Calculation of Mitigation Finance | <p>Total MDB project finance is USD 40.5 million. Mitigation finance for each project component is computed as follows.</p> <p>(a) 100 percent of MDB finance in the district heating system (USD 33.3 million) is counted as mitigation finance.</p> <p>(b) MDB finance for the new generation facility that would replace the old combined heat and power facility was not counted as mitigation finance.</p> <p>(c) Using pro-rating, 86 percent of the MDB finance for the project management sub component (USD 1.4 million) was identified as mitigation finance.</p> <p>Total MDB mitigation finance for the project therefore amounts to USD 34.7 million.</p> | <p>Mitigation aspects (modal shift) were assigned as follows:</p> <p>As the container handling equipment aspects were of end of life equipment, or related to capacity expansion, energy efficiency aspects were not counted and the project was assessed for mitigation on a modal shift basis (i.e. lower carbon modes of rail and coastal shipping). Forty five (45) percent of component 1 was calculated as mitigation based on the projected proportion of container traffic leaving from/arriving at the port by rail in comparison with road once the upgrade of the overall port is completed (35%) and projected proportion of container traffic leaving from/arriving at the port by coastal vessels (10%).</p> <p>Mitigation aspects /modal shift were assigned to 100% of component 2 as the entire project assures a modal shift from road to rail.</p> <p>Total project cost = USD 137 million Total climate finance reported: USD 79.2 million (Total climate finance estimated as 45% of investment costs of Component 1 [USD 105 million] plus 100% of investment costs of component 2.[USD 31.95 million]) (Adaptation elements were additionally estimated in this project but are not recorded here)</p> |
| Type of Mitigation Finance | The MDB provided a non-concessional loan to a public entity. | The MDB provided a subsidised loan to client port authority. |

ANNEX D: JOINT METHODOLOGY FOR TRACKING CLIMATE CO-FINANCE

Definitions and Clarifications

Climate co-finance (CCF) is defined as the amount of financial resources contributed by external entities alongside climate finance committed by MDBs. In addition:

1. It encompasses financial resource providers that are government or government-affiliated, as well as those that are private;
2. It includes all forms of financial instruments, including grants, loans, equity, guarantees, etc.;
3. Broader support programs that do not provide resources directly into the financing package for a given project/program are not included;
4. It is quantifiable and traceable to investment documentation kept by the individual MDB.

Guiding principles governing the reporting of CCF include the following:

Causality: CCF does not imply a causal relationship as to who catalyzed whom in a particular investment, but rather measures the amount of co-financing invested alongside contributions made by MDBs.

Climate finance attribution: total co-financing for each project is pro-rated for the same climate component percentage as the data set used for the 2015 Joint Report on MDB's Climate Finance, resulting in CCF.

Conservativeness principle: Following the Joint Report on MDB's Climate Finance guidelines, CCF follows the conservativeness principle that "Where data is unavailable, any uncertainty must be overcome taking a conservative approach, where under reported rather than over reported climate finance is preferable." When the co-financing cannot be explicitly tracked, MDBs do not estimate indirect financing but simply report it at known levels, which may be zero. For instance, while MDBs know that credit lines to financial intermediaries trigger additional investments, no co-finance is reported if investment volumes were not explicitly identified in advance.

Source of data: Aligned with the data set from MDBs in the Joint Report on MDB's Climate Finance, data is sourced from information available to the Board of Directors of the relevant MDB at the time of project approval by the Board. No corrections are issued where a project's scope has changed to either increase or decrease in total financing. CCF therefore represents *ex ante* project conditions. For the most part, Board Documentation provides enough information to accurately determine whether the source of financing is a public or a private entity. In cases where sufficient information is not available, MDBs use expert judgment and best available project categorization to attribute the financing to public or private sources.

Public and private sources: CCF is segmented into public and private sources, based primarily on the shareholding structure of the external institution providing the co-financing. Public source co-financing nominally includes other development finance institutions. However, to the extent possible, the contributions made by other members of the reporting initiative are removed from the public source co-financing figures reported by each institution.

Double counting: CCF does not double count co-finance reported by different MDBs from the same source (including from other MDBs themselves as well as external entities), and as such aggregated co-finance reported subtracts or "nets out" resources already reported. In cases where multiple investments are placed in the same project, CCF does not double count the same co-finance between different years. Once co-finance is reported for one year, it cannot be counted in the next year if additional MDB finance is placed without additional co-finance. In order to avoid double-counting, MDBs either group all investments under the first year of reporting, or split the co-finance over a number of years, depending on the type of project and available information.

ANNEX E: FINANCE WITH DUAL ADAPTATION AND MITIGATION BENEFITS

The MDBs recognize that some components and/or sub-components or elements/proportions within projects contribute to both mitigation and adaptation, thereby delivering dual benefits of both mitigation and adaptation. Where the same project, sub-project or project element contributes to both mitigation and adaptation, the MDB's individual processes will determine what proportion is counted as mitigation or as adaptation so that the actual financing will not be double counted. Some MDBs are reporting projects where the same components or elements/proportions contribute to both mitigation and adaptation as a separate category (Annex Table 5). The MDBs are continuing to work on the best reporting method for such projects.

For 2015, EBRD, ADB and IDBG have tracked dual benefit figures separately according to their internal systems. The other MDBs have split the financed amount between mitigation and adaptation. In both cases, there is no double counting.

Annex Table 6 includes more detail on the instrument types used in adaptation, mitigation and dual benefit finance.

Annex Table 5: MDB Adaptation, Mitigation and Dual Benefit Climate Finance (in USD million)

| MDB | Adaptation Finance | Mitigation Finance | Dual Benefit Finance | Total |
|--------------|--------------------|--------------------|----------------------|---------------|
| ADB | 356 | 2,561 | — | 2,917 |
| AfDB | 396 | 963 | — | 1,359 |
| EBRD | 117 | 2,973 | 127 | 3,217 |
| EIB | 365 | 4,772 | — | 5,137 |
| IDBG | 269 | 1,474 | 1 | 1,744 |
| WBG | 3,393 | 7,329 | — | 10,722 |
| TOTAL | 4,896 | 20,072 | 128 | 25,096 |

Note: Numbers may not add up because of rounding.

Annex Table 6: MDB Adaptation, Mitigation and Dual Benefit Climate Finance, Split by Instrument (in USD million)

| Instrument Type | Adaptation Finance | Mitigation Finance | Dual Benefit Finance | Total |
|--------------------------------------|--------------------|--------------------|----------------------|---------------|
| Investment loan | 3,426 | 15,340 | 105 | 18,871 |
| Policy-based loan/ budget support | 308 | 1,027 | 0 | 1,335 |
| Grant | 665 | 764 | 1 | 1,430 |
| Guarantee | 361 | 1,094 | 0 | 1,455 |
| Equity | 6 | 761 | 0 | 767 |
| Line of credit | 124 | 842 | 20 | 986 |
| Advisory services | 4 | 121 | 0 | 125 |
| Other | 2 | 123 | 2 | 127 |
| Total | 4,896 | 20,072 | 128 | 25,096 |

Note: Numbers may not add up because of rounding.

ANNEX F: INSTRUMENT TYPES

The types of financial instruments used in this year's reporting include the following:

- a) **Investment loans:** Loans are transfers for which repayment is required.²⁹ Investment loans, in particular, finance the creation and rehabilitation of social and economic infrastructure and institutional development.³⁰
- b) **Policy-based loans:** Loans that provide flexible support for institutional and policy reforms on the sector or subsector level, through fast-disbursing funds.³¹
- c) **Budget support:** A method of financing a partner country's budget through a transfer of resources from an external financing agency to the partner government's national treasury. The funds thus transferred are managed in accordance with the recipient's budgetary procedures.³²
- d) **Grants:** Transfers made in cash, goods or services for which no repayment is required.³³ Grants are provided for investment support and/or policy-based support.³⁴
- e) **Guarantees:** A commercial and/or political risk assumed by an MDB.
- f) **Equity:** Ownership interest in an enterprise that represents a claim on the assets of the entity in proportion to the number and class of shares owned.
- g) **Lines of credit:** Lines of credit provide a guarantee that funds will be made available but no financial asset exists until funds are actually advanced.³⁵
- h) **Advisory services:** MDB advisory services work includes advising national and local governments on how to improve their investment climate and strengthen basic infrastructure. The MDB tracks and reports the costs of managing advisory programs, which may consist of staff time, studies, and training with clients. Similar to investments, some programs are 100 percent climate-related and some have a climate component tracked in the overall program budget. In the case of IFC,³⁶ for simplicity's sake, the Joint Report records all climate finance flows through IFC's advisory services as "external resources managed by IFC" and because of the difficulties in collecting data and defining the boundary of IFC's impact, advisory services is not included in the IFC climate co-finance analysis.

²⁹ OECD, 2006, DAC Guidelines and Reference Series Applying Strategic Environmental Assessment: Good Practice Guidance for Development Co-operation, OECD, Paris.

³⁰ <http://www.iadb.org/en/about-us/idb-financing/investment-loans,6056.html>

³¹ <http://www.iadb.org/en/about-us/idb-financing/policy-based-loans-pbls,6057.html>

³² OECD. 2005. Harmonizing Donor Practice for Effective Aid Delivery: Volume 2; Budget Support, Sector-Wide Approaches and Capacity Development in Public Financial Management. DAC Guidelines and Reference Series

³³ See footnote 31.

³⁴ <http://www.adb.org/sites/default/files/institutional-document/33458/files/glossary-sovereign-nonsovereign-operations.pdf>

³⁵ See footnote 31.

³⁶ IFC climate finance is included in the climate finance reported by WBG.

ANNEX G: GEOGRAPHICAL COVERAGE OF THE REPORT

Countries included in this list are covered by at least one of the MDBs. Inclusion of countries in Annex Table 7 does not imply any recognition of country names or borders by any of the MDBs.

Annex Table 7. Countries Covered by at Least One of the MDBs

| EAST ASIA AND THE PACIFIC | | |
|-----------------------------------|----------------------------------|------------------------------------|
| Cambodia | Marshall Islands | Samoa |
| People's Republic of China | Micronesia (Federated States of) | Solomon Islands |
| Cook Islands | Mongolia | Thailand |
| Fiji | Myanmar | Timor-Leste |
| French Polynesia | Nauru | Tonga |
| Indonesia | Palau | Tuvalu |
| Kiribati | Papua New Guinea | Vanuatu |
| Lao People's Democratic Republic | Philippines | Vietnam |
| Malaysia | | |
| EU 11 | | |
| Bulgaria | Hungary | Romania |
| Croatia | Latvia | Slovakia |
| Cyprus | Lithuania | Slovenia |
| Estonia | Poland | |
| LATIN AMERICA AND THE CARIBBEAN | | |
| Anguilla | Curaçao | Nicaragua |
| Antigua and Barbuda | Dominica | Panama |
| Argentina | Dominican Republic | Paraguay |
| Aruba | Ecuador | Peru |
| Bahamas | El Salvador | Saint-Barthélemy |
| Barbados | French Guiana | Saint Kitts and Nevis |
| Belize | Grenada | Saint Lucia |
| Bolivia (Plurinational State of) | Guadeloupe | Saint Martin (French part) |
| Bonaire, Saint Eustatius and Saba | Guatemala | Saint Vincent and the Grenadines |
| Brazil | Guyana | Saint Maarten (Dutch part) |
| British Virgin Islands | Haiti | Suriname |
| Cayman Islands | Honduras | Trinidad and Tobago |
| Chile | Jamaica | Turks and Caicos Islands |
| Colombia | Martinique | Uruguay |
| Costa Rica | Mexico | Venezuela (Bolivarian Republic of) |
| Cuba | Montserrat | |

MIDDLE EAST AND NORTH AFRICA

| | | |
|----------------------------|----------------|----------------|
| Algeria | Jordan | Syria |
| Egypt | Lebanon | Tunisia |
| Iran (Islamic Republic of) | Libya | Western Sahara |
| Iraq | Morocco | Yemen |
| Israel | Gaza/West Bank | |

SOUTH ASIA

| | | |
|-------------|----------|-----------|
| Afghanistan | India | Pakistan |
| Bangladesh | Maldives | Sri Lanka |
| Bhutan | Nepal | |

NON-EU EUROPE AND CENTRAL ASIA^a

| | | |
|------------------------|--|--------------|
| Albania | Kyrgyz Republic | Turkey |
| Armenia | Kosovo | Tajikistan |
| Azerbaijan | Montenegro | Turkmenistan |
| Belarus | Republic of Moldova | Ukraine |
| Bosnia and Herzegovina | Russian Federation | Uzbekistan |
| Georgia | Serbi | |
| Kazakhstan | The Former Yugoslav Republic of Macedonia | |

SUB-SAHARAN AFRICA

| | | |
|----------------------------------|---------------|-----------------------------|
| Angola | Gambia | Réunion |
| Benin | Ghana | Rwanda |
| Botswana | Guinea | São Tomé and Príncipe |
| Burkina Faso | Guinea-Bissau | Saint Helena |
| Burundi | Kenya | Senegal |
| Cameroon | Lesotho | Seychelles |
| Cape Verde | Liberia | Sierra Leone |
| Central African Republic | Madagascar | South Africa |
| Chad | Malawi | Somalia |
| Comoros | Mali | South Sudan |
| Congo | Mauritania | Sudan |
| Côte d'Ivoire | Mauritius | Swaziland |
| Democratic Republic of the Congo | Mayotte | Togo |
| Djibouti | Mozambique | Uganda |
| Equatorial Guinea | Namibia | United Republic of Tanzania |
| Eritrea | Niger | Zambia |
| Ethiopia | Nigeria | Zimbabwe |
| Gabon | | |

MULTI-REGIONAL

Any operation by an MDB that is implemented across two or more of the regions above, including activities with a global focus.

^a Reported as "(OTHER) Europe and Central Asia" in the 2011 and 2012 reports.

Least developed countries are defined according to the UNFCCC list³⁷ and small island states are defined according to the Alliance of Small Island States (AOSIS) list, excluding developed countries. Note that some least developed countries are also small island states, as shown in Annex Table 8.

Annex Table 8: Countries Categorized as Least Developed Country, Small Island States, or Both

| Least Developed Country | Both Least Developed Country and Small Island State | Small Island State |
|----------------------------------|---|--------------------------------|
| Afghanistan | Comoros | Cape Verde |
| Angola | Guinea Bissau | Antigua and Barbuda |
| Bangladesh | Haiti | Bahamas |
| Benin | Kiribati | Barbados |
| Bhutan | Sao Tome and Principe | Cook Islands |
| Burkina Faso | Solomon Islands | Cuba |
| Burundi | Timor-Leste | Dominica |
| Cambodia | Tuvalu | Dominican Republic |
| Central African Republic | Vanuatu | Federated States of Micronesia |
| Chad | | Fiji |
| Democratic Republic of Congo | | Grenada |
| Djibouti | | Guyana |
| Equatorial Guinea | | Jamaica |
| Eritrea | | Maldives |
| Ethiopia | | Marshall Islands |
| Gambia | | Mauritius |
| Guinea | | Nauru |
| Lao People's Democratic Republic | | Niue |
| Lesotho | | Papua New Guinea |
| Liberia | | Saint Kitts and Nevis |
| Madagascar | | Saint Lucia |
| Malawi | | Saint Vincent and Grenadines |
| Mali | | Samoa |
| Mauritania | | Seychelles |
| Mozambique | | Suriname |
| Myanmar | | Tonga |
| Nepal | | Trinidad and Tobago |
| Niger | | |
| Rwanda | | |
| Senegal | | |
| Sierra Leone | | |
| Somalia | | |
| South Sudan | | |
| Sudan | | |
| Togo | | |
| United Republic of Tanzania | | |
| Uganda | | |
| Yemen | | |
| Zambia | | |

³⁷ http://unfccc.int/cooperation_and_support/ldc/items/3097.php

ANNEX H: MDB CLIMATE FINANCE OUTSIDE THE JOINT METHODOLOGIES

The joint methodologies contain lists of activities at the intersection of what all MDBs consider adaptation and mitigation. However, for their own reporting purposes, some MDBs consider additional activities as climate adaptation or mitigation that are: (1) not explicitly covered by one of the methodology sector/groupings/categories; and/or (2) not fully in accordance with the joint approach.

For 2015, EBRD reported different figures according to their internal mitigation finance tracking approach as shown in Annex Table 9.

Annex Table 9: Climate Finance Showing Differences from the MDB Joint Methodologies (in USD million)

| | MDB Own Resources | | External Resources | | Total |
|---|-------------------|----------|--------------------|----------|------------|
| | Public | Private | Public | Private | |
| EBRD mitigation finance as per its internal methodology | 874 | 2,042 | 75 | 124 | 3,114 |
| EBRD mitigation finance as per MDB methodology | 733 | 2,042 | 75 | 124 | 2,973 |
| Difference | 141 | 0 | 0 | 0 | 141 |

