



JOINT REPORT ON MDB CLIMATE FINANCE 2013

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

September 2014

EXECUTIVE SUMMARY ¹

This is the third edition of the joint MDB Report on Climate Finance and the information provided has been expanded to include a better sectoral breakdown, and split by public and private operations.

Multilateral Development Banks (MDBs) provided USD 23.8 billion in financing in 2013 to address the challenges of climate change and, since 2011, have provided over USD 75 billion in climate finance to developing and emerging economies.

Of the total USD 23.8 billion in climate finance, 80%, or USD 18.9 billion, was dedicated to mitigation and 20%, or USD 4.8 billion, to adaptation. Of the total commitments, 9%, or USD 2.2 billion, came from external resources, such as bilateral or multilateral donors, including the Global Environment Facility and the Climate Investment Funds.

This report covers finance for mitigation, adaptation and projects with dual adaptation and mitigation benefits. As in previous years, the calculation of mitigation finance is based on a common list of activities at the intersection of what all MDBs consider mitigation. Adaptation finance is calculated using the joint MDB methodology based on a context- and location-specific approach. Data reported in both cases corresponds to the financing of those components and/or sub-components or elements/proportions of projects that provide mitigation and/or adaptation benefits (rather than the entire project cost).

Some MDBs have different internal accounting approaches for mitigation. In such cases, the volume of each MDB's climate finance mitigation calculated using their internal methodologies is separately reported.

The regional coverage for 2013 is quite balanced with two regions (East Asia and Pacific, Non-EU Europe and Central Asia) each receiving roughly 20% of total climate finance provided and four regions (South Asia, Sub-Saharan Africa, Latin America and Caribbean, EU New Member States) 10-15% each. In regards to sector coverage, 22% of adaptation finance went to "Coastal and riverine infrastructure (including built flood protection infrastructure)" and 30% to the category comprising "Energy, transport, and other built environment and infrastructure". In mitigation finance, renewable energy still takes by far the largest share, with 25% of the total.

¹ For any questions or comments, please email jointclimatefinancereport2013@eib.org

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INTRODUCTION

The international community recognises the need to join forces to avert dangerous climate change and to adapt to unavoidable climate change. This requires mobilising a wide range of financial resources, public and private, bilateral and multilateral, including alternative sources. That makes it increasingly important to track and report financial flows that support climate change mitigation and adaptation, to build trust and accountability with regard to climate finance commitments, and to monitor trends and progress in climate-related investment.

The present report is based on the joint MDB approach for climate finance reporting, which was first reported in 2012 by the group of Multilateral Development Banks (MDBs - the Asian Development Bank (ADB), the African Development Bank (AfDB), the European Bank for Reconstruction and Development (EBRD), the European Investment Bank (EIB), the Inter-American Development Bank (IDB) and the International Financial Corporation (IFC) and World Bank (WB) from the World Bank Group (WBG)) to work towards better climate finance tracking. It responds to the particular context of the activities that the MDBs carry out in developing and emerging economies and is built on the premise that climate finance and development are closely aligned. This is the third year that the group of MDBs have carried out joint reporting.² Climate finance reported by MDBs is based on the definitions in section 2.1 and is for the fiscal year 2013.

Since 2011, when MDBs began jointly tracking climate finance flows, we have already delivered over USD 75 billion in financing for climate action in developing and emerging countries. Setting meaningful targets and identifying opportunities requires consistent and robust data and therefore the group of MDBs has continued to improve the joint approach and refine the classification of activities. The following additions were introduced in this year's report:

- In order to give information about the nature of the recipients of climate finance, the data in this year's report is broken down by public and private³ recipients/borrowers;
- Finance with dual adaptation and mitigation benefits has been separately presented;
- The adaptation sectoral breakdown has been revised in order to present more detailed information on the main sectors in which MDBs provided adaptation finance;
- Minor adjustments were made to the mitigation typology, including separate reporting of the category: "EE and RE financing through financial intermediaries", due to the importance of intermediated lending in those sectors; and
- Mitigation case studies have been included to better illustrate the mitigation methodology.

The joint approach serves as a tool for MDBs to consistently measure their engagement in climate change in a transparent and harmonised manner. MDBs are also in contact with other stakeholders to discuss commonalities and differences among climate finance tracking approaches with the aim of potential harmonisation.

MDBs' activities on climate change go beyond financial operations in many areas, such as for example advice on project design, policy dialogue or the application of climate-specific safeguards. Much of the technical support to our clients on climate change may be of small volumes but with major impacts. Likewise, MDB collaboration on climate change goes beyond this report. We especially collaborate on estimating greenhouse gas emissions from projects and co-financing including in Climate Investment Funds (CIFs). Regarding adaptation, MDBs are aware that good adaptation goes beyond purely physical investments and therefore, although this report tracks finance, the MDBs also prioritise support for adaptive management / adaptive procedures: for example, changes in operating or maintenance procedures making projects more resilient.

The report has two main sections. Section 1 contains total MDB climate finance figures for 2013 as well as the detailed data, broken down by adaptation and mitigation and by sector and geographic region. Section 2 gives explanations on the MDB joint approach definitions, geographical coverage and sectoral breakdown. It also contains a guidance section and provides case studies to illustrate the MDB adaptation and mitigation climate finance tracking approach.

² Mitigation Report 2011: http://www.eib.org/attachments/documents/joint_mdb_report_on_mitigation_finance_2011.pdf - coordinated by IDB

Adaptation Report 2011: <http://www.afdb.org/fileadmin/uploads/afdb/Documents/Generic-Documents/Joint%20MDB%20Report%20on%20Adaptation%20Finance%202011.pdf> - coordinated by AfDB.

Joint Report 2012: <http://www.ebrd.com/downloads/sector/sei/climate-finance-2012.pdf> - coordinated by EBRD.

Joint Report 2013: http://www.eib.org/attachments/documents/joint_report_on_mdb_climate_finance_2013.pdf - coordinated by EIB

³ For the definition of public and private recipients/borrowers, please refer to section 2.

SECTION 1: MDB CLIMATE FINANCE, 2013

1. TOTAL MDB CLIMATE FINANCE, 2013

The tables below present total climate finance⁴ provided by the MDBs in 2013 in developing, emerging and transition economies according to the joint MDB approach, based on the principles set out in the first reports published in 2012 and 2013 and explained in more detail in Section 2 of this report. Definitions of terms are included in Section 2.1.

The approach covers both MDBs' own resources and external resources managed by the MDBs (such as funding from the Global Environment Facility, the Climate Investment Funds, Carbon Funds or the EU facilities). To prevent double counting (in particular as some external resources may already be covered in bilateral reporting), external resources managed by the MDBs are clearly separated from MDBs' own resources.

For this year's report, additional columns were added to all tables to show how MDB climate finance is split between public and private operations based on the status of the first recipient/borrower.⁵

Table 1 reports total climate finance figures for 2013 using the joint MDB approach, alongside each MDB's total finance figures. Table 2 shows the same figures with a regional breakdown.

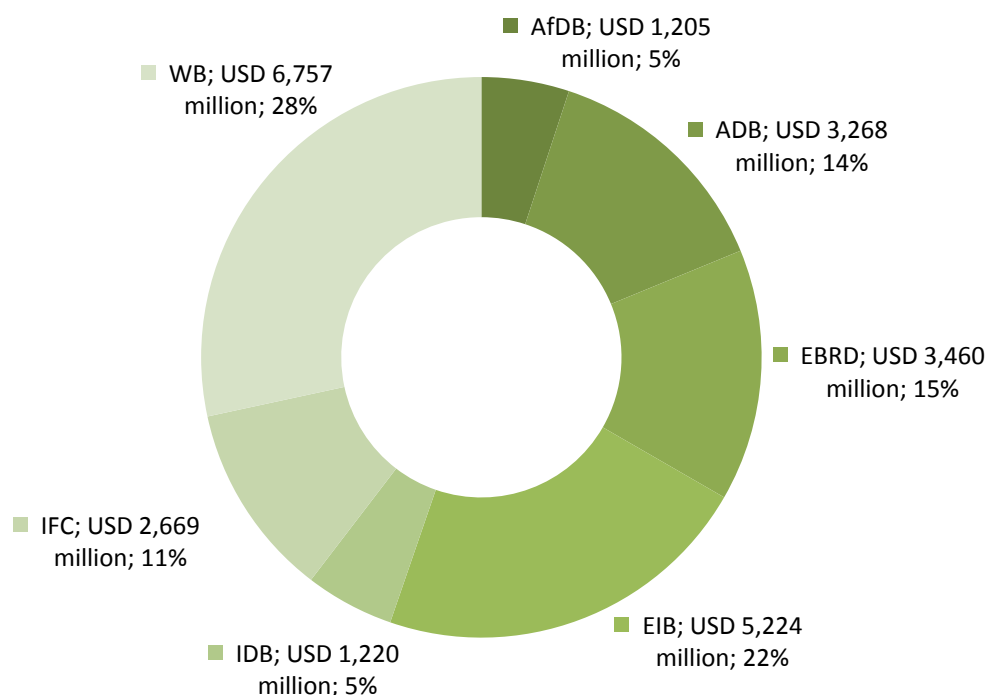
⁴ Total MDB climate finance is equal to the sum of mitigation, adaptation and dual benefit finance (Sections 1.2, 1.3 and 1.4).

⁵ Refer to Section 2 for clarifications on public/private split.

Table 1: MDB Climate Finance, 2013 (USD millions)⁶

| MDB | MDB Resources | | | External Resources | | | Total MDB Climate Finance | Total MDB Finance |
|-------------|-------------------------------------|---------|--------------------------|-------------------------------------|---------|--------------------------|---------------------------|-------------------|
| | Investment and technical assistance | | Policy-based instruments | Investment and technical assistance | | Policy-based instruments | | |
| | Public | Private | | Public | Private | | | |
| AfDB | 622 | 426 | - | 116 | 40 | - | 1,205 | 6,699 |
| ADB | 2,324 | 503 | - | 294 | 147 | - | 3,268 | 21,023 |
| EBRD | 1,064 | 2,255 | - | 63 | 78 | - | 3,460 | 11,286 |
| EIB | 3,698 | 1,526 | - | - | - | - | 5,224 | 23,496 |
| IDB | 639 | 293 | 66 | 142 | 80 | - | 1,220 | 14,398 |
| IFC | 85 | 2,404 | - | 9 | 167 | 4 | 2,669 | 18,581 |
| WB | 4,938 | - | 712 | 928 | 179 | - | 6,757 | 33,453 |
| Sub - Total | 13,371 | 7,407 | | 1,552 | 691 | | | |
| TOTAL | 20,779 | | 778 | 2,243 | | 4 | 23,804 | 128,937 |

Figure 1: MDB Climate Finance, 2013 (USD millions)

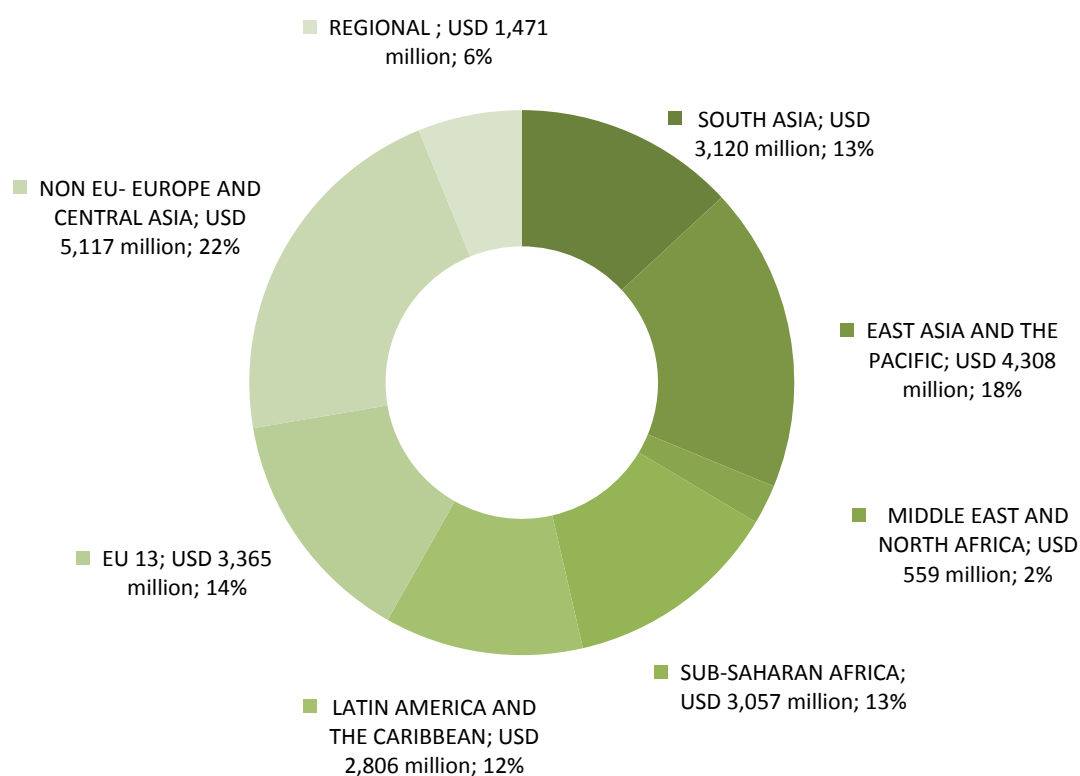


⁶ A unified exchange rate of 1.3281 EUR/USD (average exchange rate for 2013 as per the European Central Bank – ECB) was applied for both EBRD and EIB figures, which are usually reported in euro.

Table 2: MDB Climate Finance by Region⁷, 2013 (USD millions)

| Region | MDB Resources | | | External Resources | | | Total MDB Climate Finance per region | Total MDB Finance per region |
|---------------------------------|--------------------------------------|---------|--------------------------|--------------------------------------|---------|--------------------------|--------------------------------------|------------------------------|
| | Investments and technical assistance | | Policy-based instruments | Investments and technical assistance | | Policy-based instruments | | |
| | Public | Private | | Public | Private | | | |
| SOUTH ASIA | 2,246 | 514 | 100 | 230 | 30 | 1 | 3,120 | 16,600 |
| EAST ASIA AND THE PACIFIC | 2,459 | 798 | 70 | 704 | 276 | 1 | 4,308 | 19,016 |
| MIDDLE EAST AND NORTH AFRICA | 416 | 57 | 67 | 17 | 2 | 0 | 559 | 4,749 |
| SUB-SAHARAN AFRICA | 1,480 | 1,204 | 64 | 201 | 107 | 0 | 3,057 | 17,517 |
| LATIN AMERICA AND THE CARIBBEAN | 1,195 | 827 | 467 | 179 | 138 | 1 | 2,806 | 24,528 |
| EU 13 | 2,056 | 1,243 | - | 54 | 12 | - | 3,365 | 18,143 |
| NON EU- EUROPE AND CENTRAL ASIA | 2,624 | 2,266 | 10 | 112 | 105 | 0 | 5,117 | 22,4463 |
| REGIONAL | 895 | 497 | - | 55 | 22 | 1 | 1,471 | 5,921 |
| Sub - Total | 13,371 | 7,407 | | 1,552 | 691 | | | |
| TOTAL | 20,779 | | 778 | 2,243 | | 4 | 23,804 | 128,937 |

Figure 2: MDB Climate Finance by Region, 2013 (USD millions)



⁷ Refer to Section 2.2 for further details. This regional classification does not necessarily follow the precise regional classifications in use in various MDBs.

2. MDB ADAPTATION FINANCE, 2013

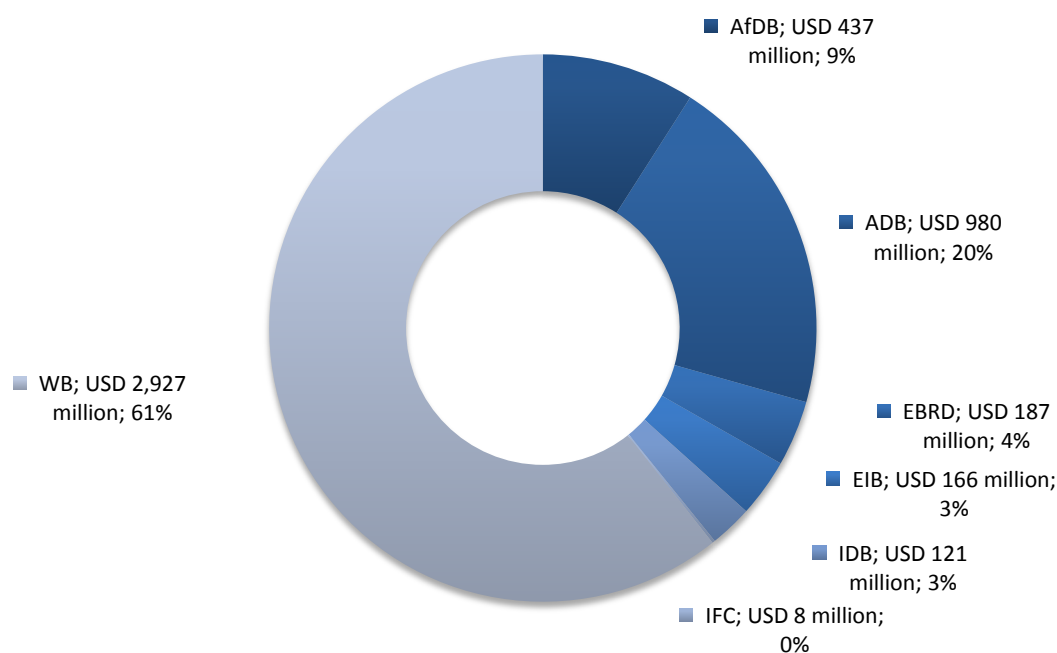
The tables below (3-5) present adaptation finance provided by the MDBs for 2013 according to the joint MDB approach. Table 3 reports the total adaptation finance per MDB, table 4 reports the same figures according to the regional coverage, and table 5 reports the same figures per sector.⁸

Data reported corresponds to the financing of adaptation projects or of those components, sub-components or elements within projects that provide adaptation benefits (rather than the entire project cost). For MDBs that report dual benefits separately (see section 1.4), this table does not include the adaptation elements of that dual benefit financing, this is shown separately in table 10.

Table 3: MDB Adaptation Finance, 2013 (USD millions)

| MDB | MDB Resources | | | External Resources | | | TOTAL |
|------------|--------------------------------------|---------|--------------------------|--------------------------------------|---------|--------------------------|-------|
| | Investments and technical assistance | | Policy-based instruments | Investments and technical assistance | | Policy-based instruments | |
| | Public | Private | | Public | Private | | |
| AfDB | 386 | - | - | 51 | - | - | 437 |
| ADB | 879 | - | - | 101 | - | - | 980 |
| EBRD | 104 | 51 | - | 32 | - | - | 187 |
| EIB | 166 | - | - | - | - | - | 166 |
| IDB | 104 | 2 | 6 | 7 | 2 | - | 121 |
| IFC | - | 8 | - | - | - | - | USD 8 |
| WB | 2,251 | - | 481 | 195 | - | - | 2,927 |
| Sub -Total | 3,890 | 61 | | 386 | 2 | | |
| TOTAL | 3,951 | | 487 | 388 | | - | 4,826 |

Figure 3: MDB Adaptation Finance, 2013 (USD millions)

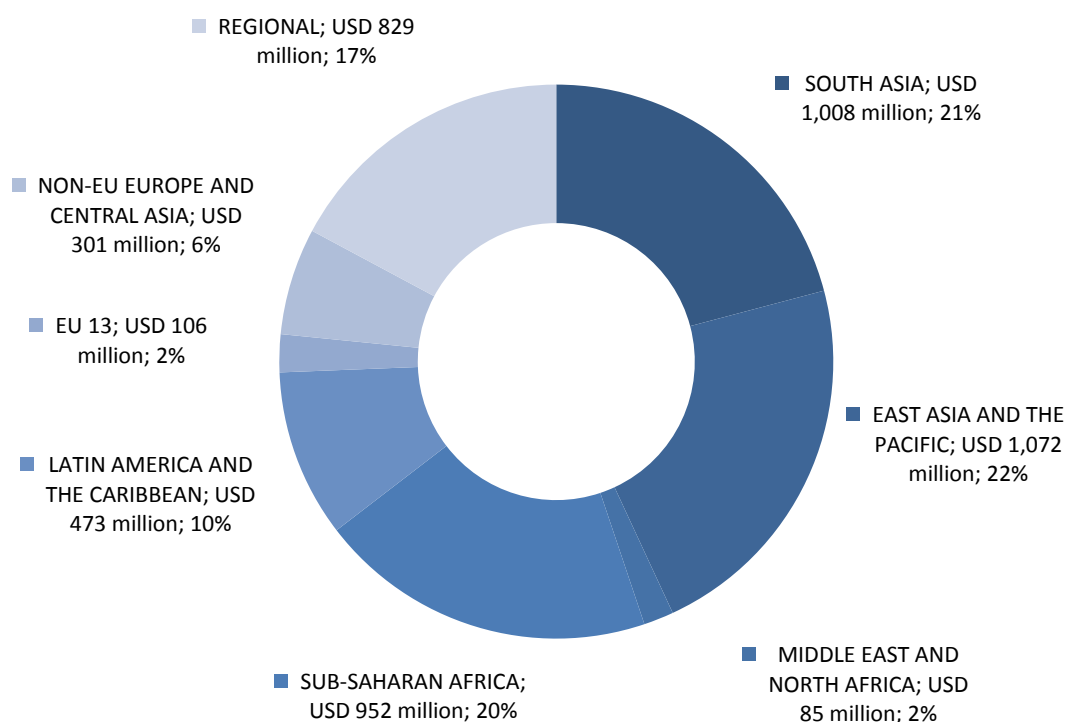


⁸ Refer to section 2.3 for details of adaptation methodology and sectors and sub-sectors for adaptation finance.

Table 4: MDB Adaptation Finance by Region⁹, 2013 (USD millions)

| REGION | MDB Resources | | | External Resources | | | TOTAL |
|---------------------------------|--------------------------------------|---------|--------------------------|--------------------------------------|---------|--------------------------|-------|
| | Investments and technical assistance | | Policy-based instruments | Investments and technical assistance | | Policy-based instruments | |
| | Public | Private | | Public | Private | | |
| SOUTH ASIA | 847 | - | 50 | 110 | - | - | 1,008 |
| EAST ASIA AND THE PACIFIC | 978 | - | 35 | 60 | - | - | 1,072 |
| MIDDLE EAST AND NORTH AFRICA | 0 | 8 | 67 | 10 | - | - | 85 |
| SUB-SAHARAN AFRICA | 786 | - | 57 | 109 | - | - | 952 |
| LATIN AMERICA AND THE CARIBBEAN | 178 | 0 | 278 | 16 | 0 | - | 473 |
| EU 13 | 75 | 4 | - | 27 | - | - | 106 |
| NON-EU EUROPE AND CENTRAL ASIA | 214 | 46 | - | 42 | - | - | 301 |
| REGIONAL | 812 | 3 | - | 13 | 2 | - | 829 |
| Sub -Total | 3,890 | 61 | | 386 | 2 | | |
| TOTAL | 3,951 | | 487 | 388 | | - | 4,826 |

Figure 4: MDB Adaptation Finance by Region, 2013 (USD millions)

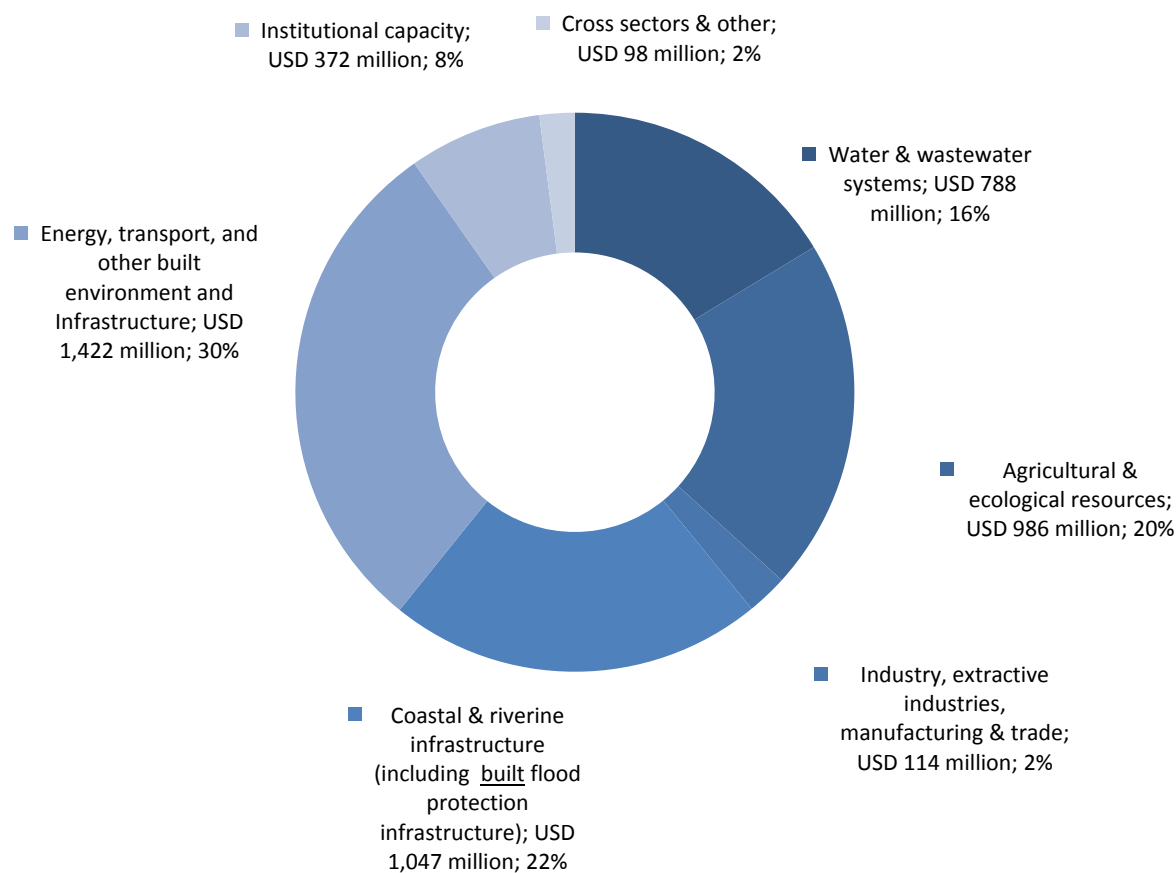


⁹ Refer to Section 2.2 for regional breakdown.

Table 5: MDB Adaptation Finance by Sectors, 2013 (USD millions)

| SECTOR | MDB Resources | | | External Resources | | | TOTAL |
|--|--------------------------------------|---------|--------------------------|--------------------------------------|---------|--------------------------|-------|
| | Investments and technical assistance | | Policy-based instruments | Investments and technical assistance | | Policy-based instruments | |
| | Public | Private | | Public | Private | | |
| Water & wastewater systems | 683 | 8 | - | 97 | - | - | 788 |
| Agricultural & ecological resources | 721 | 33 | 119 | 112 | - | - | 986 |
| Industry, Extractive industries, Manufacturing & Trade | 64 | 5 | 45 | 0 | - | - | 114 |
| Coastal & riverine infrastructure (including <u>built</u> flood protection infrastructure) | 929 | - | 34 | 84 | - | - | 1,047 |
| Energy, transport, and other built environment and Infrastructure | 1,305 | 8 | 43 | 66 | - | - | 1,422 |
| Institutional Capacity | 133 | 2 | 220 | 16 | 2 | - | 372 |
| Cross sectors & other | 56 | 5 | 27 | 10 | 0 | - | 98 |
| Sub -Total | 3,890 | 61 | | 386 | 2 | | |
| TOTAL | 3,951 | | 487 | 388 | | - | 4,826 |

Figure 5: MDB Adaptation Finance by Sectors, 2013 (USD millions)



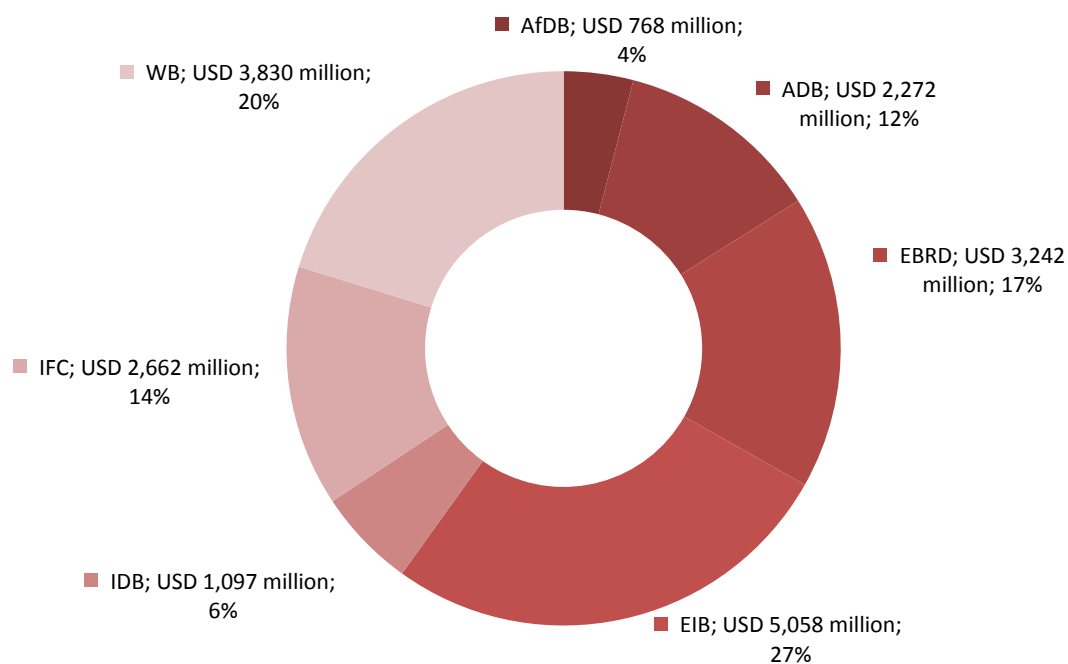
3. MDB MITIGATION FINANCE, 2013

The tables below (6-8) report mitigation finance: in total, by region, and by sector, using the joint MDB approach for reporting, which is based on a common list of mitigation activities at the intersection of what all MDBs consider mitigation. As was done for adaptation, mitigation figures reported correspond to the financing of those components and/or sub-components or elements of projects that provide mitigation benefits (rather than the entire project cost)¹⁰. For MDBs that report dual benefit financing separately (see Section 1.4); this table does not include the mitigation elements of that dual benefit financing. This is shown separately in table 10.

Table 6: MDB Mitigation Finance According to the Joint Approach, 2013 (USD millions)

| MDB | MDB Resources | | | External Resources | | | TOTAL |
|-------------|--------------------------------------|---------|--------------------------|--------------------------------------|---------|--------------------------|--------|
| | Investments and technical assistance | | Policy-based instruments | Investments and technical assistance | | Policy-based instruments | |
| | Public | Private | | Public | Private | | |
| AfDB | 236 | 426 | - | 65 | 40 | - | 768 |
| ADB | 1,443 | 503 | - | 179 | 147 | - | 2,272 |
| EBRD | 945 | 2,187 | - | 32 | 78 | - | 3,242 |
| EIB | 3,532 | 1,526 | - | - | - | - | 5,058 |
| IDB | 535 | 290 | 60 | 133 | 78 | - | 1,097 |
| IFC | 85 | 2,396 | - | 9 | 167 | 4 | 2,662 |
| WB | 2,687 | - | 231 | 733 | 179 | - | 3,830 |
| Sub - Total | 9,464 | 7,329 | | 1,151 | 689 | | |
| TOTAL | 16,793 | | 291 | 1,840 | | 4 | 18,929 |

Figure 6: MDB Mitigation Finance According to the Joint Approach, 2013 (USD millions)

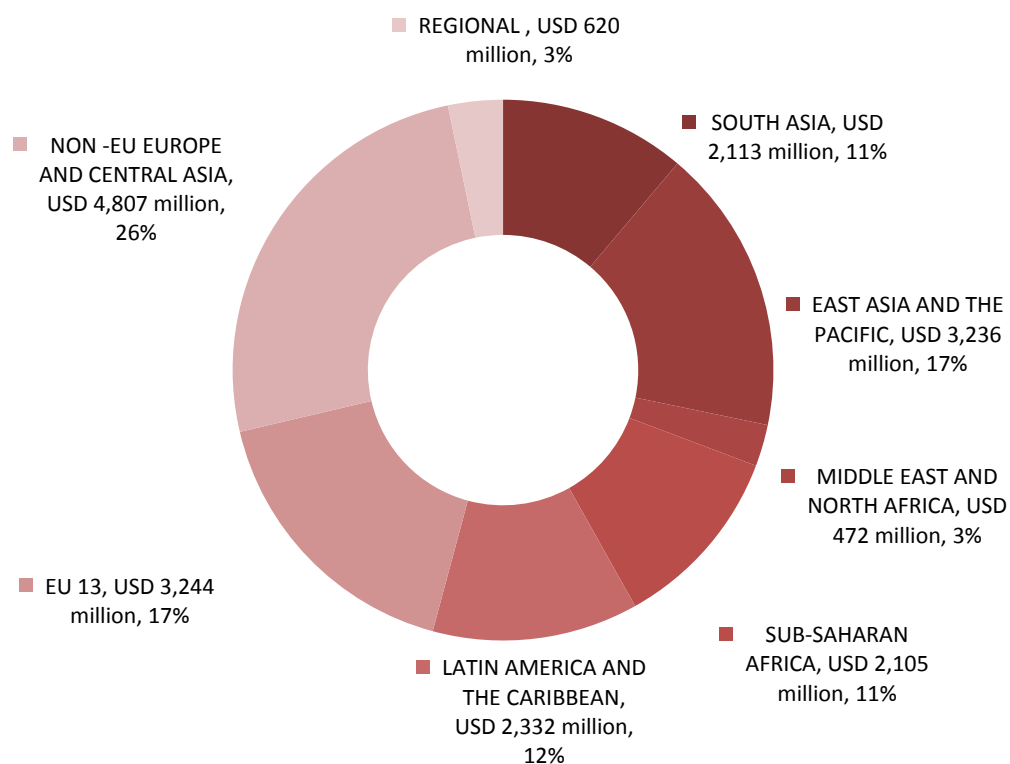


¹⁰ Refer to Section 2.4 for details of mitigation methodology and sectors and sub-sectors for mitigation finance.

Table 7: MDB Mitigation Finance by Region¹¹, 2013 (USD millions)

| REGION | MDB Resources | | | External Resources | | | TOTAL |
|---------------------------------|--------------------------------------|---------|--------------------------|--------------------------------------|---------|--------------------------|--------|
| | Investments and technical assistance | | Policy-based instruments | Investments and technical assistance | | Policy-based instruments | |
| | Public | Private | | Public | Private | | |
| SOUTH ASIA | 1,399 | 514 | 50 | 120 | 30 | 1 | 2,113 |
| EAST ASIA AND THE PACIFIC | 1,482 | 798 | 35 | 644 | 276 | 1 | 3,236 |
| MIDDLE EAST AND NORTH AFRICA | 416 | 47 | - | 7.5 | 1.6 | 0 | 472 |
| SUB-SAHARAN AFRICA | 694 | 1,204 | 7 | 92 | 107 | 0 | 2,105 |
| LATIN AMERICA AND THE CARIBBEAN | 1,016 | 826 | 189 | 162 | 137 | 1 | 2,332 |
| EU 13 | 1,973 | 1,232 | - | 28 | 12 | - | 3,244 |
| NON -EU EUROPE AND CENTRAL ASIA | 2,403 | 2,218 | 10 | 70 | 105 | 0 | 4,807 |
| REGIONAL | 81 | 490 | - | 28 | 20 | 1 | 620 |
| Sub -Total | 9,464 | 7,329 | | 1,151 | 689 | | |
| TOTAL | 16,793 | | 291 | 1,840 | | 4 | 18,929 |

Figure 7: MDB Mitigation Finance by Region, 2013 (USD millions)

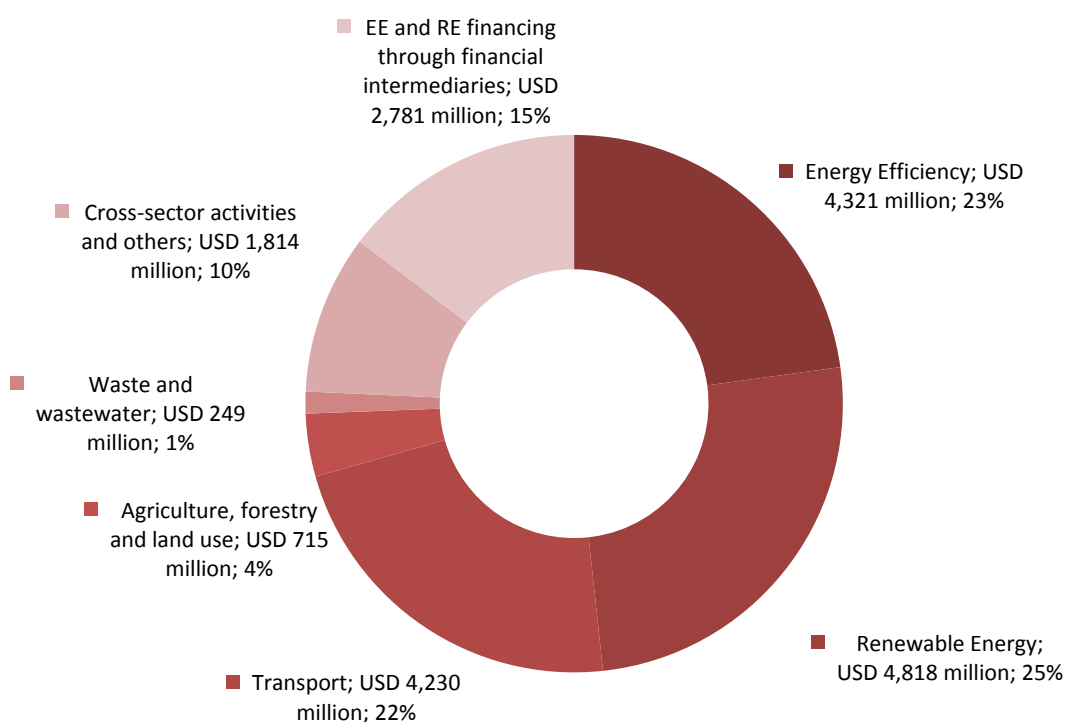


¹¹ Refer to Section 2.2 for regional breakdown.

Table 8: MDB Mitigation Finance by Sectors, 2013 (USD millions)

| SECTOR | MDB Resources | | | External Resources | | | TOTAL |
|--|--------------------------------------|---------|--------------------------|--------------------------------------|---------|--------------------------|--------|
| | Investments and technical assistance | | Policy-based instruments | Investments and technical assistance | | Policy-based instruments | |
| | Public | Private | | Public | Private | | |
| Energy Efficiency | 2,541 | 1,568 | 37 | 105 | 67 | 3 | 4,321 |
| Renewable Energy | 2,355 | 1,891 | 51 | 196 | 324 | 1 | 4,818 |
| Transport | 3,580 | 593 | 6 | 51 | - | 0 | 4,230 |
| Agriculture, forestry and land use | 256 | 270 | 12 | 168 | 9 | 0 | 715 |
| Waste and Waste Water | 180 | 48 | 2 | 19 | 1 | - | 249 |
| Cross-sector activities and others | 342 | 489 | 183 | 609 | 191 | - | 1,814 |
| EE and RE financing through financial intermediaries | 211 | 2,470 | - | 3 | 98 | 0 | 2,781 |
| Sub - Total | 9,464 | 7,329 | | 1,151 | 689 | | 18,929 |
| TOTAL | 16,793 | | 291 | 1,840 | | 4 | |

Figure 8: MDB Mitigation Finance by Sectors, 2013 (USD millions)



MDB Mitigation Finance outside the joint methodology

The joint mitigation methodology is a list of mitigation activities at the intersection of what all MDBs consider mitigation. However, some MDBs consider additional activities not covered by the joint approach as mitigation, for their own reporting.

For 2013, ADB, IDB, IFC and WB reported different figures according to their internal mitigation finance tracking approach. The IDB has an internal methodology which covers climate change, sustainable energy and environmental sustainability and is therefore not directly comparable to the figures reported under the joint MDB approach (see footnote)¹². Table 9 below shows volumes the other MDBs counted outside the joint approach according to their own internal methodologies and differences from the MDB joint approach.

Table 9: Mitigation Finance showing differences from MDB joint methodology¹³

| MDB | MDB Resources | | | External Resources | | | Total |
|--|-------------------------------------|-----------|--------------------------|-------------------------------------|-----------|--------------------------|--------------|
| | Investment and technical assistance | | Policy-based Instruments | Investment and technical assistance | | Policy-based Instruments | |
| | Public | Private | | Public | Private | | |
| ADB's mitigation finance as per its internal methodology | 1,554 | 520 | | 180 | 162 | | 2,415 |
| ADB's mitigation finance as per MDB methodology | 1,443 | 503 | - | 179 | 147 | - | 2,272 |
| <i>Difference</i> | 111 | 16 | | 2 | 15 | | 144 |
| IFC mitigation finance as per its internal methodology | 85 | 2,415 | - | 9 | 167 | 4 | 2,681 |
| IFC mitigation finance as per MDB methodology | 85 | 2,396 | - | 9 | 167 | 4 | 2,662 |
| <i>Difference</i> | | 20 | | | | | 20 |
| WB mitigation finance as per its internal methodology | 2,930 | - | 231 | 733 | 179 | - | 4,073 |
| WB mitigation finance as per MDB methodology | 2,687 | - | 231 | 733 | 179 | - | 3,830 |
| <i>Difference</i> | 243 | | | | | | 243 |

¹² The IDB has an internal methodology to quantify how it meets its lending target under its 9th general capital increase and incorporates projects related to climate change, sustainable energy and environmental sustainability. Under this methodology, IDB has reported USD 2.9 billion that is not comparable to MDB numbers because: the IDB internal methodology a) accounts exclusively for loans, b) counts the full loan amount, rather than only climate components, and c) includes sustainable energy and environmental sustainability.

¹³ Differences include, for example, wider interpretation of a) EE projects and b) mitigation transport projects.

4. FINANCE WITH DUAL ADAPTATION AND MITIGATION BENEFITS, 2013

MDBs recognise that some components and/or sub-components or elements within projects contribute to both mitigation and adaptation (thereby having dual benefits: adaptation and mitigation¹⁴). Because this financing is important, albeit currently a small volume of climate finance, it has been decided to report it separately where MDB systems allow.

For the 2012 finance report, MDBs did identify the components with dual benefits. MDBs, depending on their internal reporting system, decided to split the figures between mitigation and adaptation and add the assigned figures to either mitigation or adaptation tables. This was done so that the adaptation and mitigation figures could be added together, to give a climate finance total with no double counting.

For this year, ADB, EBRD and IDB have highlighted dual benefit figures separately according to their internal systems and this is therefore reported in table 10. The other MDBs, not listed in table 10, when financing projects of this nature, have split the financed amount between mitigation and adaptation (and included this in the tables in Sections 1.2 and 1.3). In both cases there is no double counting. Examples are given below to demonstrate the two accounting methods.

Table 10: MDB Finance with dual adaptation and mitigation benefit figures 2013 (USD millions)

| MDB | MDB Resources | | | External Resources | | | Total |
|--------------|--------------------------------------|---------|--------------------------|--------------------------------------|---------|--------------------------|-------------|
| | Investments and technical assistance | | Policy-based instruments | Investments and technical assistance | | Policy-based instruments | |
| | Public | Private | | Public | Private | | |
| ADB | 2.1 | 0.0 | 0.0 | 14.1 | 0.0 | 0.0 | 16.2 |
| EBRD | 16.1 | 15.3 | 0.0 | 0.0 | 0.0 | 0.0 | 31.3 |
| IDB | 0.2 | 0.8 | 0.0 | 1.3 | 0.0 | 0.0 | 2.2 |
| TOTAL | 34.4 | | 0.0 | 15.3 | | 0.0 | 49.7 |

| Illustrative examples of different accounting approaches for dual benefit finance | | |
|---|---|--|
| Project | Afforestation and Erosion Control | |
| Sector | Forestry | |
| Climate vulnerability context and intent to address climate change impacts | The project is an afforestation project, (mitigation category 6.1.1). Its intent is also to provide erosion control and slope stability in response to increased climate risk, meeting MDB methodology for adaptation. Therefore, it is intended to deliver the dual benefit of both climate mitigation and adaptation. The project was considered 100% climate finance (MDB loan USD 150 million). | |
| | Accounting method 1 | Accounting method 2 |
| | Loan split 50/50 between adaptation (USD 75 M) and mitigation (USD 75 M) and included within the concerned MDB's adaptation and mitigation figures respectively and reported in the relevant adaptation and mitigation tables. Nothing would be reported in table 10. | The entire loan amount was reported separately as finance with dual adaptation and mitigation benefits. The entire loan amount would be reported in table 10. |

¹⁴ Examples could include: a) an afforestation project to prevent slope erosion in an area with increased risk of flash floods (whole project has both mitigation and adaptation benefits), or b) the incremental cost of adding climate resilience to a renewable energy project (the whole project is mitigation and the incremental cost is adaptation).

SECTION 2: GENERAL

1. DEFINITIONS:

- **Reporting period:** Data covers fiscal year 2013. Even though MDBs do not follow the same reporting cycle, data remains comparable across MDBs as they all correspond to a 12-month period.
- **Point of reporting:** Data corresponds to commitments at time of Board approval or financial agreement signature, and are therefore based on ex-ante estimation. All due 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.
- **Sources covered:** MDBs' own resources as well as a range of external resources managed by the MDBs.
- **Public and private:** this is based on the status of the first recipient/borrower of the MDB finance. The first recipient /borrower is to be considered public when at least 50% is publically owned¹⁵.
- **Financing instruments:** All instruments associated with the resources covered (grant, loan, guarantee, equity, performance-based instrument).
- **Comparability:** The numbers in this report are comparable with the ones in the 2012 report but not comparable to the ones in the 2011 report due to different geographic categories.
- **Extrapolation of data:** Given that the MDBs' climate finance numbers are for only one year they should not be used to make any extrapolations about the MDBs' level of engagement in climate finance.
- **External resources:** refers to trust-funded operations (including dedicated climate finance facilities) which might be reported to the OECD's Development Assistance Committee by the contributor countries as well.
- **Policy-based instruments:** 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 nationally driven policy and institutional reforms.
- **Investments and technical assistance:** relates 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.
- **Granularity:** Finance reported covers only those components (and/or sub-components to the extent data is available) or elements with activities that directly contribute to (or promote) adaptation and/or mitigation.
- **Reporting:** Reporting is complete for all fields and all tables, i.e. if a value in a table is '0' then the value is below 0.5m and if the value is '-' this means nothing was reported. As all finance figures are rounded to the nearest USD million or USD hundred thousand, tables summed by hand may not give the exact result shown as the total figures in the tables.

¹⁵ It is acknowledged 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 for EE in SMEs. This is particularly complicated when there is a public private partnership (PPP).

2. GEOGRAPHICAL COVERAGE OF THE REPORT, AND REGIONAL BREAKDOWNS

Countries included in this list are all countries covered by at least one of the MDBs reporting. Inclusion of countries in this list does not imply any recognition of country names, borders, etc. by any of the MDBs in question.

| SOUTH ASIA | | |
|--|----------------------------------|-----------------------------|
| Afghanistan | India | Pakistan |
| Bangladesh | Maldives | Sri Lanka |
| Bhutan | Nepal | |
| 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 |
| Indonesia | Nauru | Tonga |
| Kiribati | Palau | Tuvalu |
| Lao People's Democratic Republic | Papua New Guinea | Vanuatu |
| Malaysia | Philippines | Vietnam |
| 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 | |
| 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 | | |
| LATIN AMERICA AND THE CARIBBEAN | | |
| Anguilla | Dominica | Panama |
| Antigua and Barbuda | Dominican Republic | Paraguay |
| Argentina | Ecuador | Peru |
| Aruba | El Salvador | Puerto Rico |
| Bahamas | Falkland Islands (Malvinas) | 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 | United States Virgin Islands |
| Costa Rica | Mexico | Uruguay |
| Cuba | Montserrat | Venezuela (Bolivarian Republic of) |
| Curaçao | Nicaragua | |
| EU 13 | | |
| Bulgaria | Hungary | Romania |
| Croatia | Latvia | Slovakia |
| Cyprus | Lithuania | Slovenia |
| Czech Republic | Malta | |
| Estonia | Poland | |
| NON-EU EUROPE AND CENTRAL ASIA¹⁶ | | |
| Albania | Kyrgyz Republic | Turkey |
| Armenia | Kosovo | Tajikistan |
| Azerbaijan | Montenegro | Turkmenistan |
| Belarus | Republic of Moldova | Ukraine |
| Bosnia and Herzegovina | Russian Federation | Uzbekistan |
| Georgia | Serbia | |
| Kazakhstan | The Former Yugoslav Republic of Macedonia | |
| | | |
| REGIONAL | | |
| Any operation by an MDB that is implemented across two or more countries including activities with a global focus | | |

¹⁶ Previously reported "(OTHER) Europe and Central Asia"

3. GUIDANCE SECTION ON THE ADAPTATION FINANCE TRACKING METHODOLOGY

1) Background and guiding principles

The MDB climate 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.

2) Overview of the adaptation finance tracking methodology

The methodology comprises the following key steps:

- Setting out the **context of climate vulnerability** 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 proportions of projects) that are clearly linked to the climate vulnerability context.

a. Context of vulnerability to climate variability and change

For a project to be considered as contributing to adaptation, the context of climate vulnerability needs to be set out clearly using a robust evidence base. This could take a variety of forms, including the 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, IPCC reports, Strategic Programmes for Climate Resilience, etc.

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 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.).

b. 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 in the project's climate vulnerability assessment. This is important for making the distinction between a project contributing to climate change adaptation and a standard 'good development' project. The methodology is flexible about exactly where/how the statement of intent/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 documented in the final technical document, Board document, or an internal memo, or other associated project document.

c. Clear and direct link between climate vulnerability and project activities

In line with the principles of the overall MDB climate finance tracking methodology, only the 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 estimated incremental or proportional cost of adaptation is counted. This approach may also be

applied to project preparation activities if appropriate, depending on the standard practices of the specific MDB in question.

3) Reporting of project activities with dual benefits

Where the same project, sub-project or project element contributes to climate 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 (table 10). The MDBs are continuing to work on the best reporting method for projects where the same components or elements contribute to both mitigation and adaptation.

Table 11: Adaptation Sectors and Examples of Sub-Sectors

| Sectors Grouping ¹⁷ | Examples of Specific Sub-sectors |
|--|---|
| Water & Wastewater Systems | Water supplies |
| | Wastewater infrastructure |
| | Water resources management not included under "Other" |
| Agricultural & Ecological Resources | Primary agriculture & food <u>production</u> |
| | Agricultural irrigation |
| | Forestry |
| | Livestock production |
| | Fishing |
| | Ecosystems (including ecosystem-based flood protection measures) |
| Industry, Extractive Industries, Manufacturing & Trade | Manufacturing |
| | Food <u>processing</u> distribution & retail |
| | Trade |
| | Extractive industries (oil, gas, mining, etc.) |
| Coastal and Riverine Infrastructure (including <u>built</u> flood protection infrastructure)¹⁸ | |
| Energy, Transport, and other Built Environment and Infrastructure | Construction |
| | Transport |
| | Urban development |
| | Tourism ¹⁹ |
| | Waste management |
| | Energy generation (including renewables) |
| | Energy transmission and distribution |
| Institutional Capacity | Technical services or other professional support to beneficiary organisations |
| | ICT hardware and software to beneficiary organisations |
| Cross Sectors and Other | Financial services (banking, insurance) |
| | Human capacity (education, health) |
| | Disaster risk management |
| | Cross-sector policy and regulation |

¹⁷ This year's report shows a slightly different grouping of the adaptation sectors from the 2012 report. Two sub-sectors were moved to the main sector column, namely Coastal and Riverine Infrastructure and Institutional Capacity, which previously had been included as sub-sectors in categories: Energy, transport, and other built environment and infrastructure, and Cross sectors and Other respectively. These sub-sectors have been dominating the adaptation breakdown figures for three years 2011/2012/2013 and thus it was felt they should be reported separately.

¹⁸ Natural flood protection, e.g. mangrove restoration, is normally included under "Ecosystems (including ecosystem-based flood protection measures)".

¹⁹ Tourism is included in this category as the sector essentially revolves around 'built environment', e.g. hotels, transport facilities.

Table 12: Indicative Examples of Climate Resilience Activities by Sub-Sector

| Potential sectors | Potential impact of climate change | Potential adaptation activity |
|-------------------------------|--|---|
| Financial services | Increased strain on banking sectors as clients experience climate impacts | Creation of dedicated financing mechanisms to promote the uptake of climate resilient technologies |
| ICT (Hardware) | Damage to key national data centres from storms or floods | Identification of sites at greatest risk and enhancement of resilience of those sites |
| Manufacturing | Historic specifications for equipment inappropriate under new climate | Design of climate resilient equipment, e.g. stable cranes for harbours in cyclone zones |
| Trade | Disruption of national trade due to climate disasters | Local government support for business continuity planning amongst local employers |
| Professional services | Increase in the demand for professional services for climate risk assessment | Provision of finance to SMEs providing relevant services, e.g. engineering or insurance |
| Education | Climate change results in technical syllabus is outdated for high risk sectors | Technical capacity building for training the trainers in water and agri-sectors |
| Construction | Shift in zones affected by typhoons/ hurricanes/storm surges | More robust building regulations and improved enforcement practices |
| Oil, gas, mining | Shift in zones affected by typhoons/ hurricanes | Increased intensity of seismic survey and offshore drilling outside hurricane seasons |
| 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 |
| Disaster risk management | Increased frequency and/or intensity of climate related disasters | Financial assistance for improved planning of government bodies/NGOs integrating climate change scenarios in their planning activities. |
| Water resources | Reduction in river water levels due to reduced rainfall | Improved catchment management planning and regulation of abstraction |
| (Waste) water infrastructure | Increased groundwater salinity due to sea level rise and/or coastal flooding | Provision of microfinance for domestic rainwater harvesting equipment and storage |
| 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 |
| Fossil fuel energy generation | Increased seasonality of rainfall, creating periods of low river flows | Investment in coal fired generators with minimal cooling water requirements |
| Renewable energy | Reduction in river flows lead to loss of generation from hydroelectric plant | Hydro-infrastructure subject to due diligence against climate and hydrological models |
| Transmission and distribution | Higher temperatures reduce distribution efficiency | Investment in embedded renewable generation to reduce distribution requirements |
| Tourism | Drought disrupts mammal migrations and causes large scale starvation | Diversification of tourist attractions to encompass biodiversity/conservation |
| Transport | More extreme river flows cause erosion of embankments and loss of bridges | Use of revised recurrence intervals for extreme events in infrastructure design |
| Ecosystems | Drought causes loss of forest cover with impacts on livelihoods/biodiversity | Identification of protected areas and establishment of migration corridors for at-risk ecosystems' wild life (animals) |
| Forestry | Increased frequency of forest fires | Engagement with local communities to limit the source, and improved forest fire management |
| Agriculture | Increased variability in crop productivity | Provision of information on crop diversification options, with assessment of costs |
| Livestock production | Loss of forage quantity or quality | Increased production of fodder crops to supplement rangeland diet |
| Fishing | Loss of river fish stocks due to changes in water flows and/or temperature | Adoption of sustainable aquaculture techniques to supplement local fish supplies |
| Urban development | Increased urban flooding from extreme rainfall events | Asset review to identify assets vulnerable to increased flooding, then prioritise protection works |

4) Adaptation case studies

The following case studies are intended to illustrate how the adaptation finance tracking approach has been recently used by MDBs.

| Project Focus | Climate Resilience | Social Protection System | A river basin improvement project | Road system improvement investment |
|--------------------------------------|--|---|---|---|
| Sector | Agriculture and Ecological Resources | Cross sectors and Other / Human capacity (education, health) | Water and Wastewater Systems (water resources management) | Energy, transport, and other built environment and Infrastructure (Transport) |
| Brief description of project | The project aims to foster food security, sustained growth and poverty reduction by strengthening the climate change adaptive capacity of about 800,000 people in a region that depends on rain-fed agriculture for their subsistence. More specifically the project will strengthen the capacity of communities to cope with floods and droughts. | The programme is a development policy loan with 8 prior actions focusing on 5 main themes of support namely: (i) strengthening policy development and management capacity of the social protection (SP) sector; (ii) integrating management information systems (MIS) for the main social protection programmes; (iii) establishing operational links between social protection and early warning systems, with the ultimate objective of “climate-proofing” social protection programmes; and (iv) expanding the coverage and enhancing the harmonisation of social protection interventions in the country. | The project aims to improve water security and resilience to potential climate change impact. The project will finance the construction of upstream water storage, riverbed oxygenating weirs, riverbank beautification, and community initiatives to improve the river environment. The project will also support the establishment of a river basin organisation with adequate capacity and decision support systems for integrated water resources management (IWRM). | The project aims to enhance connectivity across provinces through the construction of two major bridges, a road connecting the two bridges, and approach roads. |
| Climate vulnerability context | According to a climate change assessment made by the concerned country’s government, there is increasing intensity of floods and droughts. This is projected to worsen in coming decades. Over the last three decades, floods and droughts are estimated to have cost the country 0.4% of annual economic growth. The project document outlines this evidence as the basis for the project action. | The government of the country concerned has recognised the impact that climate risks can have on livelihoods and the production sectors, particularly on agricultural production. The vast majority of the population relies primarily on rain-fed agriculture for subsistence, making it vulnerable to increasing weather-related risks and the effects of climate change. This has been analysed in the country’s National Adaptation Programmes of Action to climate change (NAPA). | An analysis of likely changes of temperature and rainfall was conducted during project preparation to appraise the resilience of the proposed infrastructure investments to climate change. The analysis used results from a general circulation model and two emissions scenarios, as well as results of downscaled projections described in recent studies. The analysis revealed an increase in the average mean maximum temperature and a decrease in the annual rainfall. Climate-induced risks to water resources facilities in the river basin included flooding, landslides and sedimentation as well as greater unreliability of dry season flows, and risks to water supplies and irrigation during the lean season. It was found that the reduction in rainfall during the first 20 years would not affect the filling capacity of the reservoir as current available runoff was estimated at 160% of reservoir capacity. Variations from year-to-year were projected to increase with more extremes. Therefore, regulation through reservoirs was required to maintain the flow in the river during the dry season. | The project is located in a coastal area identified as one of the world’s most vulnerable regions to climate change. An analysis of regional assessment showed that predicted regional changes in climate include increased intensity of precipitation, higher storm surges and sea-level rise. These changes would result in increases in both the magnitude and frequency of floods and storms, and induce greater seasonal variability in weather patterns in the project area. Taken together, these risks would potentially reduce the intended design life of the large infrastructure. A climate risk and vulnerability assessment was conducted to further identify the negative impacts of these changes on the project performance. The study found that the embankments of the connecting road were vulnerable to the combined impacts of projected increases in the frequency and intensity of upstream flooding. Projected impacts included: (1) erosion of road embankments and scour of road foundations; (2) water logging of road foundations leading to road subsidence; (3) reduced stability of infrastructure; and (4) increased maintenance effort. |

| | | | | |
|--|---|---|--|---|
| Statement of purpose or intent | The project is designed for climate change adaptation in agriculture under the Pilot Program for Climate Resilience of the Climate Investment Funds (CIF). The project meets the funding criteria of the CIF on climate resilience. | Stronger coordination is needed across various sectors and agencies in developing and implementing a comprehensive approach to climate risk management that incorporates adaptation to historical climate variability and projected climate change and effectively uses new climate-related financing. The project seeks to enhance poor people's capacity to cope with shocks and aims to deal pre-emptively with the effects of climate change by strengthening public agencies and establishing links with disaster risk management. | Dam construction and ground water recharge will improve communities' resilience to drought and flood. The design capacity of the improved river corridor will integrate anticipated impacts of climate change with design standards for flood management. | The findings of the climate risk and vulnerability assessment fed into the design of the infrastructure. The project's technical designs include climate change adaptation measures such as increased height for road embankments and larger clearance for bridges to reduce climate change risks on the project. |
| Link to project activities | All project components contribute to the climate change adaptive capacity of the affected region/community. The project includes community-driven participatory adaptation and adaptation practices plus project management activities. | The project is establishing operational links between social protection and early warning systems, with the ultimate objective of climate-proofing social protection programmes. | Project adaptation measures include: <ul style="list-style-type: none"> - A capacity building component to formulate adaptive basin management plans and establish a river basin organisation with the ability to account for the impacts of climate change in the management of the basin; - Construction of a new storage reservoir within the upper watershed to retain wet season flows for release during the dry season; - "Climate-proofing" the design of the upstream reservoir by taking into account the impacts on river hydrology and extreme events; - Establishment of a flood forecasting and early warning system to provide advanced warning of flood events, and training on response measures. | Project adaptation measures include: <ul style="list-style-type: none"> - Additional embankment volume. During the first phase, a nominal increase of 0.30 m in finished road level for low-lying stretches of the road was considered adequate for the medium term; in the long term, beyond a 30-year horizon, a second phase of adaptation would be considered as part of further maintenance and road upgrades and expansion; - additional area of ground treatment due to increased width of embankment; - additional length of culverts due to increased width of embankment; - additional height of abutments and piers of six bridges |
| Calculation of adaptation finance | Total project amount (USD 38 million) considered climate finance adaptation. | One of the 8 prior actions is on "climate-proofing" the main social protection programmes during their programming and design as disasters are increasingly caused by climate-related factors. Thus 1/8 or 12.5% of the total project cost is attributed to climate change adaptation (USD 6.25 million out of USD 50 million). | The total project cost is USD 36 million. Adaptation measures are estimated to amount to USD 20 million or 55.5% of the total project cost. | The additional cost of adaptation measures was estimated at USD 4.5 million or 0.5% of project cost. |
| Type of adaptation finance | External finance | Development policy operation | Loan and grant-MDB resources | MDB resources |

4. JOINT MDB APPROACH FOR MITIGATION FINANCE REPORTING

1) Principles of the Joint MDB Mitigation Finance Reporting

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

- a) It is **activity-based**, namely, it focuses on the type of activity to be executed, and not on its purpose, the origin of the financial resources, or its actual results.
- b) The classification is **ex-ante** project implementation.
- c) An activity can be a project or a project component: the joint approach aims to report on mitigation activities disaggregated from non-mitigation activities through a reasonable level of data **granularity** by dissecting projects into main components. For example, a project with a total cost of USD 100 million may have a USD 10 million component for energy efficiency improvements – only the USD 10 million would be reported.
- d) The joint approach measures **financial flows**, rather than greenhouse gas (GHG) emissions reduced by the investment.
- e) An activity can be labelled as contributing to climate change mitigation if it promotes “efforts to reduce or limit greenhouse gas (GHG) emissions or enhance GHG sequestration.”²⁰ In the absence of a commonly agreed method for GHG analysis among MDBs, mitigation activities considered in this joint approach are assumed to lead to emission reductions, **based on past experience** and/or technical analysis. Ongoing efforts to harmonise GHG analysis among MDBs should bring more consistency regarding the identification of many mitigation activities in the long term.
- f) The purpose of this joint approach is to establish **practical**, harmonised climate finance classification categories without having to resort to long, complex studies or highly specialised experts.
- g) The qualification of a project under this methodology does not imply specific evidence of its climate change effects. Inclusion is not a substitute for project-specific theoretical and/or quantitative evidence of GHG emissions mitigation, and projects seeking to demonstrate such effects must do so through project-specific data.
- h) Where the same project, sub-project or project element contributes to climate 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 (table 10). The MDBs are working on the best reporting method for projects where the same components or elements contribute to both mitigation and adaptation.

²⁰ OECD DAC. Definition of the Rio Marker on climate change mitigation: <http://bit.ly/RioMit>.

2) Typology of Mitigation Activities included in the Joint MDB Mitigation Finance Reporting

1. Demand-side, brownfield energy efficiency²¹

1.1. Commercial and residential sectors (buildings)

- 1.1.1. Energy-efficiency improvement in lighting, appliances and equipment
- 1.1.2. Substitution of existing heating/cooling systems for buildings by cogeneration plants that generate electricity in addition to providing heating/cooling²²
- 1.1.3. Retrofit of existing buildings: Architectural or building changes that enable the reduction of energy consumption
- 1.1.4. Waste heat recovery improvements

1.2. Public services

- 1.2.1. Energy-efficiency improvement in utilities and public services through the installation of more efficient lighting or equipment
- 1.2.2. Rehabilitation of district heating systems
- 1.2.3. Utility heat loss reduction and/or increased waste heat recovery
- 1.2.4. Improvement in utility-scale energy efficiency through efficient energy use and loss reduction.

1.3. Agriculture

- 1.3.1. Reduction in energy use in traction (e.g. efficient tillage), irrigation and other agricultural processes

1.4. Industry

- 1.4.1. Industrial energy-efficiency improvements through the installation of more efficient equipment, changes in processes, reduction of heat losses and/or increased waste heat recovery
- 1.4.2. Installation of cogeneration plants
- 1.4.3. More efficient facility - replacement of an older facility (old facility retired)

2. Demand-side, greenfield energy efficiency²³

2.1. Construction of new buildings

- 2.1.1. Use of highly efficient architectural designs or building techniques that enable the reduction of energy consumption for heating and air conditioning, exceeding available standards and complying with high energy efficiency certification or rating schemes

3. Supply-side, brownfield energy efficiency

3.1. Transmission and distribution systems

- 3.1.1. Retrofit of transmission lines or substations to reduce energy use and/or technical losses, excluding capacity expansion
- 3.1.2. Retrofit of distribution systems to reduce energy use and/or technical losses, excluding capacity expansion
- 3.1.3. Improving existing systems to facilitate the integration of renewable energy sources into the grid

3.2. Power plants

- 3.2.1. Renewable energy power plant retrofits
- 3.2.2. Energy-efficiency improvement in existing thermal power plant
- 3.2.3. Thermal power plant retrofit or replacement²⁴ to fuel switch from a more GHG-intensive fuel to a different, less GHG-intensive fuel type²⁵
- 3.2.4. Waste heat recovery improvements

4. Renewable Energy

4.1. Electricity generation, greenfield projects

- 4.1.1. Wind power
- 4.1.2. Geothermal power
- 4.1.3. Solar power (concentrated solar power, photovoltaic power)
- 4.1.4. Biomass or biogas power that does not decrease biomass and soil carbon pools

²¹ The general principle for brownfield energy efficiency activities involving 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.

²² At higher energy efficiency than separate production.

²³ 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).

²⁴ Replacement is included only when the owner of the plants is the same and has contractually agreed to close the old plant(s) with an equivalent capacity (when the new one(s) is commissioned) and to feed the same electricity system.

²⁵ Excluding replacement of coal by coal.

- 4.1.5. Ocean power (wave, tidal, ocean currents, salt gradient, etc.)
- 4.1.6. Hydropower plants only if net emission reductions can be demonstrated
- 4.2. Transmission systems, greenfield
 - 4.2.1. New transmission systems (lines, substations) or new systems (e.g. new information and communication technology, storage facility, etc.) to facilitate the integration of renewable energy sources into the grid
- 4.3. Heat production or other RE applications, greenfield or brownfield projects
 - 4.3.1. Solar water heating and other thermal applications of solar power in all sectors
 - 4.3.2. Thermal applications of geothermal power in all sectors
 - 4.3.3. Thermal applications of sustainably-produced bioenergy in all sectors, including efficient, improved biomass stoves
 - 4.3.4. Wind-driven pumping systems or similar
- 5. Transport**
 - 5.1. Vehicle energy efficiency fleet retrofit
 - 5.1.1. Existing vehicles, rail or boat fleet retrofit or replacement (including the use of lower-carbon fuels, electric or hydrogen technologies, etc.)
 - 5.2. Urban transport modal change
 - 5.2.1. Urban mass transit
 - 5.2.2. Non-motorised transport (bicycles and pedestrian mobility)
 - 5.3. Urban development
 - 5.3.1. 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
 - 5.3.2. Transport demand management measures 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)²⁶
 - 5.4. Inter-urban transport and freight transport
 - 5.4.1. Improvement of general transport logistics to increase energy efficiency of infrastructure and transport, e.g. reduction of empty running
 - 5.4.2. 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)
 - 5.4.3. 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)
- 6. Agriculture, forestry and land use**
 - 6.1. Afforestation and reforestation
 - 6.1.1. Afforestation (plantations) on non-forested land
 - 6.1.2. Reforestation on previously forested land
 - 6.2. Reducing emissions from the deforestation or degradation of ecosystems
 - 6.2.1. Biosphere conservation projects (including payments for ecosystem services)
 - 6.3. Sustainable forest management
 - 6.3.1. Forest management activities that increase carbon stocks or reduce the impact of forestry activities
 - 6.4. Agriculture
 - 6.4.1. Agriculture projects that do not deplete and/or improve existing carbon pools (reduction in fertilizer use, rangeland management, collection and use of bagasse, rice husks, or other agricultural waste, low tillage techniques that increase carbon contents of soil, rehabilitation of degraded lands, etc.)
 - 6.5. Livestock
 - 6.5.1. Livestock projects that reduce methane or other GHG emissions (manure management with biodigestors, etc.)
 - 6.6. Biofuels
 - 6.6.1. Production of biofuels (including biodiesel and bioethanol)
- 7. Waste and wastewater**
 - 7.1. Solid waste management that reduces methane emissions (e.g. incineration of waste, landfill gas capture, and landfill gas combustion)

²⁶ General traffic management is not included. This category is for demand management to reduce GHG emissions, assessed on a case by case basis.

- 7.2. Treatment of wastewater if not a compliance requirement (e.g. performance standard or safeguard) as part of a larger project including the reduction of methane emissions
- 7.3. Waste recycling projects that recover or reuse materials and waste as inputs into new products or as a resource

8. Non-energy GHG reductions

8.1. Industrial processes

- 8.1.1. Reduction of GHG emissions resulting from industrial process improvements and cleaner production (e.g. cement, chemicals)

8.2. Air conditioning and cooling

- 8.2.1. Retrofit of existing industrial, commercial and residential infrastructure to switch to cooling agent with lower global warming potential

8.3. Fugitive emissions and carbon capture

- 8.3.1. Carbon capture and storage projects (including enhanced oil recovery)
- 8.3.2. Reduction of gas flaring or methane fugitive emissions in the oil and gas industry
- 8.3.3. Coal mine methane capture

9. Cross-sector activities and others

9.1. Policy and regulation

- 9.1.1. National mitigation policy/planning/institutions
- 9.1.2. Energy sector policies and regulations (energy efficiency standards or certification schemes; energy efficiency procurement schemes; renewable energy policies)
- 9.1.3. Systems for monitoring the emission of greenhouse gases
- 9.1.4. Efficient pricing of fuels and electricity (subsidy rationalisation, efficient end-user tariffs, and efficient regulations on electricity generation, transmission, or distribution),
- 9.1.5. Education, training, capacity building and awareness raising on climate change mitigation/sustainable energy/sustainable transport; mitigation research

9.2. Energy audits

- 9.2.1. Energy audits for energy end-users, including industries, buildings, and transport systems

9.3. Supply chain

- 9.3.1. Improvements in energy efficiency and GHG reductions in existing product supply chains

9.4. Financing instruments

- 9.4.1. Carbon markets and finance (purchase, sale, trading, financing, guarantee and other technical assistance). Includes all activities related to compliance-grade carbon assets and mechanisms, such as Clean Development Mechanism (CDM), Joint Implementation (JI), Assigned Amount Units (AAUs), as well as well-established voluntary carbon standards like the Verified Carbon Standard (VCS) or the Gold Standard.

- 9.4.2. Renewable energy and energy efficiency financing through financial intermediaries or similar (e.g. earmarked lines of credit; lines for microfinance institutions, cooperatives, etc.)²⁷

9.5. Low-carbon technologies

- 9.5.1. Research and development of renewable energy or energy efficiency technologies
- 9.5.2. Manufacture of renewable energy and energy efficiency technologies and products

9.6. Activities with greenhouse gas accounting

- 9.6.1. Any other activity not included in this list for which the results of ex-ante greenhouse gas accounting (undertaken according to commonly agreed methodologies) show emission reductions that are higher than a commonly agreed threshold²⁸

3) Mitigation case studies

The following case studies are intended to illustrate how the mitigation finance tracking approach has been recently used by MDBs.

²⁷ Reported as a separate category in table 8

²⁸ For this year's report, nothing was reported under this category.

| Project Focus | Irrigation System Enhancement Project | Forests Participatory Management Project | Improve Sustainability of Electricity Service | Urban Public Transport Project |
|-------------------------------------|---|---|---|--|
| Sector | Demand side, brownfield energy efficiency - Agriculture (1.3.1) | Agriculture, forestry and land use (6.3.1) | Renewable Energy – Solar power (4.1.3) | Transport – Urban mass transit (5.2.1) |
| Brief description of project | <p>The objectives of the Irrigation System Enhancement Project are:</p> <p>a) To reduce the amount of energy used and to improve the irrigation conveyance efficiency in targeted irrigation schemes; and</p> <p>b) To improve the availability and reliability of sector data.</p> <p><u>The project has three components each with two sub-components:</u></p> <p>1.A Conversion of pump-based irrigation to gravity irrigation;</p> <p>1.B Upgrading of outlet and other canals conveying pumped water.</p> <p>2.A Technical investigations;</p> <p>2.B Supervisory control and data acquisition (SCADA) system installation.</p> <p>3.A Project management;</p> <p>3. B Water user associations’ support.</p> | <p>The project aims to reduce deforestation and forest degradation in order to reinforce forests’ carbon sequestration capacity through improved governance, environment-friendly local socio-economic development and sustainable management of forest resources and wooded areas. The project has the following components:</p> <ul style="list-style-type: none"> • Reinforcement of forest governance: reinforcement of legal framework and building of administrative capacity. • Participatory development and management of the concerned forests: Forest securitisation and development – demarcation and creation of gazetted forests (284,000 ha); building stakeholder operational capacity; support actions for neighbouring communities. | <p>The programme will contribute to the sustainability of the power sector by strengthening the National Electricity Company’s (NEC) operational procedures and corporate performance and by improving the sustainability of rural electricity supply. The specific objectives are:</p> <p>I) To support the implementation of information technologies in business support tools;</p> <p>II) To contribute to expanding electricity coverage by grid extension and renewable energy systems.</p> <p>III) To provide financial support for upgrading critical infrastructure.</p> <p>Component II - consists of:</p> <p>- i) Integration of a specific geographical area USD 7,500,000 to a grid electricity supply,</p> <p>- ii) the installation of hybrid RE generation to local distribution systems to improve sustainability of electricity supply in small rural town (regional civic centre) USD 2,500,000,</p> <p>- iii) Support for the design and implementation of rural electrification projects – USD 1,000,000.</p> | <p>The project will support improvements to urban public transport, urban development infrastructure schemes, the modernisation of urban roads and education infrastructure included in the investment programme of the city concerned. The programme will contribute to the implementation of the city’s development strategy and its integrated spatial development plan.</p> <p>The transport component of the project includes a) a traffic management system (intelligent traffic system), b) a passenger ticketing system, and c) the modernisation of tramway lines.</p> <p>The component c) comprises :</p> <p>Modernisation of the tramway tracks and power networks together with auxiliary infrastructure.</p> <ul style="list-style-type: none"> - Modernisation of the signalling system - Replacement of power cables - Modernisation, refurbishment and construction of transformers, and - Modernisation and extension of the tram depot |

| | | | | |
|--|---|--|--|--|
| Statement of activity or activities captured by MDB methodologies | Conversion of pump-based irrigation to gravity irrigation to reduce the amount of energy used in irrigation. | The project will contribute to the reduction of greenhouse gas (GHG) emissions through reduced deforestation and forest degradation. | Sub-component II) ii) will finance the upgrade of the electricity grid to provide high-quality service on a 24-hour basis to 494 households and other end-users in the project's area by adding (to the existing diesel generators) complementary solar PV systems to feed the local distribution network. The upgrade also involves the site preparation for the installation of approximately 200 PV panels, and a battery bank to guarantee reliability and a 24-hour supply. | Modernisation of tramlines and the tram depot will support sustainable urban mass transport in the city centre. The overall impact of the investment will be to support sustainable urban mass transport and reduce GHG emissions whilst improving safety and air pollution. |
| Calculation of mitigation finance | The first sub-component of Component 1 (i.e. 1. A) Financing the conversion of pump-based irrigation to gravity irrigation was counted as 100% mitigation. The project management sub-component (i.e. 3.A) was prorated to component 1. A (i.e. 17% of project management) and included in the mitigation finance. Total mitigation finance (1.A+ 17% of 3.A) was thus estimated at 48% of the total finance (USD 14.28 million of USD 30 million). | The project is counted as 100% mitigation | Only sub-component II) ii): "Provision of quality service in civic centre" in the amount of USD 2.5 million (8% of total loan volume) qualifies as climate mitigation finance. | The project was financed under a framework loan from different resources including grant. The contribution to climate change mitigation was set at 45% (of the loan) allocated to component C), which results in the amount of USD 34.9 million as climate change mitigation. This represents 14.6% of the total investment cost of the project. |
| Type of mitigation finance | Investment loan | External resources: grant | MDB resources- Investment non-concessional loan | Framework loan (concessional loan) |

4) Mapping mitigation sectors (shown in table 8) against the Mitigation Typology

Table 13: Mitigation Sector Definition

| Sector Label | Mapped Sections of the Typology |
|--|--|
| Energy efficiency | Sections 1-3 of the typology |
| Renewable energy | Section 4 of the typology |
| Transport | Section 5 of the typology |
| Agriculture, forestry and land use | Section 6 of the typology |
| Waste and wastewater | Section 7 of the typology |
| Cross-sector activities and others | Sections 8 -9 of the typology (except 9.4.2) |
| EE and RE financing through financial intermediaries | Section 9.4.2 |

This report was prepared by professional staff at the Multilateral Development Banks. The opinions expressed in this publication are those of the authors and do not necessarily reflect the views of the MDBs, their governing bodies or their members.

