International Development Finance Club

IDFC

IDFC GREEN FINANCE MAPPING

REPORT 2023



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CLIMATE POLICY INITIATIVE

Trinomics



$288 BILLION

IN GREEN FINANCE IN 2022, A RECORD HIGH



$1.5 TRILLION

IN TOTAL GREEN FINANCE SINCE 2015



MORE THAN HALF OF MEMBERS INCREASED THEIR GREEN FINANCE

IDFC GREEN FINANCE MAPPING

REPORT 2023

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EXECUTIVE SUMMARY

INTRODUCTION AND CONTEXT

For more than a decade now, the International Development Finance Club (IDFC) has conducted an annual mapping of member institutions' green finance contributions.

In 2022, IDFC members reported a record high of $288 billion in total green finance commitments, a 29% increase from 2021. Cumulatively, green finance commitments by IDFC members surpassed $1.5 trillion[a] since the Paris Agreement was signed in 2015. This is the result of IDFC members' unique ability to deliver green finance at scale in their wider pursuit of Paris Alignment. Mitigation finance continued to grow, reaching its highest level to date ($244.7 billion), up 31% over 2021. Adaptation finance also reached a record high, increasing 52% to $31.6 billion. The uptick in adaptation finance follows members' commitment to increase their adaptation finance in the IDFC State of Ambition (2021). Overall, 14 institutions increased their green commitments in 2022, 4 of which did not report in previous years.

At $288 billion, the Club's highest annual green finance committed to date, IDFC members are showcasing strong progress on their respective paths towards attaining climate and broader environmental targets at the individual institution-level. Indeed, at $894 billion in cumulative green finance commitments since 2019, IDFC as a group remains on track towards mobilizing $1.3 trillion between 2019 and 2025, as pledged in the IDFC State of Ambition (2021).[1] The Club's ambition to further strengthen the robustness and consistency of green finance tracking across members is currently being supported by a dedicated 3-year capacity building program, facilitated by the IDFC Climate Finance Facility in partnership with CPI.

KEY FINDINGS IN 2022 DATA

- **IDFC members reported total green finance commitments of $288 billion.** This represents a 29% increase from 2021, evidence that green finance continues to be channelled at scale in the post-Covid period (see Figure ES2).
- **In 2022, green finance represented approximately 24% of total new commitments reported by IDFC members.** Since 2015, green finance commitments have consistently represented more than one-fifth of total IDFC investments.
- **Climate finance** – consisting of all activities related to the mitigation of greenhouse gas (GHG) emissions and adaptation to climate change – accounted for 98% of total green finance (or $281.9 billion), on par with the share observed in 2021.
  - Mitigation finance continued to dominate, representing 87% of climate finance, approximately the same share as in 2021.
  - Adaptation finance increased 52% to a record high of $31.6 billion, primarily driven by a doubling of commitments for water preservation projects. This reflects a broader trend amongst public DFIs emphasising the importance of placing equal weight on adaptation in investment portfolios.
  - Finance to projects containing elements of both mitigation and adaptation increased 7% to $5.6 billion but remained approximately the same share of total climate finance as in 2021 (2%).

a $ = US dollar

Figure ES1: IDFC green finance commitments in 2022 by theme

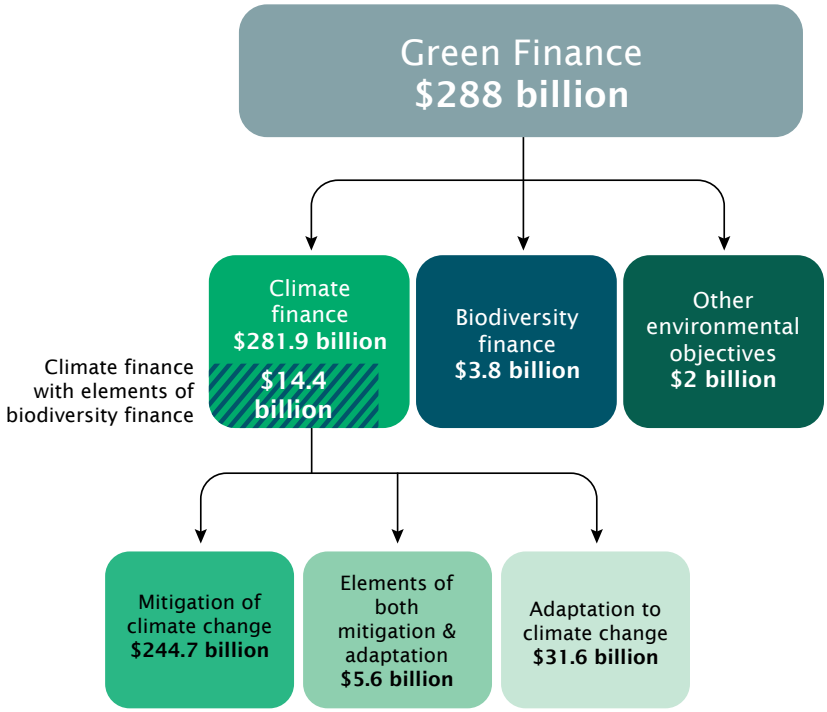
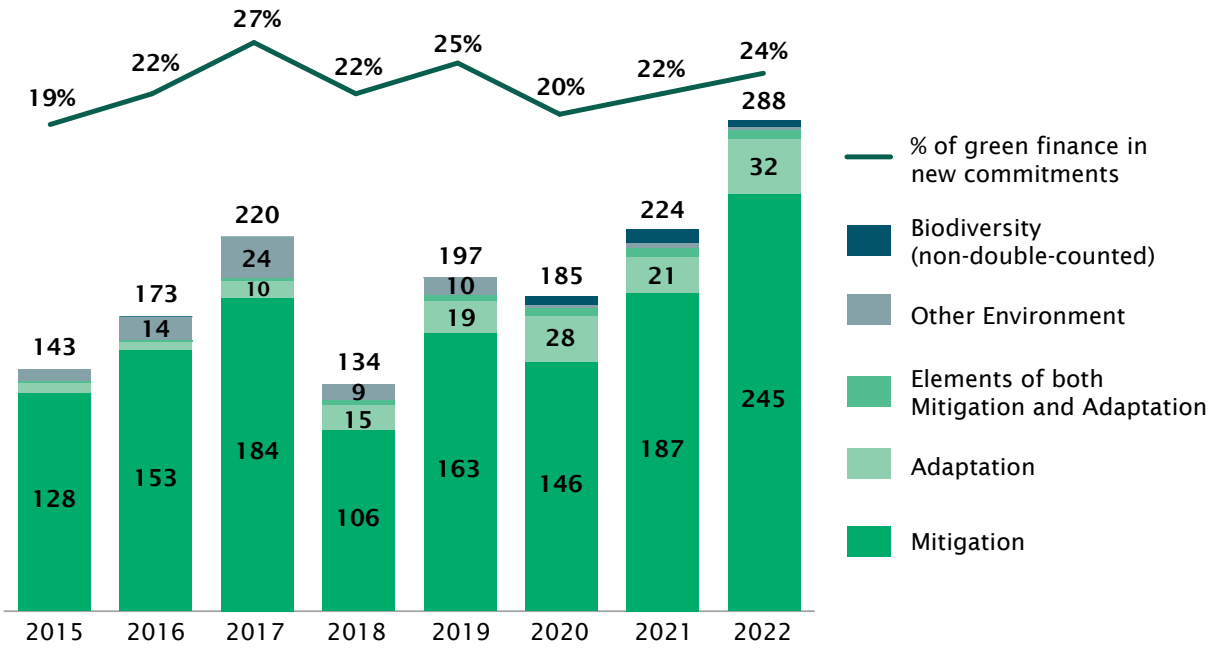


Figure ES2: IDFC green finance commitments in 2015-2022 ($ billion)[b]



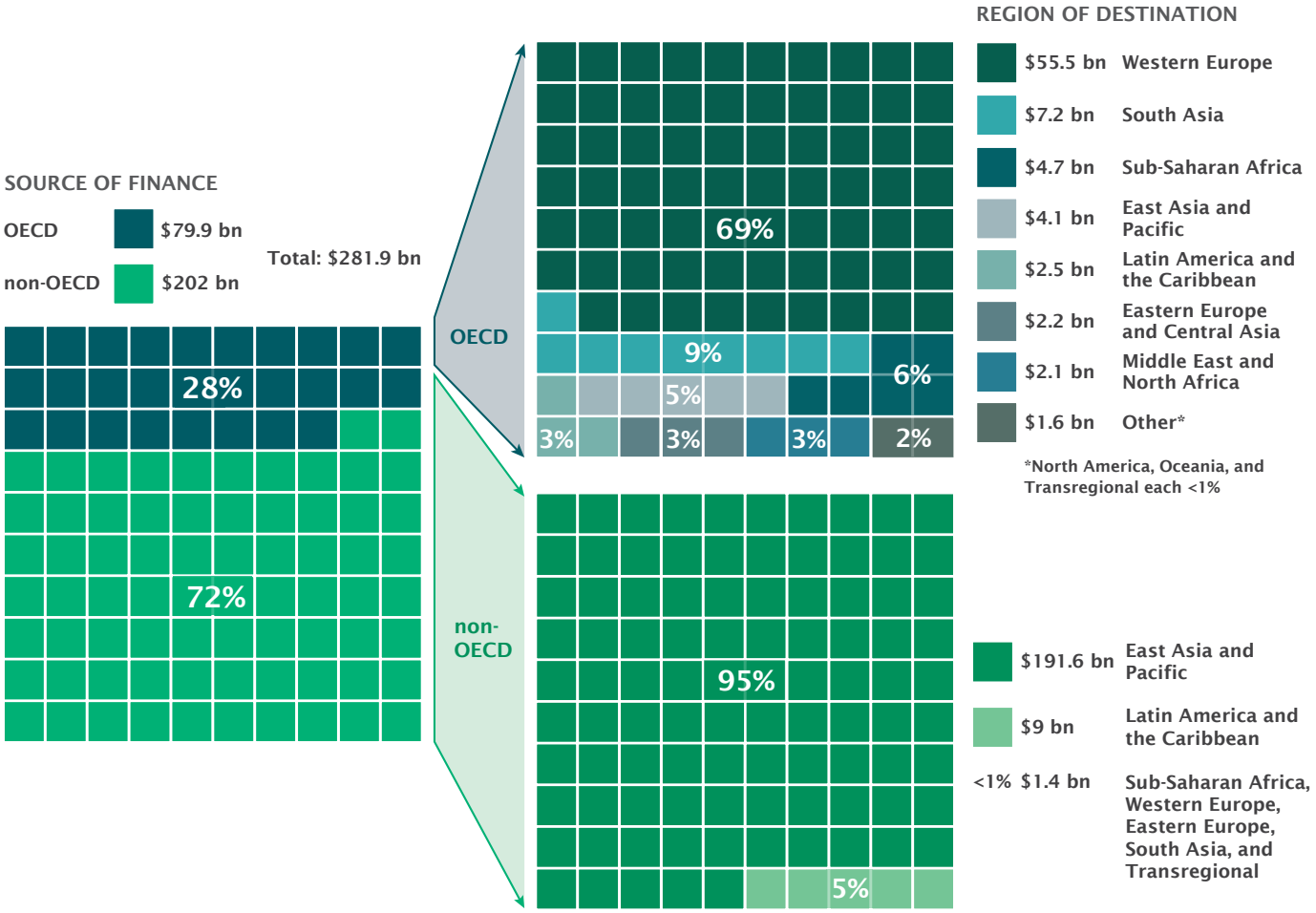
b For KfW, domestic green finance commitments do not align exactly with the Common Principles for Mitigation; JICA's green finance excludes grant financing for the year 2022.

- **Finance for biodiversity projects remained stable in 2022, totalling $18.2 billion.** This includes, inter alia, finance for water supply, wastewater treatment, and agriculture and natural resources that delivers biodiversity benefits, as well as dedicated conservation projects.
  - Of the $18.2 billion in biodiversity finance, $14.4 billion also had climate objectives while $3.8 billion purely benefitted biodiversity (see Figure ES1).
  - Additionally, IDFC members reported $2 billion of finance for other environmental objectives, which includes, inter alia, projects for circular economy or reducing pollution.

CLIMATE FINANCE IN 2022

- **Sources of finance:** IDFC institutions based in non-OECD countries committed $202 billion in climate finance, a 54% increase from $131 billion in 2021. The share of total climate finance coming from these institutions has also increased from 62% in 2021 to 72% in 2022 (see Figure ES3).
- **Adaptation finance increased 52% to a record high of $31.6 billion.** Institutions based in non-OECD countries committed $27 billion, or 88% of total adaptation finance.
- **Geographic destinations:** The East Asia and Pacific region continues to account for the majority of climate finance, at 69% of commitments in 2022 (up from 60% in 2021), primarily driven by domestic commitments in China. Western Europe was the second highest recipient of climate finance, accounting for 20% of the total (see Figure ES3).
  - The share of total climate finance commitments made in the home country of IDFC member institutions was 88% ($249.2 billion), while 12% ($32.7 billion) was spent internationally.
  - 64.5% of the $32.7 billion climate finance committed internationally (that is, $21.1 billion) flowed from institutions based in OECD countries to non-OECD countries.
- **Financing instruments:** Most climate finance was provided in the form of loans at $256.5 billion, or 91% of the total, a share similar to previous years. Grant finance increased substantially from $14 billion in 2021 to $24 billion in 2022, with the remaining $1.4 billion a mix of equity, guarantees and other instruments.

Figure ES3: Climate finance commitments in 2022 by source of finance (OECD/non-OECD) and region of destination



BIODIVERSITY FINANCE IN 2022

- As was the case in 2021, seven IDFC institutions reported investments in biodiversity, for a total of **$18.2 billion**.
- **21% of biodiversity finance commitments ($3.8 billion) went to non-climate-related biodiversity projects** while the remaining $14.4 billion, or 79%, consisted of climate projects simultaneously delivering biodiversity benefits.
- **Sources of finance:** IDFC institutions based in non-OECD countries committed $16.2 billion in biodiversity finance, accounting for 89% of the total. IDFC institutions based in OECD countries committed $2 billion, or 11% of the total.
- **Geographic destinations:** The East Asia and Pacific region attracted 86% of biodiversity finance commitments in 2022 (or $15.7 billion), followed by Latin America and the Caribbean at 8% ($1.4 billion) (see Figure ES4).
- **Sectors:** Most biodiversity finance (40%), or $7.3 billion, went to water preservation projects. Wastewater treatment projects followed as the second highest sector for biodiversity finance, at $4 billion (22%).

IMPROVING GREEN FINANCE MAPPING METHODOLOGY

To inform this exercise, IDFC members completed a survey template, from which data are checked for consistency and aggregated. The number of reporting institutions is 22 out of 26.

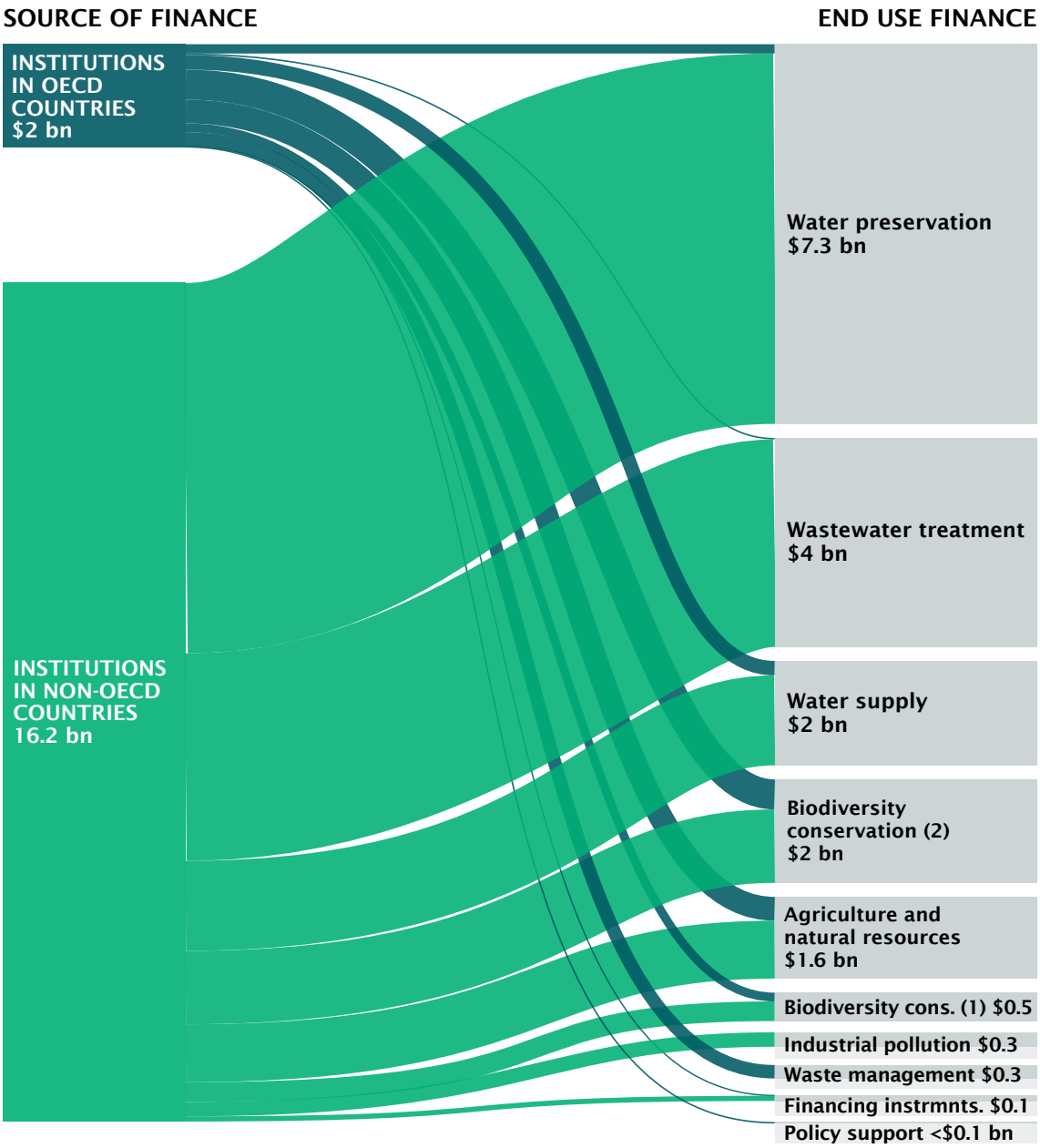
The IDFC survey uses the Joint Multilateral Development Banks (MDBs) and IDFC Common Principles for Climate Mitigation (updated in 2021) and Adaptation Finance

Tracking (2015 version). The list of reporting institutions and reporting coverage across all categories vary from year to year. Consequently, comparisons with previous GFM figures may not be entirely consistent.

Following the Common Principles, uncertainty is overcome via the principle of conservativeness whereby it is preferred to under-report, rather than over-report, climate finance. In particular, adaptation commitments are expected to be conservative since adaptation-related activities are broadly context-specific and institutions are not always able to identify relevant projects consistently. Dedicated efforts to strengthen institutional capacity on tracking green finance are underway via a 3-year IDFC capacity building initiative facilitated by the IDFC Climate Finance Facility.

For the third year, the 2023 GFM tracks biodiversity finance as a separate category from other environmental finance. IDFC members could report on biodiversity finance at the project- or aggregate-level. Only 7 members have consistently reported biodiversity finance since tracking began in 2021.

Figure ES4: Biodiversity finance commitments in 2022 by source of finance (OECD/non-OECD)



1. INTRODUCTION

In 2021/2022[c] global annual climate finance flows surpassed $1 trillion, with an even split of contributions from both the public and private sectors.[2] A significant portion of this funding is associated with the International Development Finance Club (IDFC) – contributing approximately one third of total public climate finance and 17% of total global climate finance flows.[3] Composed of 26 national and regional development banks, IDFC represents $4 trillion in combined assets, the majority of which are in non-OECD countries (68%). Together, in 2022, members channelled $1.2 trillion in new financial commitments, 72% of which was from non-OECD-based members.

Since 2015, the organisation has dedicated more than $1.5 trillion to green finance initiatives. In 2022 alone, IDFC members reported a record-breaking $288 billion in green finance, including a 52% surge in adaptation finance from commitments made in 2021. Overall, in 2022, 24% of total new financial commitments made by IDFC were for green projects. IDFC members remain on course to meet, if not exceed, their target of $1.3 trillion in cumulative green finance between 2019 and 2025, as pledged in the 2021 State of Ambition.[4]

Both as a collective and as individual entities, IDFC continues to bolster the momentum behind, and ambition for, more green finance. Collectively, IDFC consistently equips its members with the tools and knowledge required to effectively design, implement, and report on green finance. In 2023, IDFC furthered its capacity building initiatives with the launch of the "Strengthening IDFC Staff Capacity on Green Finance Tracking" project, co-developed with Climate Policy Initiative (CPI). Details of this initiative are provided in Box 1. The 2023 Finance in Common Summit (FiCS) also highlighted the vital role of Public Development Banks (PDBs) in fostering sustainable investment, emphasizing their potential for addressing climate change and biodiversity loss. Building on this, FiCS members have agreed to pursue a Financial Innovation Lab to boost PDB collaboration and champion innovative solutions, including disaster-tied contingent debt provisions, parametric financing, and pioneering risk transfer strategies for vulnerable communities.

Box 1: Strengthening IDFC Staff Capacity on Green Finance Tracking

As members' green finance portfolios grow, it is imperative for IDFC to maintain consistency, transparency and accountability in their Green Finance Mapping to ensure the robustness of reported numbers. While several members have already established a robust framework to provide internal departments with the tools and guidance necessary for comprehensive tracking and reporting, some are still navigating the early-stage processes for identifying and quantifying green finance. Recognizing the need for enhanced tracking capabilities, the IDFC Climate Finance Facility has partnered with CPI to launch a dedicated 3-year capacity-building program.

Overall, the program is designed to enhance IDFC members' capacity to measure progress on green finance commitments. It aims to promote greater transparency and detail in reporting and to foster a uniform and consistent reporting method for the 2024 GFM and beyond. This will be achieved by adopting best practices and more robust tracking frameworks, notably the IDFC/MDB common principles on mitigation and adaptation, as well as IDFC's in-house biodiversity methodology. As a result, IDFC members will be better equipped to track green finance throughout the project lifecycle. Overall, the program will help deepen members' expertise in tracking green finance within six key sectors: energy, urban, water, transport, agriculture and forestry.

c CPI's Global Landscape of Climate Finance study uses biennial averages to smooth out fluctuations in the two-year data.

Several activities are scheduled by CPI in cooperation with the IDFC Climate Finance Facility over the next three years. These include:

- **Exploratory bilateral meetings:** the aim of the bilateral calls is to understand members' existing capacities. These sessions will also pinpoint resource limitations, technical guidance needs, and gather relevant case studies for general and sector-specific guidance development.
- **Guidance documents (general and sector-specific):** the guidance documents will help IDFC members to better incorporate the common principles within their institutions. Topics will include eligibility criteria, unpacking general tracking principles, developing rules of thumb for green finance quantification, decision trees, and member-informed insights on internal processes and expertise needs.
- **Training Workshops:** these will provide training sessions for each of the six key sectors, with hands-on case study examples to guide members through the tracking process.

At a more granular level, many IDFC members are committing to more ambitious climate action and green finance more broadly, the extent to which will be reflected in future iterations of the GFM report, notably:

- **African Finance Corporation (AFC) launched** "Roadmap to Africa's COP: A Pragmatic Path to Net Zero," which discusses Africa's challenging position in balancing the need for emissions reduction with essential development imperatives. The new policy paper presents three steps for Africa to combat climate change: localize, rebuild, and innovate in finance (finnovate).[5]
- **Agence Française de Développement (AFD)** has consistently dedicated more than 50% of its annual financing to projects with climate co-benefits. In 2022, AFD committed $6.6 billon (€6.9 billion) to climate finance in developing countries and French overseas territories, which is a 15% increase from 2021. Of this amount, one third (€2.2 billion) was dedicated to adaptation. Additionally, while 29% of the climate finance was committed to projects with biodiversity co-benefits, AFD also allocated $699 million (€736 million) specifically to biodiversity in 2022.[6]
- **Brazilian Development Bank (BNDES)** continues to play a pioneering role in the Brazilian sustainable bond market. After launching its Sustainability Bond Framework in 2021, BNDES signed a new cooperation agreement with CBI. This agreement helps BNDES enhance its taxonomy, certification, and impact indicators, thereby attracting more international investments that support sustainable projects in Brazil.[7]
- **Central American Bank for Economic Integration (CABEI)** published a Blue Taxonomy as a part of its Green and Blue Bond Framework. This development is anticipated to help redirect more investments toward areas such as Water Resource Protection, Sustainable Water Management, Renewable Energy, the Blue Economy, and Nature Protection.[8]
- **Corporación Andina de Fomento (CAF)**, together with state-owned Agua y Saneamientos Argentinos (AySA), presented the Latin America Infrastructure Development (IDEAL) report 2022, entitled "Energy, water and health for a better environment." To this end, CAF plans to invest $25 billion by 2026 and raise sustainable financing from 26% to 40% by 2026.[9]
- **China Development Bank (CDB)** aims to expand its proportion of green loans to credit assets by over 5% from 2020 figures, targeting approximately 30% by 2030.[10] In 2022, CDB

allocated $7.57 billion (¥ 51 billion) in green bonds towards initiatives including clean transportation, renewable energy, environmental conservation and sustainable infrastructure.[11]

- **Development Bank of Southern Africa (DBSA)**, together with the European Investment Bank (EIB) launched a $380 million (€400 million) renewable energy initiative at COP27 to boost private sector solar and wind investment across South Africa.[12]
- **Japan International Cooperation Agency (JICA)** is mainstreaming climate change mitigation and adaptation into project planning by assessing potential impacts and incorporating relevant measures from the outset.[13] The process involves consultation with the Environmental Management and Climate Change Group, utilization of the JICA Climate-FIT tool during feasibility studies, and project appraisal to ensure climate considerations are embedded into project design. Post-implementation Monitoring & Evaluation is also included in the process to assess the effectiveness and impact on climate change goals.
- **Kreditanstalt für Wiederaufbau's (KfW)** 2022 high-level Development Finance Forum focused on the connection between climate and biodiversity protection, engaging experts from various disciplines and institutions to establish a discourse on how to align climate and biodiversity issues at both the domestic political level and in project implementation. [14]

Box 2: IDFC State of Ambition – 2023 Progress Update

In 2023, IDFC members were asked to complete a survey on their respective progress towards achieving the objectives of the (2021) State of Ambition. The survey covered several topics, including but not limited to: Paris alignment; institutional strategies on climate and biodiversity; green finance commitments and quantitative targets; barriers to green finance; sectoral priorities; mainstreaming adaptation and resilience; and ecosystem-based adaptation and nature-based solutions.

With 15 respondents, the survey indicates both convergence between, as well as diversity among, the IDFC members on their respective paths towards achieving the commitments in the (2021) State of Ambition. Some key takeaways from responding members include that:

- Most are either already, or on their ways towards, aligning their operations with the goals of the Paris Agreement, reflected by increasing climate finance in the 2023 GFM.
- Most have adopted climate risk assessment procedures, while some are considering mainstreaming adaptation as a key institutional objective with associated quantitative targets.
- There is improving access to international climate finance as well as growing interest in diversifying financial instruments and pursuing Just Transition policies or programmes.
- For reporting members, since the 2021 State of Ambition, there has been no provision of international public finance for new unabated coal power generation abroad.

Progress on the eight State of Ambition commitments
1. Support countries of intervention to reach **carbon neutrality: transition to low carbon economy**
2. **Mobilisation of USD 1.3 trillion climate finance between 2019 and 2025** (as of end of 2022, $894 bn).
3. Support to clean, low-carbon and efficient energy: 35% of 2022 mitigation finance
4. **Key IDFC achievement: No provision of international public finance for new unabated coal power generation abroad since 2021, amongst responding members**
5. **Commit to mainstream adaptation and resilience** into strategies and operations, including financial climate risks
6. **Promote ecosystem-based adaptation and nature-based solutions,** including forest conservation and reforestation
7. Continue to **support adaptation efforts** within countries of intervention: record high in 2022 with **$31.6 billion** adaptation finance.
8. **Strengthen support to integrated climate disaster risk management** (see Box 5)

NB: Where the commitments are green, responding members have progressed well and are either on track or even ahead. Where the commitments are in yellow or orange, it means that the reporting members have expressed facing challenges.

Taken together, this update on members' progress will help to inform the strategy and activities of the Climate and Biodiversity Finance Facility, as well as the Climate and Biodiversity Working Groups, in the period 2024-2025.

Further details on the results of the survey can be found in Appendix 5.4.

To avoid the most severe impacts of climate change, an estimated $8.6 trillion will be required annually by 2030, and a further $10.7 trillion per year in the following two decades.[15] There are growing calls for Multilateral Development Banks to reevaluate their climate strategies, alongside the movement for reforming international financial institutions.[16] IDFC members should not only ramp up their climate commitments quantitatively to bridge the financial gap but can also work to mobilise additional private capital by creating innovative financial instruments that serve a catalytic role, as well as ensuring the effectiveness and impact of their green finance. The enormity of the potential losses due to climate change — estimated at $1,266 trillion between 2025-2100 under a 1.5°C scenario[17]— underscores the urgency to scale up the quantity of climate finance.

This Green Finance Mapping (GFM) 2023 report assesses the green financial commitments made by members of the IDFC in 2022, including climate and biodiversity commitments. Robust and consistent tracking of green finance flows is essential for IDFC members to assess and evaluate progress towards achieving their green finance pledges. Indeed, IDFC members have placed growing importance on the Green Finance Mapping exercise. In 2023, the number of reporting members increased to 22 out of 26, with more institutions providing project-level data which improves transparency and facilitates more robust tracking. Encouragingly, the results show that, overall, 14 institutions increased their green finance commitments in 2022.

This report presents the methodology and the findings of the annual GFM exercise across 22 IDFC members for the year 2022. The report, prepared with the support of Climate Policy Initiative and with contributions from Trinomics, is structured as follows:

- Section 2 briefly outlines the methodology used to record IDFC members' green finance commitments;
- Section 3 presents GFM outcomes, including breakdowns by region of destination, financial instrument, sector of use, and sub-sectoral solutions;
- Section 4 concludes.

2. METHODOLOGY

This report outlines green finance commitments by IDFC members along three major categories:

i. Climate finance

ii. Biodiversity finance; and

iii. Finance with other environmental objectives.

Climate finance is composed of financial flows for: mitigation of greenhouse gases (GHG) (henceforth mitigation); adaptation to climate change; and projects that include elements of both mitigation and adaptation.

Biodiversity finance includes, for example, finance for water supply, wastewater treatment, biodiversity conservation and waste management, among others. In many cases, climate-related activities also have biodiversity co-benefits and vice versa (e.g., a forestry project which includes, as a significant objective, the protection and sustainable management of biodiversity-rich ecosystems). These co-benefits are assigned a specific weight depending on whether biodiversity was the principal objective or a significant objective.

Other environmental objectives refers to finance for green projects that have no climate or biodiversity benefits, identified as such by the reporting institution. These may include projects which do not clearly integrate activities dedicated to biodiversity and nature-based solutions (e.g., projects tackling pollution).

The methodology used for the GFM reports has evolved over time to enhance transparency, comparability, consistency, and flexibility of the process. This is the second year that the GFM has used the updated (2021) MDB-IDFC Common Principles for Climate Mitigation Finance Tracking. For adaptation, the survey still adheres to the (2015) MDB-IDFC Common Principles for Climate Change Adaptation Finance Tracking. In the absence of common principles for biodiversity finance, the survey employed IDFC's in-house methodology first developed for tracking biodiversity finance flows in the 2021 GFM.

Further details of the methodology used to track green finance is provided in Appenix 5.1.

3. GREEN FINANCE MAPPING OUTCOMES

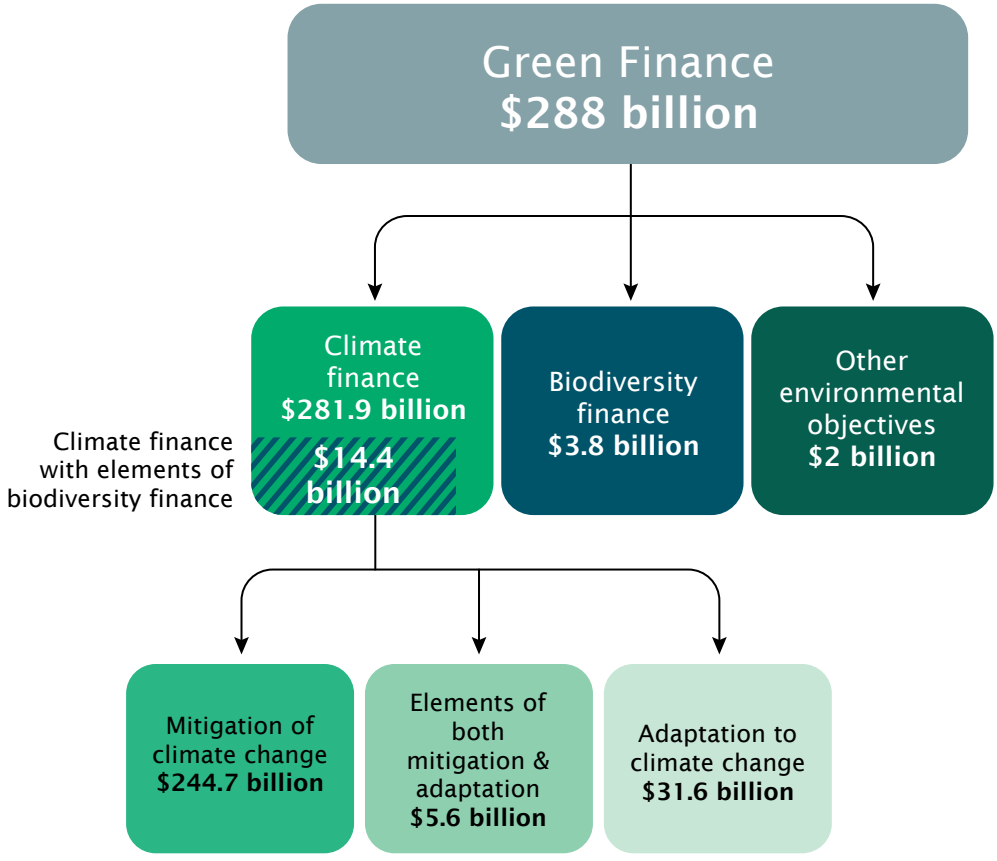
In 2022, IDFC members committed $288 billion to green finance, a 29% increase on $224 billion in 2021. This growth underscores the unique capacity of IDFC members to scale up green finance in their pursuit of sustainable development. Indeed, at $894 billion in cumulative green finance commitments since 2019, IDFC as a group is well on track towards mobilising $1.3 trillion between 2019 and 2025, as pledged in the State of Ambition (2021).

Out of the 22 IDFC members reporting this year, 14 institutions[d] increased their green finance commitments compared to 2021, 4 of which reported green finance commitments for the first time. The rest either sustained the previous year's levels or experienced minor fluctuations. A few decreases can be attributed to the adoption of more conservative tracking methods.

In 2022, green finance constituted 24% of the total new commitments by members. Of this, climate finance made up 98%, amounting to $281.9 billion, of which $14.4 billion simultaneously had biodiversity objectives or delivered biodiversity co-benefits. An additional $3.8 billion was committed as biodiversity finance which did not overlap with climate objectives. Total biodiversity finance pledged by IDFC in 2022 was, then, $18.2 billion, roughly consistent with the 2021 figure. Additionally, $2 billion was allocated to other environmental projects.

Table 1 provides an overview of each member's green finance commitments in 2022 compared to 2021, broken down by category. Further findings on climate finance are discussed in Section 3.1 while Section 3.2 describes financial commitments to biodiversity in detail.

Figure 1. Breakdown of IDFC green finance commitments in 2022 ($ billion)



d AFD; AFC, Bancoldex; BICE; BNDES; CABEI; CAF; CDB; HBOR; ICD; JICA; SIDBI; TDB; TSKB (see Table 1)

Figure 2. Breakdown of IDFC green finance commitments in 2015-2022

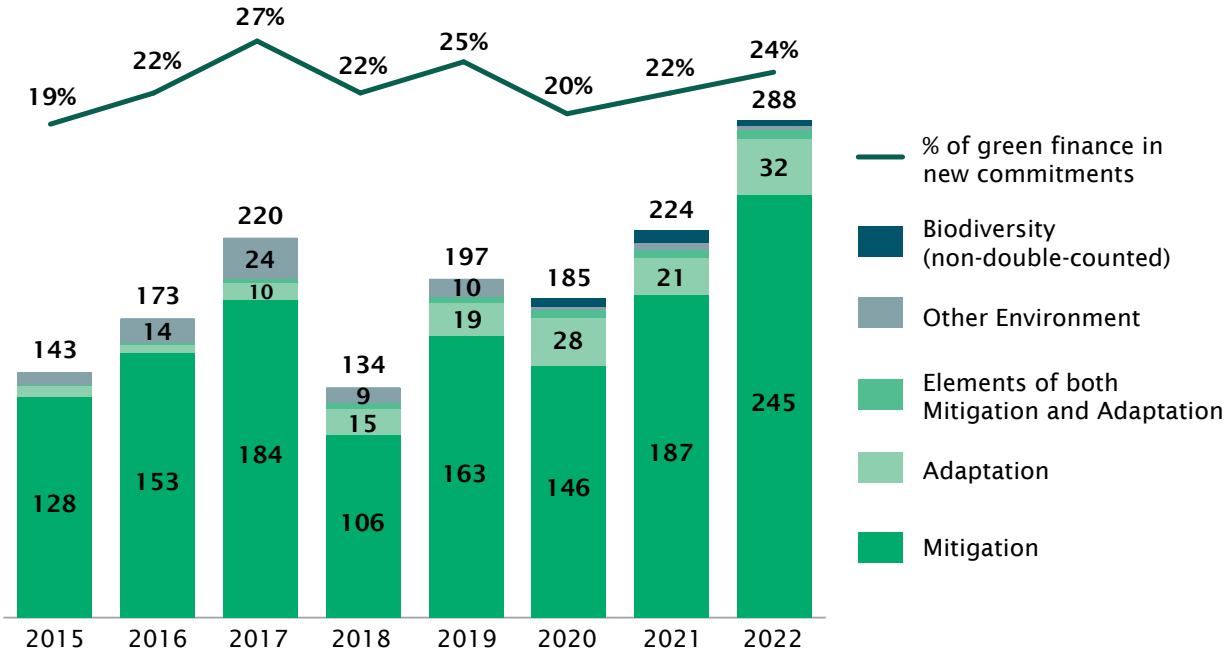


Table 1. Green finance commitments by IDFC member in 2022 as compared to 2021 ($ million).[e,f]

Location of IDFC member	Reporting Member Instituions in 2020	Green Energy and Mitigation of GHGs		Adaptation		Both Mitigation and Adaptation		Other Environment		Biodiversity (double-counted)		Biodiversity (non-double-counted)		Total Green Commitments	
		2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022
Asia and Middle East	CDB	114,966	166,303	10,324	25,111					9,298	12,440	7,185	2,922	132,474	194,336
	JICA	3,468	6,507	1,234	641	12	487	780		125	392	23	19	5,517	7,655
	KDB	925	602											925	602
	PTSMI	193	180	3										196	180
	ICD		48												48
	SIDBI		200												200
	Sub-total	**119,551**	**173,840**	**11,562**	**25,751**	**12**	**487**	**780**	**0**	**9,423**	**12,832**	**7,208**	**2,942**	**139,112**	**203,021**
Europe	KfW	56,061	56,573	5,615	2,242	2,229	1,071	1,868	1,925		797	463	24	66,236	61,836
	AFD	2,912	2,764	1,435	752	2,804	3,750			692	771			7,151	7,266
	VEB														
	CDP	2,840	4,108	1,310	10	145								4,295	4,118
	TSKB	253	347											253	347
	BSTDB	73	49											73	49
	IIB														
	HBOR	138	250											138	250
	Sub-total	**62,276**	**64,091**	**8,360**	**3,004**	**5,179**	**4,821**	**1,868**	**1,925**	**692**	**1,569**	**463**	**24**	**78,146**	**73,865**
Latin America and the Caribbean	CAF	1,751	1,474	646	2,057			242		572			811	2,639	4,341
	BE (Banco Estado)														
	BNDES	1,608	3,378					10	18	17			22	1,618	3,417
	BCIE/CABEI	1,214	1,065	301	800		250							1,516	2,115
	Bancoldex	37	39	1	2									38	41
	COFIDE														
	BICE		15												15
	NAFIN	113	12											113	12
	Sub-total	**4,722**	**5,984**	**948**	**2,859**	**0**	**250**	**253**	**18**	**589**	**0**	**0**	**833**	**5,923**	**9,942**
Africa	AFC		580												583
	DBSA	32	125					486	37				1	518	162
	TDB	4	34											4	34
	BOAD	36	85		16	15		74						125	101
	CDG														
	Sub-total	**72**	**824**	**0**	**16**	**15**	**0**	**560**	**37**	**0**	**0**	**0**	**1**	**647**	**880**
Total		**186,621**	**244,739**	**20,871**	**31,630**	**5,206**	**5,559**	**3,460**	**1,980**	**10,704**	**14,401**	**7,671**	**3,800**	**223,829**	**287,709**

e NB: total green commitments does not include double-counted Biodiversity figures.

f JICA's green finance excludes their grant financing.

3.1 CLIMATE FINANCE

3.1.1. CLIMATE FINANCE COMMITMENTS BY USE

Climate finance commitments by IDFC members are tracked across three broad categories:

i. Mitigation

ii. Adaptation

iii. Projects with both mitigation and adaptation elements

Mitigation finance continued to dominate IDFC's green finance, reaching a record high of $245 billion in 2022. Investment in low-carbon transport surged by 62%, primarily due to the expansion of transport infrastructure, such as roads and railways in emerging economies like China. This boost in infrastructure development reflects a key strategy to stimulate economic recovery after the COVID-19 pandemic, supported by increased public fiscal spending.[18] Alongside this, there has been a notable uptick in green bond issuances, specifically for clean transport and upgrades to green infrastructure, further advancing greener urban public transport systems (see Box 4).[19] Renewable energy finance was dominated by investments in on-shore and off-shore wind ($32.8 billion, or 38% of the total) followed by solar[g] ($23.7 billion, or 27% of the total). Hydropower accounted for 12% of total renewable energy. Due to the risks and processes inherent to hydropower investments, especially large hydropower, these projects tend to require more public-sector support.[20] Additionally, given the relative maturity of solar power technology, IDFC members may start to move beyond this mitigation solution towards more frontier and less commercial renewable technologies.

Adaptation finance increased 52% to an all-time high of $31.6 billion in 2022, primarily from a doubling in commitments for water preservation projects (see Box 3). This reflects public DFIs' wider momentum to address the impacts of climate change and to react to the associated environmental stresses. Indeed, with increasing incidence of flooding and drought, and the resulting losses and damages to people, assets and ecosystems, IDFC members will need to step-up commitments for adaptation and disaster-risk reduction (see Box 5), while ensuring infrastructure projects are designed with climate resilience objectives.

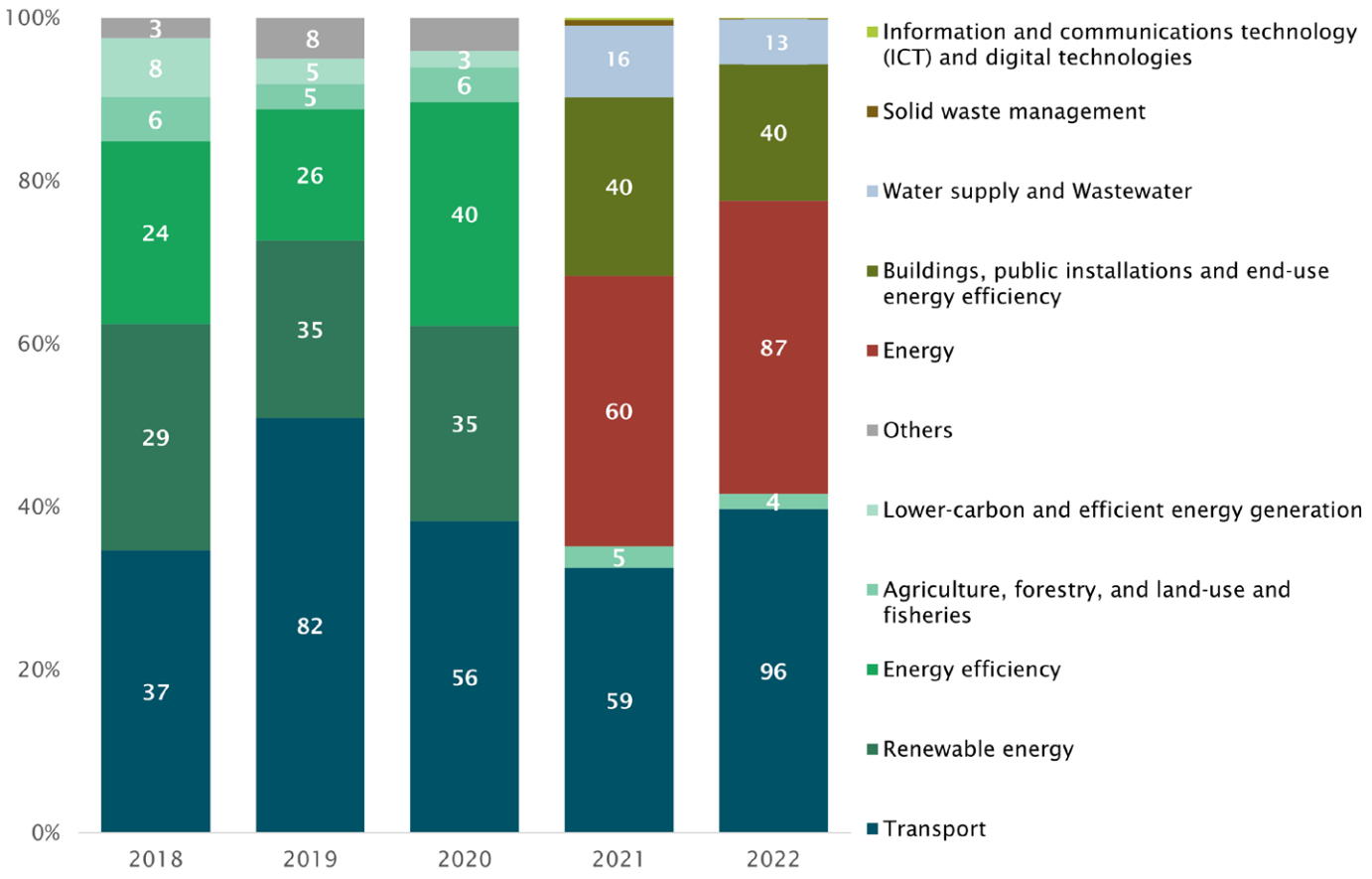
MITIGATION

Within the $244.7 billion committed for mitigation projects, the transport sector received the most finance – $96 billion or 39% of the total – **closely followed by energy at $87 billion or 35% of the total.** It is important to note, as explained in Section 2, that the changes to the mitigation taxonomy prevents an accurate comparison being made between mitigation finance committed in 2021 and 2022, and the historical trend observed between 2018-2020 (see Figure 3). Buildings, public installations and end-use energy efficiency, a new sectoral category since 2021,[h] was a significant investment priority in 2022, totaling $40 billion or 16% of the total. Given that the largest mitigation investment gaps, globally and in absolute terms, are observed within the transport and energy sectors,[21] IDFC members' focus on low-carbon transport and renewable energy is certainly promising. However, other key high-impact sectors are being left behind: in 2022, only $4 billion was invested in mitigation solutions for the Agriculture, forestry, and land-use and fisheries sector, despite evidence that the sector is estimated to have the largest mitigation potential (GtCO2e), greater than that of the energy sector.[22]

g Almost all solar PV (99%) with 1% concentrated solar power.

h Previously, investments would have fallen under the general 'Energy Efficiency' sectoral category; see 2018-2020 in Figure 3.

Figure 3. Green finance commitments to mitigation by subcategory, 2018-2022 (percent and $ billion)[i]



i Since 2021, IDFC refined its tracking methodology for greater specificity in the energy sectors. Instead of grouping all energy efficiency improvements under one "Energy Efficiency" sub-category, they're now categorized by individual sectors like industries, buildings, and transport. For details and guidance on the updated project categories, see APPENDIX D.

As shown in Figure 4, the largest share of renewable energy finance ($78 billion, total) was for on-shore and off-shore wind, accounting for $32.8 billion, or 42% of total renewable energy commitments. Investment into wind projects was mainly provided by non-OECD-based members ($31.6 billion). Solar followed as the next biggest renewable energy investment, totaling $23.7 billion, the majority of which (95%) was also provided by non-OECD-based members. $10.7 billion was committed to hydropower. $8.5 billion was allocated to a mixture of technologies[j] ("Miscellaneous"), with OECD countries taking the lead. The remaining $2.3 billion ("Others") could not be tracked to specific technologies. At $78 billion in total renewable energy finance, IDFC contributes a significant portion of the $494 billion (annual average) renewable energy finance tracked, globally, in 2021/2022, however, it is estimated that an additional USD 2.4 trillion per year is needed, globally, for the energy sector between now and 2050 to limit the rise in global average temperature to well below 2°C by the end of the century.[23]

j Where the same project includes multiple, different renewable energy technologies

Figure 4. Commitments to renewable energy technologies by technologies and OECD- and non-OECD-based members in 2022 ($ billion)[k]

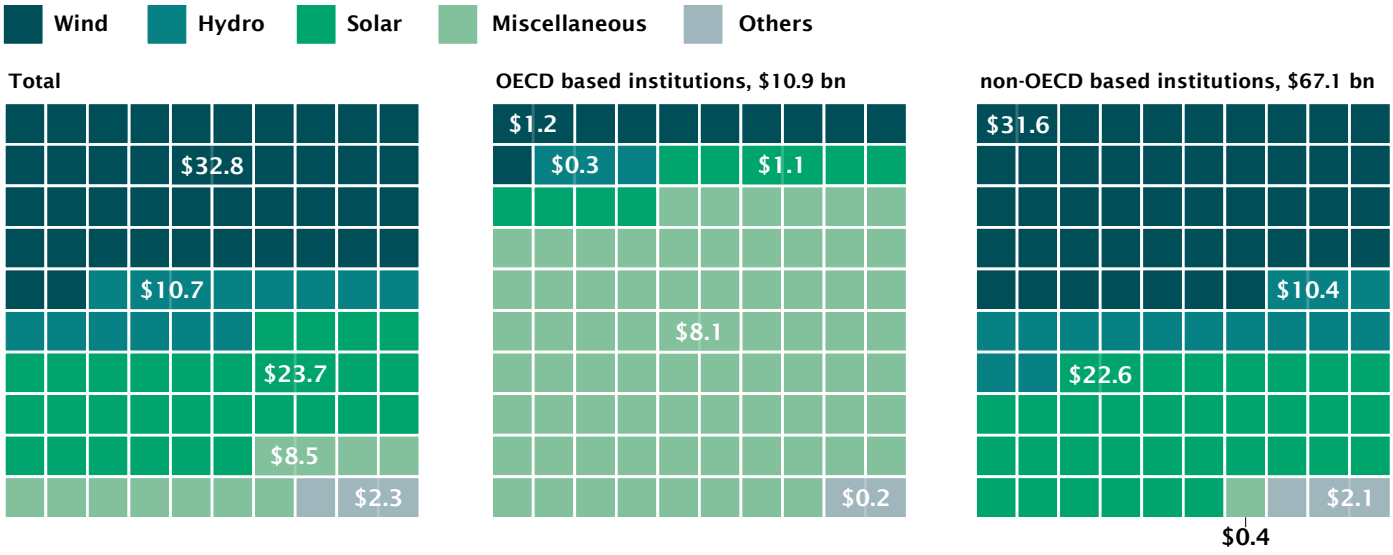
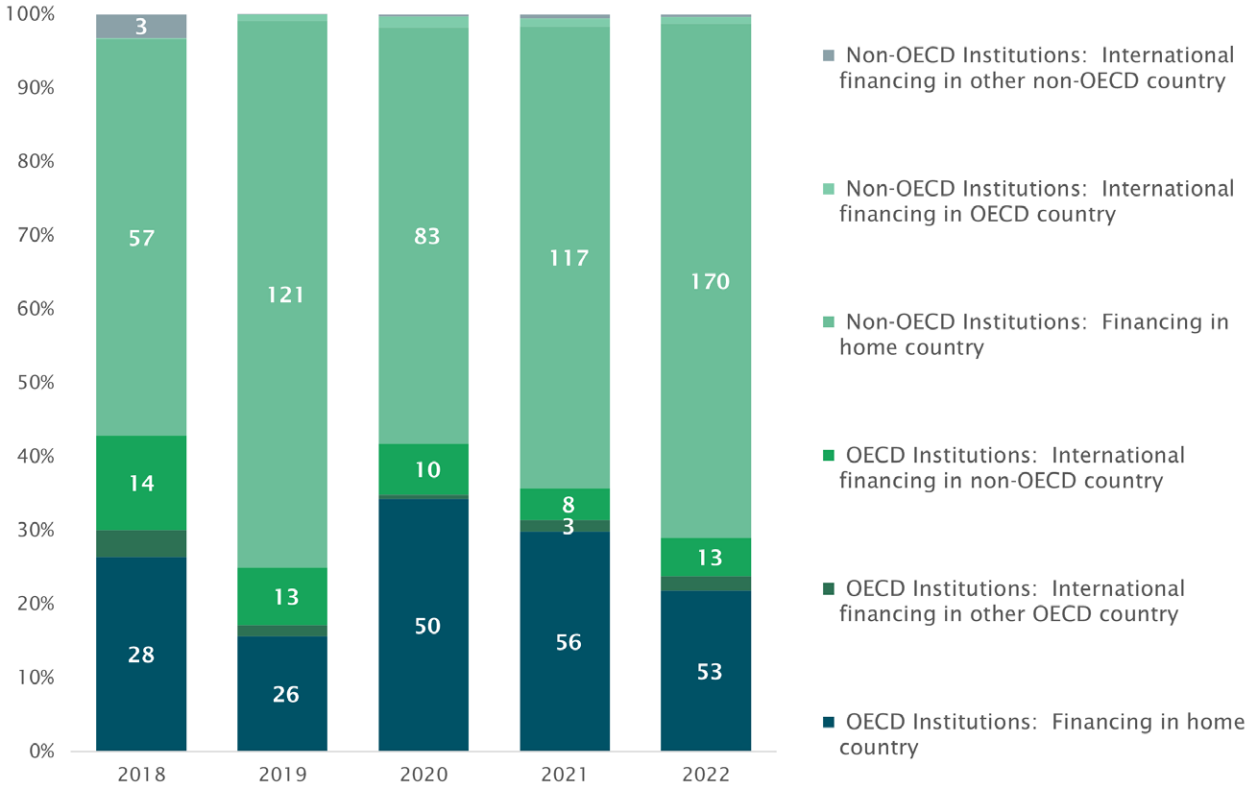


Figure 5. Commitments to mitigation from reporting IDFC members in 2022 (percent and $ billion)



k Solar largely refers to solar PV (99%), with 1% of investments in concentrated solar power (CSP)

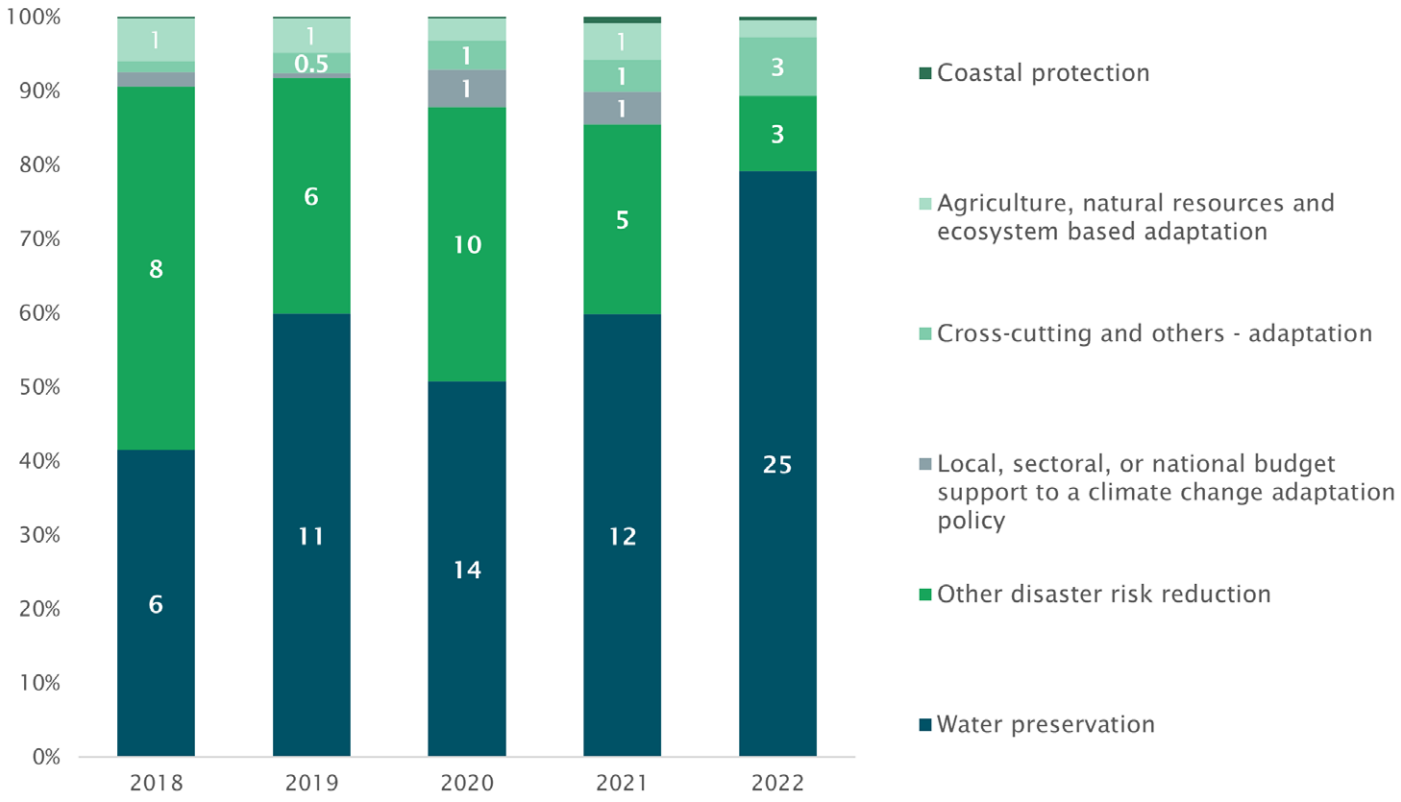
Of the $244.7 billion committed by IDFC to climate mitigation, 71% was provided by non-OECD-based membersl (see Figure 5). Non-OECD members' international commitments to other non-OECD countries were $1 billion. OECD-based members' overall commitments to mitigation increased from $67 billion in 2021 to $71 billion in 2022, with most of the increase attributable to financing energy projects in non-OECD countries.[m]

ADAPTATION

Tracking adaptation finance is difficult since standardized definitions and methodologies for measuring adaptation benefits are less developed compared to mitigation activities where GHG emissions-reduction is the standard, and measurable, outcome of interest. Based on the MDB-IDFC Common Principles, adaptation finance consists of projects with a stated intent to address any identified climate risks, vulnerabilities and impacts, and requires adaptation activities to be disaggregated from non-adaptation activities as far as reasonably possible.

Adaptation finance totalled $31.6 billion in 2022, an increase of 52% from 2021 levels. This record high commitment was mainly driven by a doubling in commitments for water preservation, totaling $25 billion (see Figure 6; see Box 3). Finance for water preservation continues to be the main area where adaptation finance flows (79% of the total) due to the growing incidence of water stress globally, and specifically in many IDFC members' geographical area of operations. The remaining flows went to disaster risk reduction ($3 billion, 10% of the total) and other cross-cutting adaptation activities ($3 billion, 8%). Agriculture, natural resources and ecosystem-based adaptation received only $1 billion, or 2% of total adaptation finance, while finance for coastal protection was minimal ($0.1 billion). Investing in adaptation in these sectors is highly important, given the increasing incidence of drought and food insecurity, globally, as well as sea-level rise, both observed and anticipated. Box 5 further explores the continuum between disaster risk reduction, climate change adaptation and the emerging loss & damage agenda.

Figure 6. Commitments to adaptation by subcategory, 2018-2022 (percent and $ billion)



l Noting that out of the 22 institutions that reported climate finance commitments in 2022, 14 are non-OECD based institutions and 8 are OECD-based. Non-OECD members together contributed 72% of total commitments (green + non-green finance) by IDFC in 2022.

m Recalling that changes to the mitigation taxonomy in 2021 makes historical comparisons more difficult.

Box 3: Water Preservation project case study - CAF Safe Water for Dispersed Rural Communities Programme

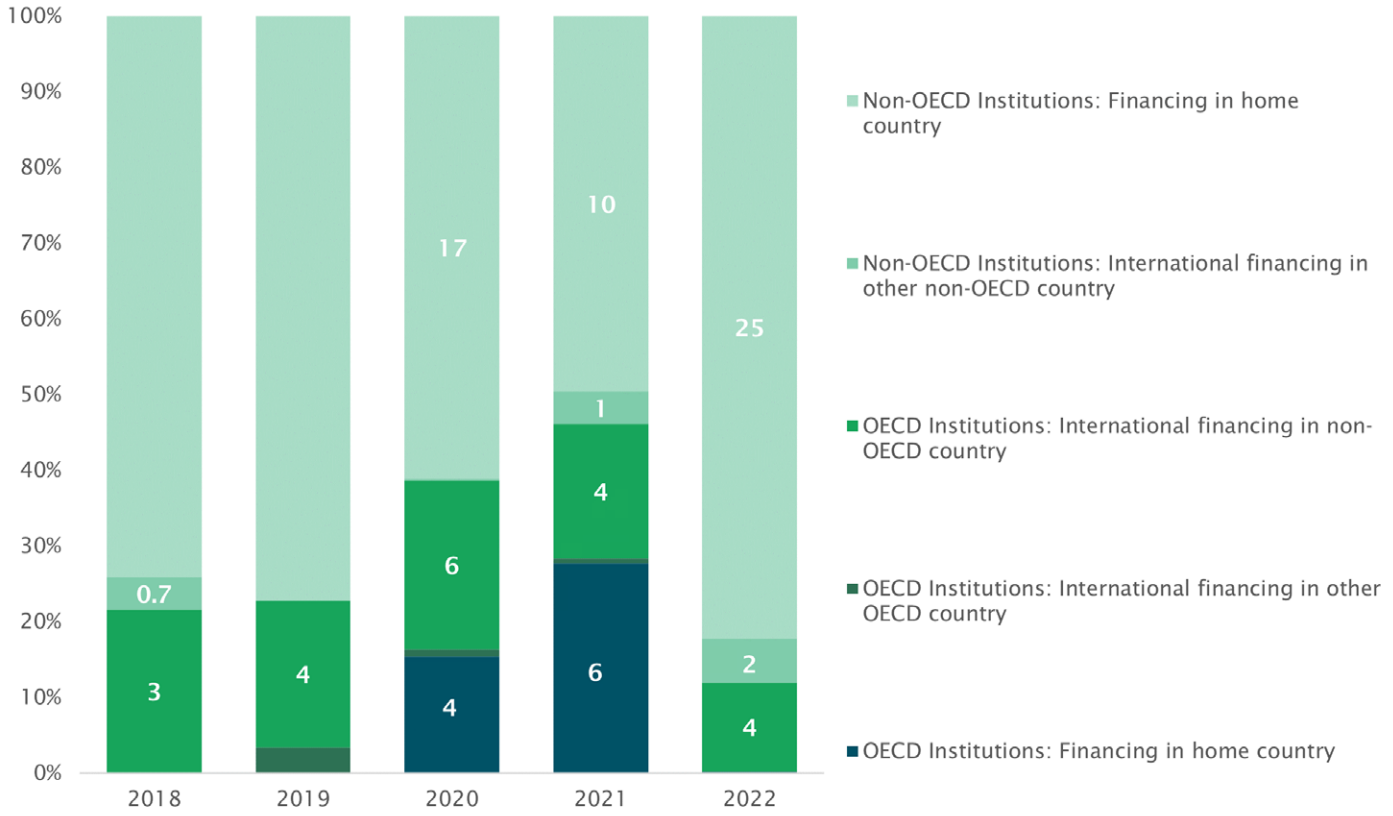
Argentina and neighbouring countries have been suffering from drought since 2019, with the last four months of 2022 seeing only 44% of average precipitation, the lowest rainfall in 35 years.[25] There is strong evidence now that climate change intensifies such weather extremes, leading to chronic droughts and reduced rainfall. This results in water stress which, coupled with anticipated increases in water demand, raises concerns for potential water shortages in future decades. In recent years, drought has had a significant impact on the Argentine economy, particularly in the agricultural sector. While Argentina has made strides in expanding sanitation services and increasing drinking water coverage in recent years, there are still notable discrepancies in access to quality drinking water and sanitation.

To address this reality, CAF announced a $50 million credit operation in 2022 for the "Safe Water Programme for Decentralised Rural Communities" in Argentina aiming to promote equality by mitigating the safe water access deficit among dispersed rural populations in vulnerable regions, with a focus on the Norte Grande Provinces. The program's specific goals include ensuring access to safe water via family-operated systems, including rainwater harvesting and storage and improvement of the distribution networks, and enhancing management skills for the sustainable use of these systems, while also encouraging good hygiene practices. Targeting water-stressed areas, including Chaco, Formosa, Santiago del Estero, Salta, and Tucumán, the initiative endeavours to bridge the aforementioned water supply inadequacies and is expected to benefit approximately 18,000 residents across these provinces.

This initiative underscores the emphasis placed on climate adaptation, with a particular focus on water security, in Argentina and the broader Latin American region. CAF's sustained efforts have been instrumental in aiding various policy processes, including planning, structuring and financing projects to enhance water infrastructure. The goal is to provide universal access to safe drinking water, particularly for the most vulnerable areas and communities, and ensure consistent enhancement of service provision.

Figure 7 shows domestic and international flows to adaptation projects, broken down by the location of the funding institution. Non-OECD-based members' commitments to adaptation in their home countries accounted for the dominant share, at 82% or $25 billion, increasing from $10 billion in 2021. $2 billion of these members' finance went to other non-OECD countries in 2022. OECD-based members' adaptation financing mainly flowed to non-OECD countries ($4 billion), accounting for 12% of total adaptation finance. In 2022, these institutions decreased their domestic adaptation financing by $5.7 billion compared to 2021.

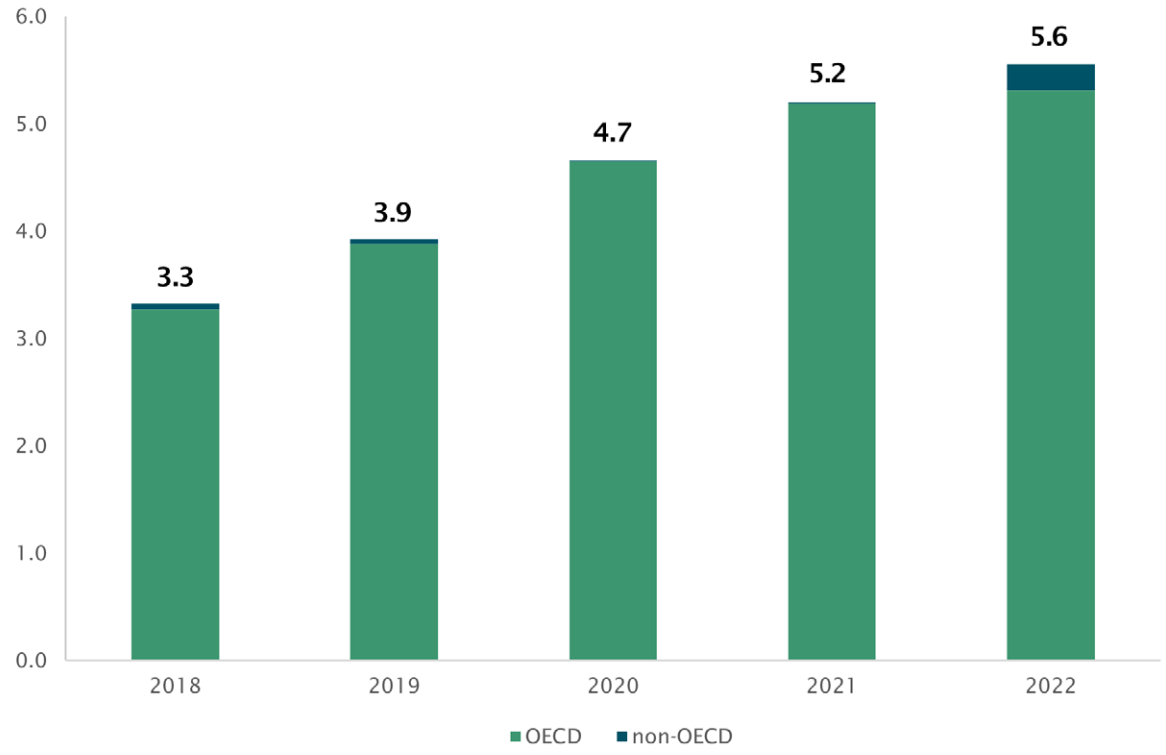
Figure 7. Commitments for adaptation to climate change from OECD and non-OECD IDFC members, 2018-2022 (percent and $ billion)



BOTH MITIGATION & ADAPTATION

As shown in Figure 8, finance for projects with both mitigation & adaptation objectives has been growing consistently since 2015, particularly among OECD members. Momentum continued to build in 2022, with IDFC members committing a record high $5.6 billion of climate finance with dual benefits. The growing trend shows IDFC members' ongoing effort to amplify impact, delivering emissions reduction and resilient development, simultaneously. The majority of these commitments have been made by OECD-based members. Such finance offers a window of opportunity for development interventions to deliver both adaptation and mitigation outcomes, a means by which actors can try to maximise the efficacy of limited public money. Indeed, IDFC anticipates a continuation of this positive trend in dual benefits finance observed since 2015.

Figure 8. Commitments for both mitigation & adaptation from OECD and non-OECD IDFC members, 2018-2022 ($ billion)



3.1.2 CLIMATE FINANCE COMMITMENTS FROM OECD- AND NON-OECD-BASED MEMBERS

Climate finance committed to projects in institutions' home countries greatly outweighed finance committed internationally ($249.2 billion and $32.7 billion, respectively), in line with several IDFC members' mandate to invest domestically.

Non-OECD-based members provided the majority of climate finance in 2022, at $202 billion (up 54% from 2020), accounting for 72% of the total (see Figure 9). For non-OECD-based members, nearly all 2021 commitments (97%) went to projects in the home country of the funding institution, with the remainder committed internationally. In 2022, non-OECD-based members also reported international commitments for OECD countries,[n] though only accounting for approximately 1% of total climate finance flows from these institutions.

OECD-based institutions committed the remaining $80 billion, or 28% of total climate finance in 2022. This was a slight decrease (2%) compared to the $81.4 billion tracked in 2021, mainly driven by decreasing domestic commitments. Additionally, $21 billion flowed internationally toward non-OECD countries (a 42% increase on 2021 numbers) while $5 billion went to projects in other OECD countries (up $1.5 billion from $3.7 billion in 2021).

The breakdown of commitments by category of climate finance varies depending on whether funding was committed domestically or internationally. As Figure 10 shows, the majority of domestic finance flows targeted mitigation, representing 99.7% of domestic flows in OECD countries ($53 billion) and 87% of domestic flows in non-OECD countries ($170 billion). Within adaptation, most finance was committed domestically (80%), while projects with both mitigation & adaptation benefits were primarily delivered as international financing, accounting for 98% of the category total.

n Largely OECD countries in Latin America, e.g., Chile, Colombia and Mexico.

Figure 9. Climate finance commitments from OECD and non-OECD, 2018-2022 ($ billion)

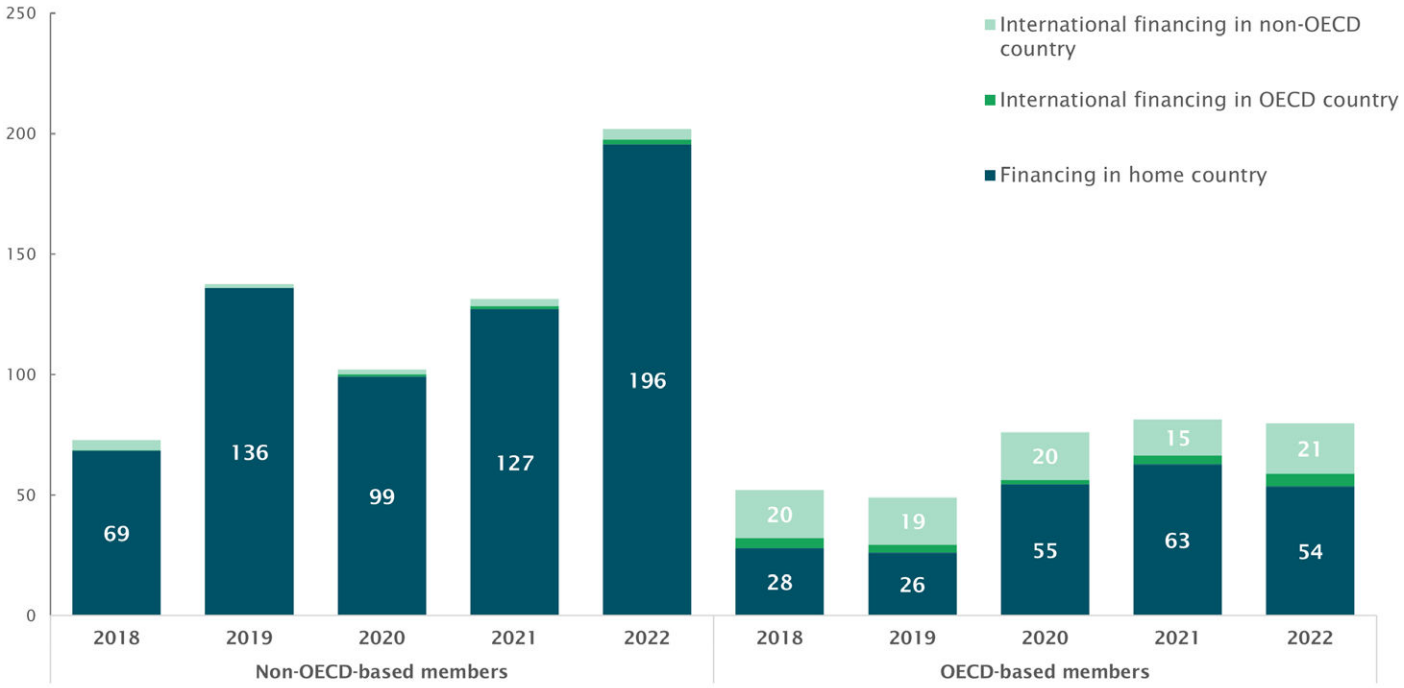
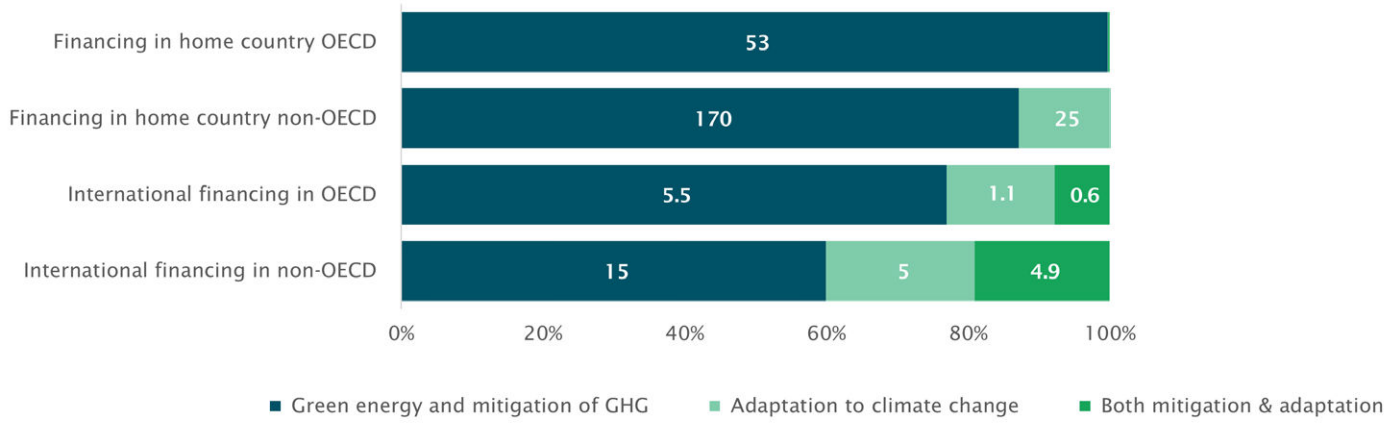


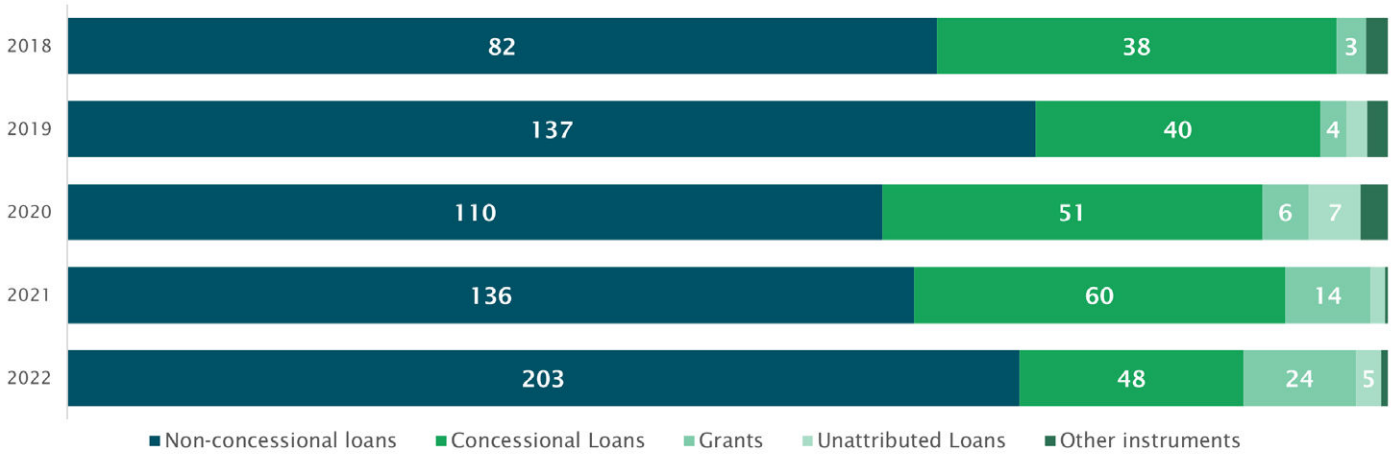
Figure 10. Proportion of domestic and international climate finance commitments by category in 2022 (percent and $ billion)



3.1.3 CLIMATE FINANCE COMMITMENTS BY INSTRUMENT TYPE

As in previous years, loans were the primary instrument through which IDFC member institutions channelled climate finance, accounting for $257 billion or 91% of the 2022 total, with non-concessional and concessional loans accounting for 72% and 17%, respectively. In 2022, there was a significant increase in grant climate finance, mainly driven by substantial grant funding provided by OECD-based members for energy efficiency and renewable energy in buildings. Indeed, grant funding rose by 75% to $24 billion, a substantial growth in absolute terms but also a significant proportional increase, from 6% of total climate finance in 2021 to 8.5% in 2022. This growth outpaces the recent trend observed in the global landscape, which saw 5% of annual climate finance channelled as grants.[24] Grant and concessional funding is particularly important for vulnerable low- and middle-income countries already experiencing debt distress, while in emerging economies it can help to kickstart frontier markets for innovative climate change solutions.

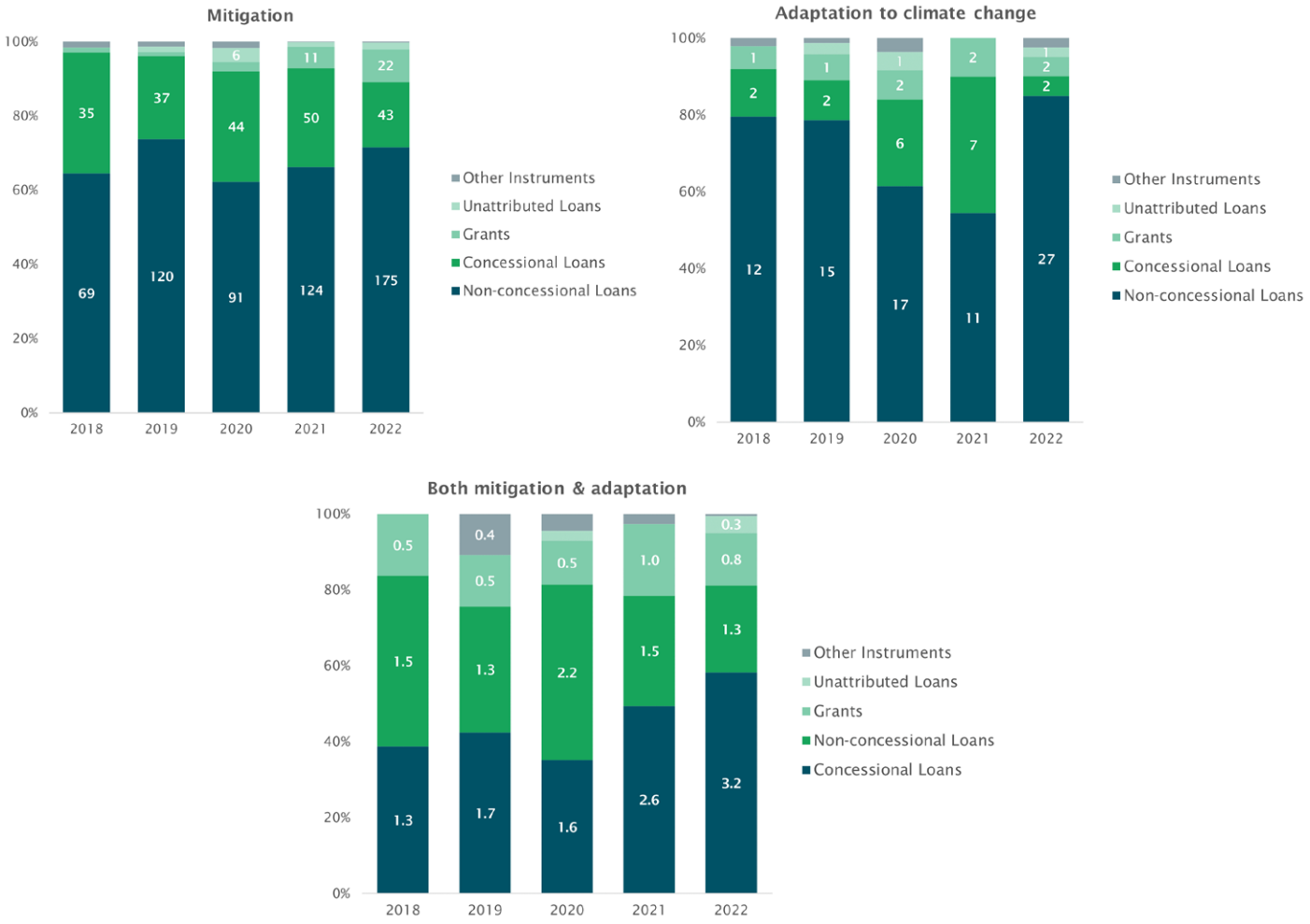
Figure 11. Climate finance commitments by instrument type, 2018-2022 (percent and $ billion)



Though still relatively low in absolute terms, the share of grants in IDFC's total climate finance has been steadily increasing in recent years (from 3.5% in 2020 to 8.5% in 2022), as members seek to build strong enabling environments and undertake demonstration projects to build the pipeline for sustainable investment across a range of sectors. Other instruments, including guarantees and equity, were negligible in 2022 as a share of IDFC's total climate finance. Box 4 highlights some recent development in the green bonds space by two IDFC members.

Figure 11 shows the breakdown of climate finance by instrument type between 2018-2022, while Figure 12 demonstrates the variation by category and year. Within mitigation, non-concessional (i.e., market-rate) loans increased 42% to $175 billion, which is consistent with the relative maturities and commercialisation of many mitigation technologies. Concessional loans decreased by 14% to $43 billion, while grants doubled to $22 billion. Within adaptation, concessional loans fell by 78% to $2 billion, while non-concessional loans surged to $27 billion (growing by 137%). Concessional loans accounted for the largest share of both mitigation & adaptation finance (58%), with the remaining commitments largely channelled via non-concessional loans (23%) and grants (14%).

Figure 12. Climate finance commitments by instrument and category, 2018-2022 (percent and $ billion)



Box 4: Innovative financial instrument case study – Sustainable Fund & Green Bonds

IDFC members, as public development banks with specific policy mandates and generally higher risk-tolerance than other financial actors, have a unique capacity to support innovative financial instruments with an emphasis on de-risking, and scaling-up, green projects across the regions in which they work. Two innovative instruments developed recently by IDFC members include:

NAFIN Sustainable Fund: The NAFIN Sustainable Fund is a financial mechanism aimed at receiving and disbursing non-reimbursable resources allocated to internal projects or other federal entities that contribute to the sustainable development of Mexico. It began operations in 2022. The following projects have been financed by the fund: i) Sustainable Transport Program (€12 million, renewal of the vehicle fleet); ii) NAMA-SME Project (€16.5 million, Energy Efficiency in small and medium-sized enterprises (SMEs); iii) Sustainable Productive Territories Project ($21.7 million, Sustainable management of productive landscapes in 14 rural areas).

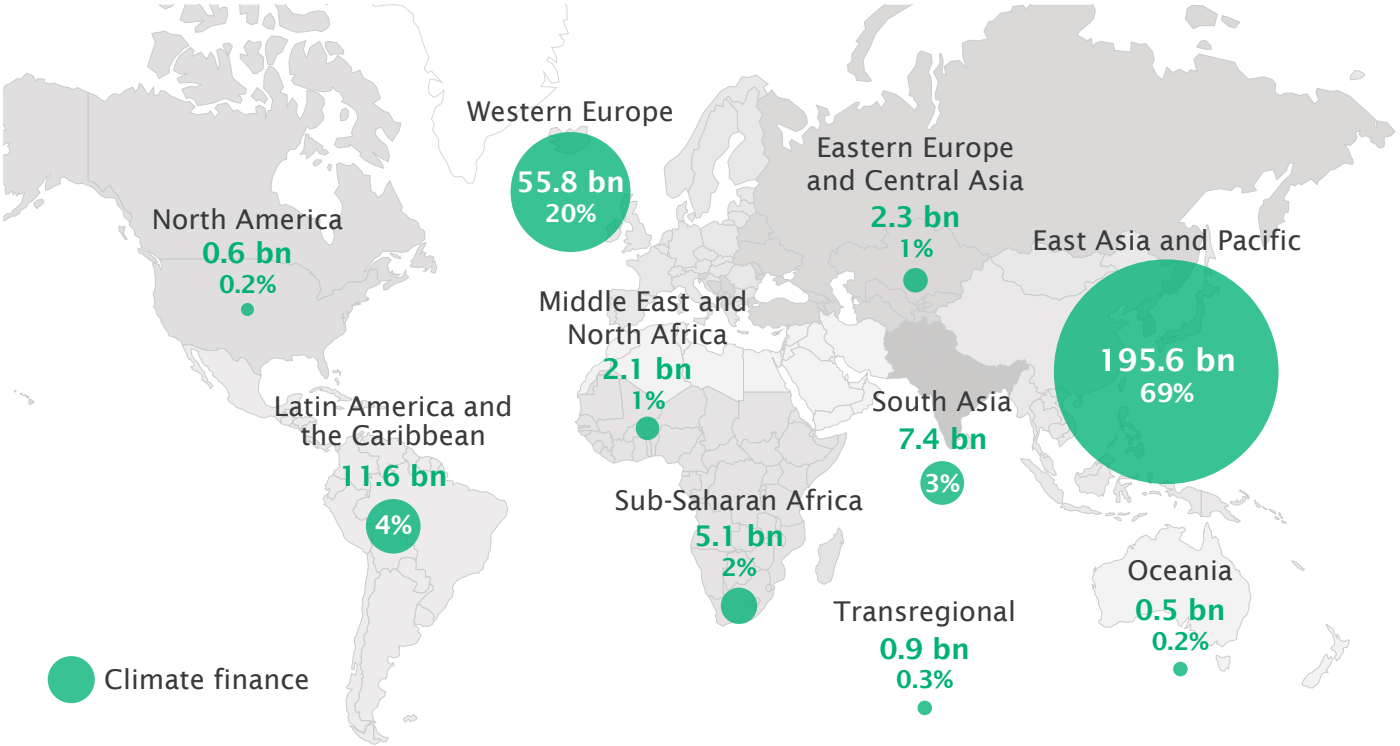
CDB Green Bond: CDB has consistently diversified its green financial bond portfolio, issuing ¥51 billion ($7.6 billion) in such bonds in 2022 to strengthen the bond market's role in promoting green development. By the close of 2022, CDB's cumulative green bond issuance reached ¥156 billion ($23.1 billion). These investments predominantly supported pollution control, resource conservation, recycling, clean transport, clean energy, ecological preservation, climate change adaptation, and the eco-friendly enhancement of infrastructure.[26]

3.1.4 CLIMATE FINANCE COMMITMENTS BY GEOGRAPHIC DESTINATION

Figure 13 shows the distribution of climate finance by geographic destination in 2022. As in previous years, **the majority of commitments ($195.6 billion) went to the East Asia and Pacific region, accounting for 69% of total climate finance flows.** Western Europe[o] received the second highest commitments at $55.8 billion (or 20% of the total), a decrease of 12% from 2021. The share of climate finance commitments for Latin America and the Caribbean, South Asia, Sub-Saharan Africa, Eastern Europe and Central Asia, and Middle East and North Africa remained largely the same. These trends reflect IDFC members' relative scale within their region of operation and their wider climate mandates.

The East Asia and Pacific region received the majority of commitments for mitigation and adaptation, at $169.7 billion and $25.4 billion respectively; this accounted for 69% and 80% of total commitments in each category. This geographical bias largely stems from the activities of CDB in China, and the large scale of their financing relative to many other IDFC members. Western Europe received the second-highest commitments for mitigation projects at $55.6 billion, or 23% of total commitments in this category. 27% of dual benefits projects were in Sub-Saharan Africa, totaling $1.5 billion, followed by Latin America and the Caribbean at $1.2 billion, or 21% of the category total.

Figure 13. IDFC member Climate finance commitments by geographic destination in 2022 ($ billion)



o Reported as the European Union and the United Kingdom. Please refer to Appendix 5.1 for more details about regional groupings used for this analysis.

3.1.5 MOBILISED PRIVATE FINANCE

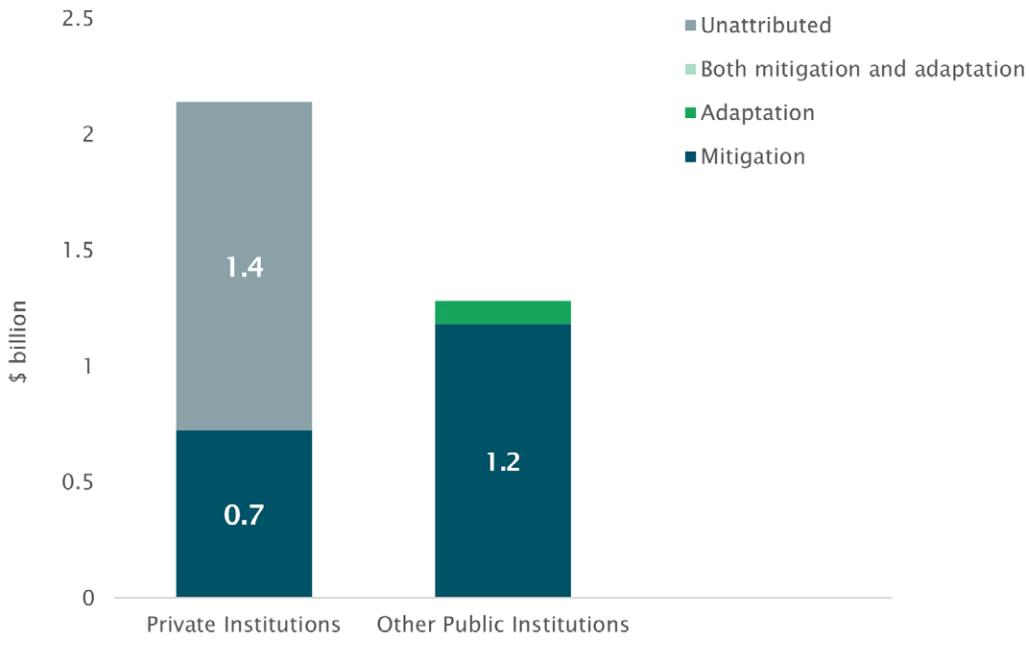
Public actors can catalyse private finance by deploying innovative blended finance structures which combine concessional capital with private capital such that each class of investor is able to reach their target return threshold. Engaging with blended finance solutions and encouraging commercial capital will be crucial for IDFC members to crowd-in the much needed private sector investment to deliver on the goals of the Paris Agreement.

The GFM has included private sector mobilisation since 2014, however, generalising results remains difficult due to limited reporting and varying methodologies across members. In the 2023 mapping, the survey included a section for members to report their total commitments to projects receiving co-financing from private institutions, as well as from other IDFC institutions and other public institutions. Where possible, member institutions also disaggregated their reported mobilised finance by the financial instrument used.

Among the nine institutions reporting co-financing data (public and private), 6 members[p] provided an instrument breakdown and 7 members[q] provided data at the project-level.

In total, these institutions reported $3.4 billion mobilised in co-financing for climate projects from other public and private institutions, a 26% increase from $2.7 billion tracked in 2021. 62% of this was provided by private institutions ($2.1 billion), and the remaining 38% was provided by public institutions at $1.3 billion. While most of the co-finance mobilised by public institutions went to mitigation, the exact use of finance (mitigation; adaptation; both) by private institutions was largely unknown (see Figure 14). Reporting institutions indicated that non-concessional loan-based climate projects mobilised the most private finance ($1.4 billion).

Figure 14. Co-finance mobilised for climate finance projects in 2022, by source and category ($ billion)



p AFD; Bancoldex; DBSA; KfW; TDB; TSKB

q AFD; Bancoldex; BICE; CABEI; DBSA; ICD; TDB

Box 5: DRR, CCA and the emerging L&D agenda

There is growing evidence that global mean temperature is expected to exceed the 1.5°C threshold before 2030[27] which will have devastating impacts on vulnerable regions and communities in IDFC's regions of operation. As the world moves towards exceeding the 1.5°C temperature target outlined in the Paris Agreement, the need for investing in disaster risk reduction (DRR) and climate change adaptation (CCA) will continue to grow across IDFC members and within their specific regions of operation so as to avoid, or minimise, the adverse impacts of climate change. While DRR refers to a broader spectrum of disasters (including technological, chemical and biological hazards), the concept overlaps with CCA where risk reduction efforts are specific to preventing, or preparing for, climate-related disasters and the impacts of climate change.[28]

IDFC achieved record high commitments for adaptation in 2022 - $31.6 billion, or 11% of total climate finance – **however, commitments for climate-related disaster risk reduction therein have been falling in recent years** from a high of $10 billion in 2020 to only $3 billion in 2022 (see Figure 6).[a] The DRR sectoral category in IDFC's GFM includes investments in early warning systems, improved drainage systems (to prepare for climate-related flooding), protection systems for dams as well as insurance against natural disasters and data-based monitoring programs or plans. Evidence indicates the effectiveness of early warning systems and early adaptation actions to avoid losses and damages, safeguarding development gains made to date.[29]

Where DRR-CCA efforts fall short, the Loss & Damage (L&D) agenda emerges. L&D has increasingly featured as a focal point of the UNFCCC COP negotiations, yielding the "breakthrough agreement" at COP27 to establish a dedicated L&D Fund. Though definitional clarity is now an essential step towards operationalising this agreement, a consensus has emerged on the following points:

1. Losses and damages can be considered either economic (those for which a monetary value is easily given) or non-economic (for example, loss of life or damage to cultural heritage).
2. Losses and damages arise from both chronic, slow-onset events (for example, sea-level rise) and acute, extreme events (for example, flooding).
3. L&D lies "beyond adaptation", where the limits to adaptation are reached and climate risks become "unavoided" (they could, in theory be avoided, but will not be due to some constraint) or "unavoidable."[30]

Overall, IDFC members will need to scale up financial commitments across the DRR-CCA-L&D continuum in the coming years. As the world fails to achieve most of the global targets included in the Sendai Framework for Disaster Risk Reduction 2015-2030[31], and looks set to overshoot the 1.5°C temperature target of the Paris Agreement earlier than expected, it is imperative that IDFC members recalibrate their investment portfolios towards the DRR-CCA-L&D continuum in order to avoid, minimise and, where necessary, address, the adverse impacts of climate change in their regions of operation. This will likely involve the exploration and uptake of more innovative financial instruments, for example, using insurance or guarantees for risk transfer. Such investments will be crucial if members are to avoid losing hard-won development gains and in order to deliver on the various goals of the 2030 Sustainable Development Agenda.

a Some additional financial commitments for adaptation-related DRR may be captured within the 'Both mitigation and adaptation' tracking category.

3.2 BIODIVERSITY FINANCE

3.2.1. OVERVIEW OF BIODIVERSITY FINANCE

For the third year in a row, the GFM presents financial commitments to projects with biodiversity benefits, either as the primary project objective or as a significant objective (co-benefit) of the intervention. As in 2021, seven IDFC institutions – AFD, Bancoldex, BNDES, CAF, CDB, JICA, and KfW – reported on biodiversity finance, totalling $18.2 billion in 2022. This indicates only a slight decrease of total investment in biodiversity by approximately 1% ($200 million) compared to 2021. Of the total investment, 79% ($14.4 billion) financed projects that also counted as climate mitigation or adaptation (so-called "double-counted biodiversity finance"), while 21% ($3.8 billion) was directed to projects that did not deliver climate benefits (so-called "non-double-counted biodiversity finance").

The mapping shows that non-double-counted biodiversity finance in 2022 was approximately half of the total tracked in 2021 ($7.7 billion), suggesting that IDFC members are more actively investing in projects that simultaneously have both climate and biodiversity objectives. Indeed, finance to projects with both climate and biodiversity objectives was approximately 35% higher than in 2021. Box 6 illustrates a biodiversity project that was financed by AFD, the aim of which was to protect and improve the natural and cultural assets of the Pingnan District in China.

Box 6: Biodiversity project case study – AFD, Ecological restoration in Pingnan District, Fujian Province, China

Nested in the northeastern part of the Fujian Province, the Pingnan District represents a site of both historical richness and ecological significance. Owing to the historical Salt and Tea Routes of the Song dynasty, the Pingnan District possesses a unique cultural heritage. At the same time, its mountainous terrain (80% of total land area) and the rivers that run through this area have endowed Pingnan District with an abundance of valuable habitats.

Despite its rich heritage, Pingnan District derives little benefit from its natural and cultural capital. With a population of 142,000 inhabitants, Pingnan District is characterised by the large concentration of people and farmland. The urban area of Pingnan (64,000 inhabitants), built along the Changfen River, is densely populated and a source of significant pressure on nature due to urban encroachment. Until now, the town has relied on agriculture and industry for its economic development. Nonetheless, the district's political leaders have set out to protect and promote its cultural and natural heritage, enhancing the scenic landscape and improving the quality of life of its inhabitants.

This project, funded by AFD, aims to contribute through the restoration and protection of the entire landscape as a mountain-river-forest-sea system, including the restoration of the world's northernmost mangrove ecosystem in Fujian province. More specifically, the project has four main objectives:

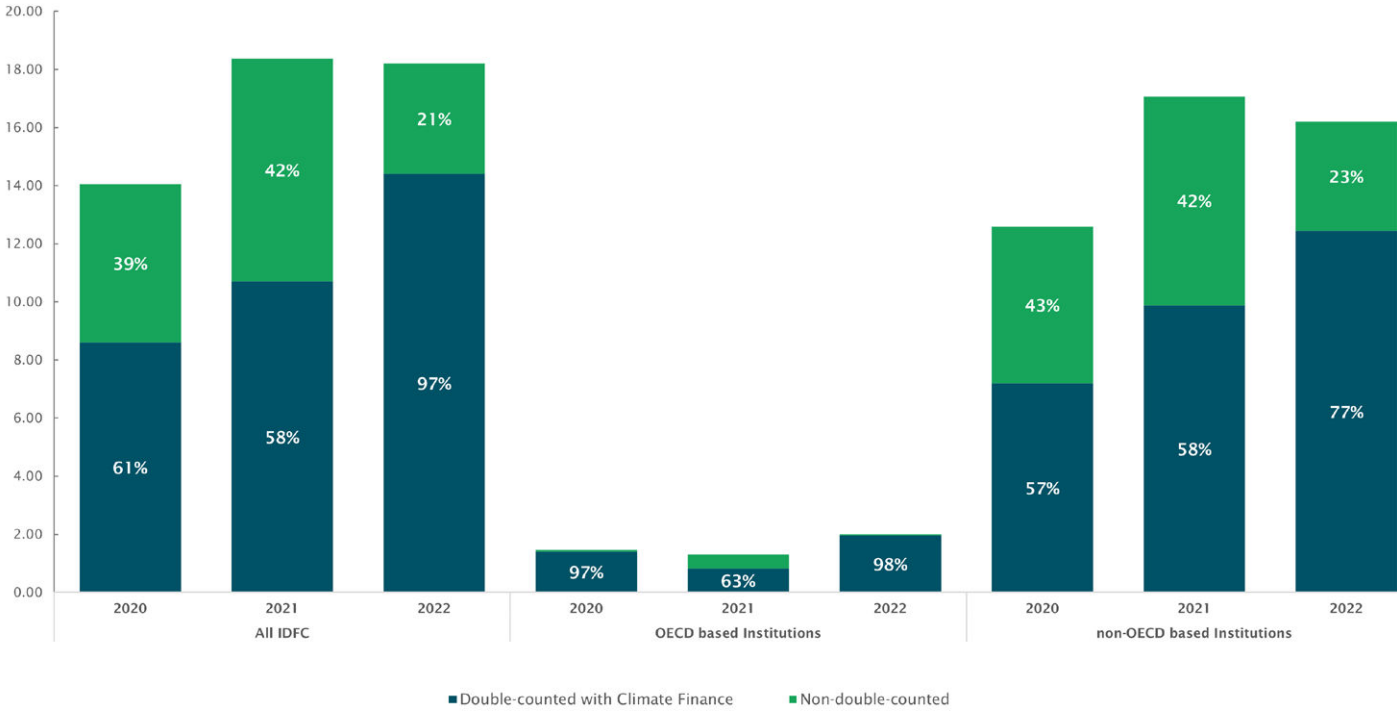
1. To improve urban biodiversity and quality of life through ecological restoration of the Changfen river and the creation of a network of parks and gardens.
2. To protect the district's traditional villages (in the Dabei-Changqio River and the Salt and Tea Road) and enable the development of responsible eco-tourism.
3. To protect and promote access to the district's rural natural areas.
4. To improve the district's ability to cope with climate change through river rehabilitation and landscape restoration as well as mitigating climate change through energy efficiency measures in selected buildings.

Through the improvement of the rural and urban natural spaces, the project aims to enhance the image of the Pingnan District across the country and support the transformation of the local economic model to one that considers the full spectrum of the cultural and natural assets of the region.

Project implementation has started in December 2022. Funding is provided by AFD through a $64 million loan for a duration of 20 years, 80% of which ($51 million) is tracked as biodiversity finance. The project is consistent with AFD's intervention strategy in China, a major focus of which is the protection of biodiversity and support for the green transition. The project also has a strong social component, as it involves continuous consultation with the affected communities, placing significant focus on participation among women, with the implementation of an ambitious gender action plan.

Source: AFD (2023). Restauration écologique du district de Pingnan, province du Fujian.
Available at: https://www.afd.fr/fr/carte-des-projets/restauration-ecologique-district-pingnan-province-fujian

Figure 15. Biodiversity finance commitments 2020-2022, with OECD/non-OECD and double-counted/non-double counted breakdown ($ billion)



3.2.2. BIODIVERSITY FINANCE IN OECD AND NON-OECD COUNTRIES

Out of the seven reporting institutions, non-OECD-based members (i.e., BNDES, CAF, CDB) provided most of the biodiversity finance in 2022, contributing $16.2 billion (89% of total biodiversity finance), while OECD-based members (i.e., AFD, Bancoldex, JICA, and KfW) committed the remaining $2 billion (11%). Compared to 2021, this represents a 5% (or $900 million) decrease in biodiversity financing from non-OECD-based members and a 54% (or $700 million) increase from the OECD-based institutions. Despite the large proportional increase in biodiversity financing by OECD-based institutions in 2022, the total amount remains rather low relative to their total climate finance.

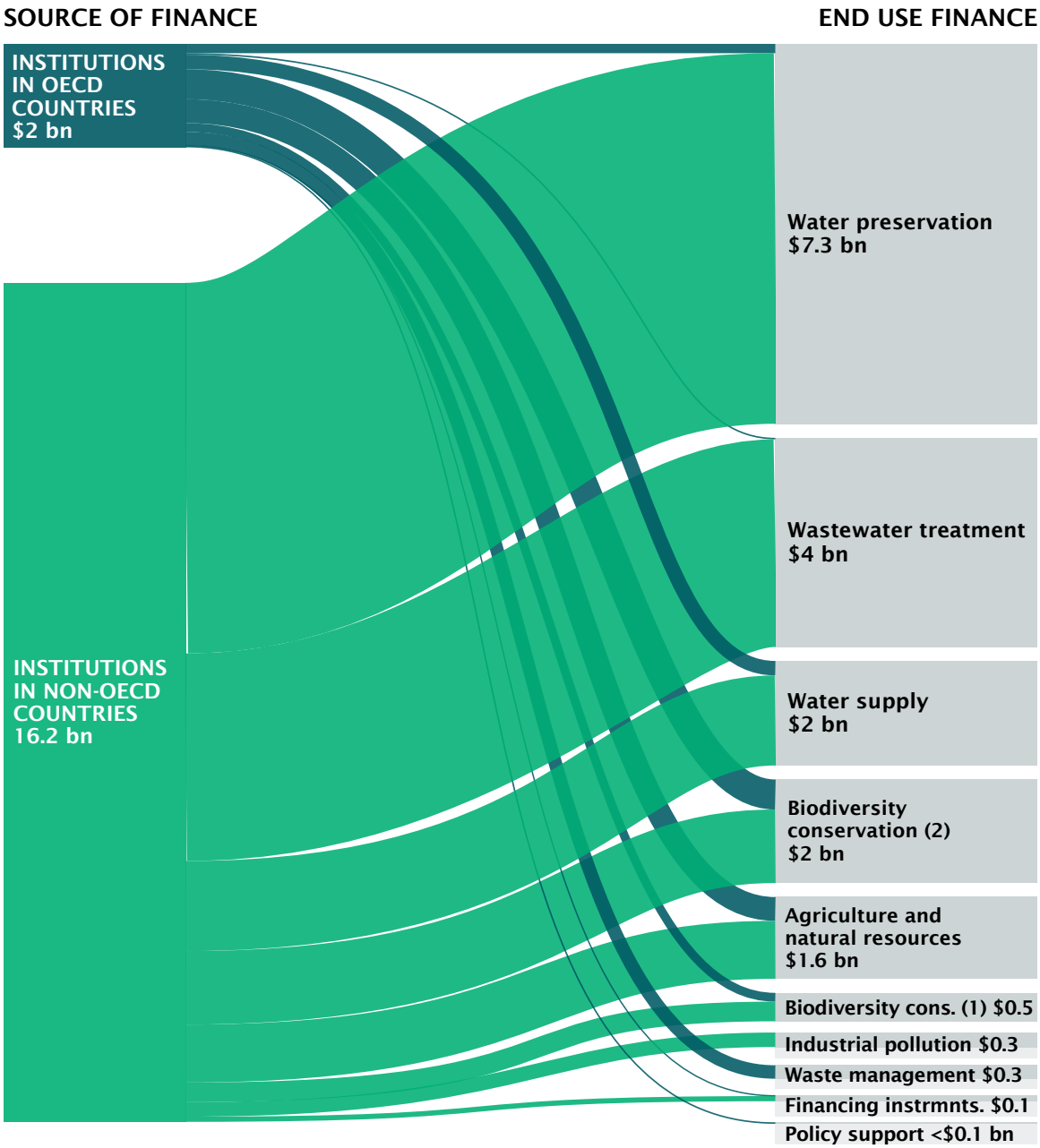
As shown in Figure 15, in all three years and across all IDFC institutions, the majority of biodiversity finance is double-counted with climate finance (79% in 2022; 58% in 2021; and 61% in 2020), which implies that institutions have leveraged synergies between projects with climate and biodiversity objectives. While there was strong progress in biodiversity finance across IDFC institutions between 2020 and 2021, increasing by approximately 31%, biodiversity finance remained more stable overall between 2021 and 2022.

3.2.3. BIODIVERSITY FINANCE BY SECTOR

In terms of biodiversity sectors, Figure 16 shows that **OECD-based members largely invested in projects in which biodiversity conservation was the primary objective** ($751.4 million, or 29% of their biodiversity commitments) followed by investments in agriculture and natural resources ($461.3 million, or 23% of their biodiversity commitments). **Non-OECD-based members primarily financed water preservation projects** ($7.1 billion, or 44% of their total biodiversity finance) followed by wastewater treatment ($4 billion, or 25% of their total biodiversity finance), while projects with biodiversity conservation as the primary objective also received significant funding ($ 1.4 billion or 9% of their total biodiversity finance).

Across all IDFC institutions, water preservation received the highest amount of funding in 2022, totalling $7.3 billion (40% of total biodiversity financing), and wastewater treatment the second highest at $4 billion (22% of total biodiversity financing). Projects with biodiversity conservation as the primary objective received $2 billion (11% of total biodiversity financing), which is significantly reduced compared with 2021, when funding for such projects totalled $5.1 billion.

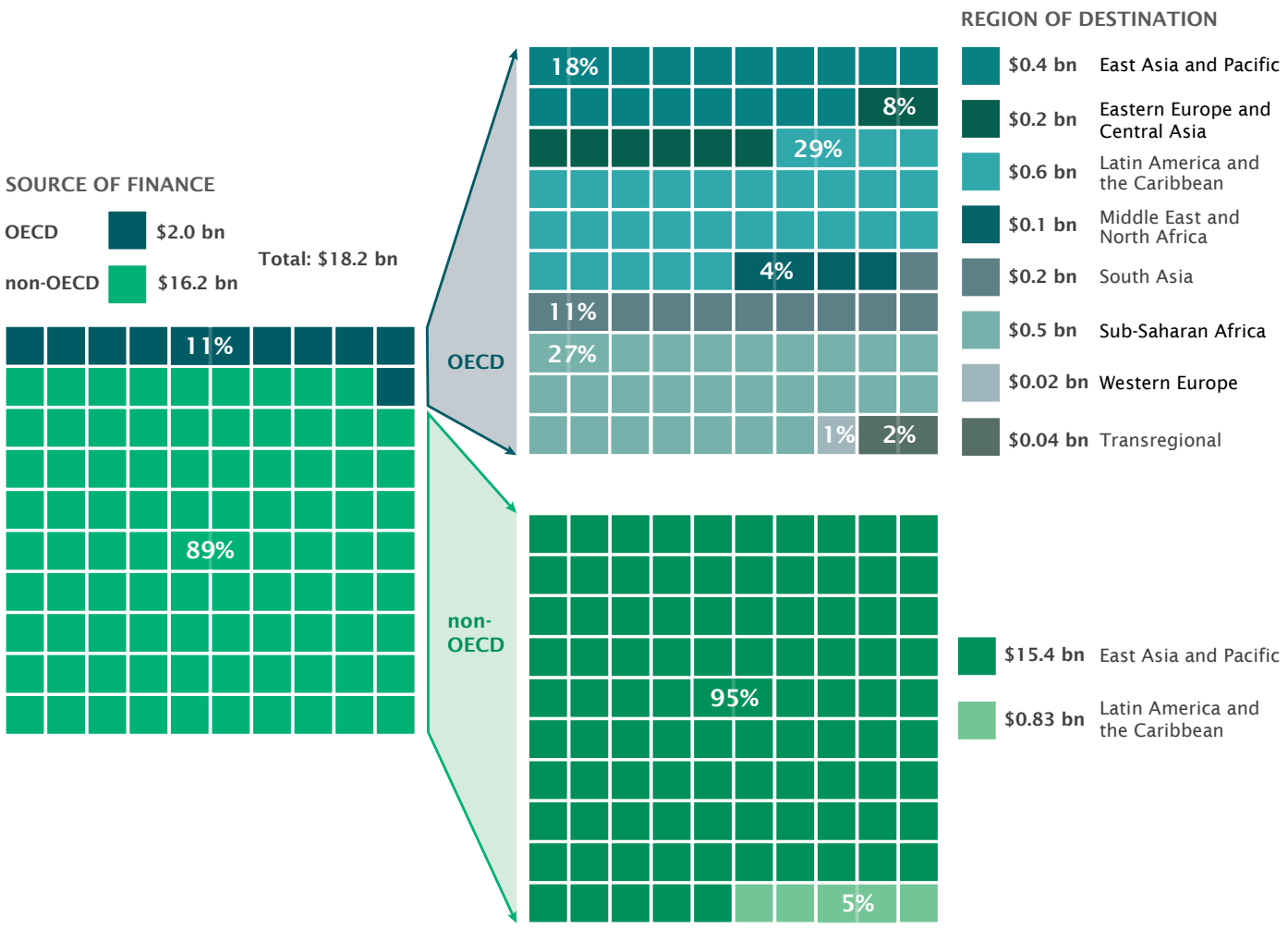
Figure 16. Biodiversity finance flows from OECD and non-OECD members, by sector in 2022 ($ billion)



3.2.4. BIODIVERSITY FINANCE BY GEOGRAPHIC DESTINATION

Figure 17 shows the regions to which the seven reporting IDFC institutions directed their biodiversity finance in 2022. **Non-OECD-based members invested only in non-OECD countries, with East Asia and Pacific receiving the vast majority of this funding** at $15.36 billion (95% of total investment of non-OECD-based members), while Latin America and the Caribbean received the remaining funding, totalling $0.8 billion (5%). **OECD-based members invested mostly in non-OECD countries, with Latin America and the Caribbean receiving most of this funding** at $0.6 billion (29% of total funding of OECD-based institutions) followed by Sub-Saharan Africa at $0.5 billion (or 27% of the total).

Figure 17. Biodiversity finance flows from OECD and non-OECD members, by geographic destination in 2022 ($ billion)



4. CONCLUSIONS

In 2022, green finance commitments by IDFC members reached $288 billion, a record-high level. This represents a 29% increase from 2021, continuing IDFC's positive trajectory channelling green finance at scale in the aftermath of the COVID-19 pandemic. In 2022, green finance accounted for approximately 24% of total new commitments reported by IDFC members, consistent with the trend observed since 2015 whereby green finance represents more than one-fifth of total IDFC investments. Non-OECD member organisations continued to provide the majority of IDFC's climate finance in 2022, at $202 billion or 72% of the total.

At $894 billion in cumulative green finance commitments since 2019, IDFC as a group remains on track towards mobilizing $1.3 trillion between 2019 and 2025, as pledged in the State of Ambition. New green finance commitments by 14 members were higher than their 2021 commitments, while the 2023 GFM received submissions from an additional four members which did not report in previous years. This growing engagement with the GFM is a promising development as IDFC seeks to improve the robustness and transparency of its green finance tracking across members. The momentum will be further built upon through a dedicated three-year green finance tracking capacity building program currently underway.

Record high commitments for both mitigation ($244.7 billion) and adaptation ($31.6 billion) were largely driven by a scaling-up of investments into low-carbon transport and water preservation projects, respectively. Mitigation continued to account for the lion's share of IDFC's climate finance (87%), while adaptation – though increasing substantially in absolute terms – remained stable at 11% of total climate finance. As the adverse impacts of climate change continue to escalate, IDFC members - uniquely positioned to invest in public goods – will need to pay particular attention to the DRR-CCA-L&D continuum in the coming years, taking anticipatory, preventive action where possible, while providing support to address the losses and damages that arise when climate risks cannot, or will not, be avoided.

IDFC continues to play a pivotal role in the global green finance landscape, as members individually pursue sustainable development in their particular region of operation. With over $1 trillion in new investments in 2022, the 26 IDFC members constitute one of the largest groups of national and regional PDBs globally, with an emphasis on investing in non-OECD countries. As such, they represent a unique opportunity to scale the quantity and quality of green finance, globally, while harnessing local networks to mobilise additional private finance. The GFM will continue to take stock of that opportunity, measuring progress towards achieving IDFC's collective goals with regard to climate change, biodiversity and environmental quality more generally.

5. APPENDIX

0.1 LIST AND BRIEF DESCRIPTION OF IDFC OECD MEMBER ORGANISATIONS

REGION	ORGANISATION
Europe	Agence Française de Développement (AFD), France
	Black Sea Trade and Development Bank (BSTDB), Greece
	Cassa Depositi e Prestiti (CDP), Italy
	Industrial Development Bank of Turkey (TSKB), Turkey
	KfW Bankengruppe, Germany
Central and South America	Nacional Financiera (NAFIN), Mexico
	Bancoldex S.A., Colombia
Asia and MENA	The Korea Development Bank (KDB), South Korea
	Japan International Cooperation Agency (JICA), Japan

0.2 LIST AND BRIEF DESCRIPTION OF IDFC NON-OECD MEMBER ORGANISATIONS

REGION	ORGANISATION
Europe	Croatian Bank for Reconstruction and Development (HBOR), Croatia
	Vnesheconombank (VEB.RF), Russia
Central and South America	Banco de Inversion y Comercio Exterior S.A. (BICE), Argentina
	Banco Nacional de Desenvolvimento Econômico e Social (BNDES), Brazil
	Central American Bank for Economic Integration (BCIE/CABEI), Honduras
	Corporación Financiera de Desarrollo S.A. (COFIDE), Peru
	Development Bank of Latin America (CAF), Peru
Africa	Banque Ouest Africaine de Développement (BOAD), Togo
	Caisse de Dépôt et de Gestion (CDG), Morocco
	Development Bank of Southern Africa (DBSA), South Africa
	The Trade and Development Bank (TDB), Burundi
	Africa Finance Corporation (AFC)
Asia and MENA	China Development Bank (CDB), China
	PT Sarana Multi Infrastruktur (PT SMI)Indonesia Exim Bank, Indonesia
	Small Industries Development Bank of India (SIDBI), India
Inter-regional institutions	Islamic Corporation for the Development of the Private Sector (ICD), Saudi Arabia
	International Investment Bank (IIB), Russia Hungary

5.1 METHODOLOGY

DEFINITIONS AND TERMINOLOGY

With no standardized and internationally agreed definitions for green and climate finance, this methodology provides working definitions for both the terminologies. Green finance is a broad term that can refer to financial investments flowing into sustainable development projects and initiatives, environmental products, and policies that encourage the development of a more sustainable economy. Green finance includes: (i) climate finance; (ii) biodiversity finance (including, for example, for water supply, wastewater treatment, biodiversity conservation and waste management); and (iii) finance for other environmental objectives, that is finance for all those activities that have no climate and biodiversity co-benefits.

Within climate finance, mitigation financial flows refer to investments in projects and programmes that contribute to reducing or avoiding GHG emissions, whereas adaptation financial flows refer to investments that contribute to reducing the vulnerability of goods and persons to the effects of climate change. Thus, for the purposes of the mapping exercise, green finance is split into four separate categories/themes:

- Mitigation
- Adaptation to climate change impacts
- Biodiversity
- Other environmental objectives

To provide accurate and comparable data for this mapping exercise, a consistent categorization of mitigation and adaptation activities was agreed to by IDFC members, taking into consideration the outcomes of the MDBs-IDFC Common Principles for Climate Finance Tracking. This year, IDFC member further agreed on a categorization of biodiversity activities. The mapping exercise adopted a two-step approach based on:

- A global definition of mitigation, adaptation, and biodiversity projects. A list of definitions is provided in Table B1.
- A core list of project categories that were consensually accepted by all IDFC members as projects that typically contribute to tackling climate change. A list of project categories is provided below.

The categories were adopted from the 2011 IDFC GFM methodology and updated according to the MDBs-IDFC Common Principles for Climate Finance Tracking. As there are significant challenges to unambiguously attributing specific investments to only one of the four themes, it was decided to split each theme into separate subcategories with clear project activity examples. The category on green energy and mitigation was also disaggregated further into sub-subcategories, based on the developed MDBs-IDFC Common Principles for Climate Mitigation Finance Tracking. This approach also helps to avoid double-counting of projects. Additional details on the themes, subcategories, and sub-subcategories are provided in Appendix D. In those cases where IDFC members did not have, or refrained from providing, subcategory information, non-attributed data were provided.

In 2021, MDBs and IDFC agreed and released new Common Principles for Climate Mitigation Finance Tracking which take into account new mitigation activities in line with the structural changes required for the Paris Agreement. These newly released Common Principles will be reflected in future iterations of the GFM exercise and reporting requirements. Similarly, the methodology for biodiversity finance tracking will be further enhanced to integrate any relevant developments from the UN Biodiversity Conference (COP 15) with regards to the Post-2020 Global Biodiversity Framework.

In this study, data provided are for financial flows committed in the year 2022 in the form of inter alia loans (concessional and non-concessional), grants, guarantees, equity, and mezzanine finance. A definition of financial instruments is provided in Table B2. New commitments refer to financial commitments signed or approved by the board of the reporting institution during 2022. Cross financial flows between IDFC banks are minimal in the green financing area and hence are not accounted for in the assessment.

Table B3 shows the regional grouping used for the analysis of green finance flows this report, Table B4 provides a definition of private sector co-financing and Table B5 provides a definition of climate policies.

Table B1 | Definition of Categories/Themes

BIODIVERSITY		SOURCE
Definition	An activity will be classified as biodiversity-related (score Principal or Significant) if it promotes at least one of the three objectives of the Convention on Biological Diversity (CBD): (1) the conservation of biodiversity, (2) sustainable use of its components (ecosystems, species or genetic resources), or (3) fair and equitable sharing of the benefits of the utilization of genetic resource.	OECD DAC (2018)
CLIMATE-CHANGE MITIGATION		**SOURCE**
Definition	An activity will be classified as related to climate change mitigation if it promotes "efforts to reduce or limit greenhouse gas (GHG) emissions or enhance GHG sequestration". Reporting according to the 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	MDBs-IDFC Common Principles for Climate Mitigation Finance Tracking V2
Criteria for Eligibility	Where data are unavailable, any uncertainty is to be overcome following the principle of conservativeness where climate finance is preferred to be under-reported rather than over-reported The Principles are activity-based as they focus on the type of activity to be executed, and not on its purpose, the origin of the financial resources, or its actual results. The list of activities eligible under these principles are illustrated in Table 1 Project reporting is ex-ante project implementation at board approval or financial commitment Climate finance tracking is independent of GHG accounting reporting in the absence of a joint GHG methodology. The Principles require mitigation activities to be disaggregated from non-mitigation activities as far as reasonably possible. 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. Mitigation activities or projects can consist of a stand-alone project, multiple stand-alone projects under a larger programme, a component of a stand-alone project, or a programme financed through a financial intermediary. 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, for renewable energy and transport projects ensuring modal shift, both new and retrofit 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 few cases when they enable preventing a long-term lock-in in high carbon infrastructure, and, for the case of energy efficiency investments in existing facilities, it is required that old technologies are replaced well before the end of their lifetime, and new technologies are substantially more efficient than the replaced technologies. Alternatively, it is required that new technologies or processes are substantially more efficient than those normally used in greenfield projects. The methodology assumes that care will be taken to identify cases when projects do not mitigate emissions due to their specific circumstances.	MDBs-IDFC Common Principles for Climate Mitigation Finance Tracking V2

CLIMATE-CHANGE ADAPTATION		SOURCE
Definition	Adaptation finance tracking relates to tracking the finance for activities that address current and expected effects of climate change, where such effects are material for the context of those activities. Adaptation finance tracking may relate to activities consisting of stand-alone projects, multiple projects under larger programmes, or project components, sub-components or elements, including those financed through financial intermediaries.	IDFC-MDBs Common principles for climate change adaptation
Criteria for Eligibility	Adaptation finance tracking process consists of the following key steps: Setting out the context of risks, vulnerabilities and impacts related to climate variability and climate change; Stating the intent to address the identified risks, vulnerabilities and impacts in project documentation; Demonstrating a direct link between the identified risks, vulnerabilities and impacts, and the financed activities. Adaptation finance tracking requires adaptation activities to be disaggregated from non-adaptation activities as far as reasonably possible. If disaggregation is not possible using project specific data, a more qualitative or experience-based assessment can be used to identify the proportion of the project that covers climate change adaptation activities. In consistence with the principle of conservativeness, climate finance is underreported rather than over-reported in this case.	IDFC-MDBs Common principles for climate change adaptation

Table B2 | Definition of Instruments

INSTRUMENT	DEFINITION
Loans	A loan is a debt evidenced by a note that specifies, among other things, the principal amount, interest rate, and date of repayment.
...of which concessional loans	Loans which are extended on terms substantially more generous than market loans. The concessionality is achieved either through interest rates below those available on the market or by longer pay back periods or a combination of these.
...of which non-concessional loans	Loans with regular market conditions
Grants	Grants are transfers made in cash, goods, or services for which no repayment is required.
Other Instruments includes	
Guarantee	Formal assurance that liabilities of a debtor will be met if the debtor fails to settle the debt.
Equity	A stock or any other security representing an ownership interest.

Table B3 | Definition of Regions (adapted from the World Bank)

EAST ASIA AND THE PACIFIC	EASTERN EUROPE AND CENTRAL ASIA	LATIN AMERICA AND THE CARIBBEAN	MIDDLE EAST AND NORTH AFRICA	SOUTH ASIA
American Samoa	Albania	Antigua and Barbuda	Algeria	Afghanistan
Cambodia	Armenia	Argentina	Djibouti	Bangladesh
China	Azerbaijan	Belize	Egypt, Arab Rep.	Bhutan

EAST ASIA AND THE PACIFIC	EASTERN EUROPE AND CENTRAL ASIA	LATIN AMERICA AND THE CARIBBEAN	MIDDLE EAST AND NORTH AFRICA	SOUTH ASIA
Fiji	Belarus	Bolivia	Iran, Islamic Rep.	India
Indonesia	Bosnia and Herzegovina	Brazil	Iraq	Maldives
Kiribati	Georgia	Chile	Jordan	Nepal
Korea, Dem. Rep.	Kazakhstan	Colombia	Lebanon	Pakistan
Lao PDR	Kosovo	Costa Rica	Libya	Sri Lanka
Malaysia	Kyrgyz Republic	Cuba	Morocco	
Marshall Islands	Macedonia, FYR	Dominica	Syrian Arab Republic	
Micronesia, Fed. Sts	Moldova	Dominican Republic	Tunisia	
Mongolia	Montenegro	Ecuador	West Bank and Gaza	
Myanmar	Russian Federation	El Salvador	Yemen, Rep.	
Palau	Serbia	Grenada		
Papua New Guinea	Tajikistan	Guatemala		
Philippinen	Turkey	El Salvador		
Samoa	Turkmenistan	Grenada		
Singapore	Ukraine	Guatemala		
Solomon Islands	Uzbekistan	Guyana		
Thailand		Haiti		
Timor-Leste		Honduras		
Tuvalu		Jamaica		
Tonga		Mexico		
Vanuatu		Nicaragua		
Vietnam		Panama		
		Paraguay		
		Peru		
		St. Lucia		
		St. Vincent and the Grenadines		
		Suriname		
		Uruguay		
		Venezuela, RB		

SUB-SAHARAN AFRICA		EU	Others
Angola	Mauritania	Austria	Trans-regional Include funds that are channelled to more than one region and/or that are channelled through multilateral climate funds.
Benin	Mauritius	Belgium	
Botswana	Mozambique	Bulgaria	
Burkina Faso	Namibia	Cyprus	
Burundi	Niger	Czech Republic	Australia
Cameroon	Nigeria	Denmark	Canada
Cape Verde	Rwanda	Estonia	Japan
Central African Republic	São Tomé and Principe	Finland	United States
Chad	Senegal	France	United Kingdom
Comoros	Seychelles	Germany	Norway
Congo, Dem. Rep.	Sierra Leone	Greece	
Congo, Rep	Somalia	Hungary	
Côte d'Ivoire	South Africa	Ireland	
Eritrea	South Sudan	Italy	
Ethiopia	Sudan	Latvia	
Gabon	Swaziland	Lithuania	
Gambia, The	Tanzania	Luxembourg	
Ghana	Togo	Malta	
Guinea	Uganda	Netherlands	
Guinea-	Zambia	Poland	
Bissau	Zimbabwe	Portugal	
Kenya		Romania	
Lesotho		Slovakia	
Liberia		Slovenia	
Madagascar		Spain	
Malawi		Sweden	
Mali			

Table B4 | Definition of Private Sector Co-financing

Definition	The asset financed is in private ownership (>= 50%) ("private investment") AND/OR the financial contributions comes from a private sector actor ("private capital")	DFI climate finance questionnaire
Criteria for Eligibility	Loans by private sector actors mobilised by IDFC member loans Loans by private sector actors mobilised by IDFC member equity positions Loans by private sector actor mobilised by IDFC member guarantees Equity from private sector mobilised by IDFC member loans Equity from the private sector actor mobilised by IDFC member equity positions Loans by private sector actor mobilised by IDFC member grants (e.g., to cover costs of a renewable energy feed-in law or premium or CO2-certificates in the CDM) Equity from private sector actor mobilised by IDFC member grants (e.g., to cover costs of a renewable energy feed-in law or premium or CO2-certificates in the CDM) Loans to the private sector generated by the revolving use of credit lines or green funds (subtract original loan to avoid double counting) Loans and equity mobilised from the private sector in other ways under Public-Private-Partnerships (PPP)	
Sampling vs. complete coverage	It is acceptable to derive representative mobilisation factors (e.g., 1.5 for revolving credit lines to banks or 1.5 for equity in project finance) for homogenous fractions of the portfolio based on a representative subset of projects.	
Several public sector actors are involved	Allocate mobilised investment on a pro-rata basis to different public financiers independent of the specific instruments applied.	

Table B5 | Definition of Climate Policies

Definition	Specific climate strategy that the institution acts upon	DFI climate finance questionnaire
Specifications	Environment rate: rate that shows the proportion of commitments regarding environmental topics compared to total commitments Climate guidelines for new projects (like ESG standards): inclusion of environmental, social & governance criteria/guidelines/policies in investment analysis and decision processes	
Sampling vs. complete coverage	It is acceptable to derive representative mobilisation factors (e.g., 1.5 for revolving credit lines to banks or 1.5 for equity in project finance) for homogenous fractions of the portfolio based on a representative subset of projects.	
Several public sector actors are involved	Allocate mobilised investment on a pro-rata basis to different public financiers independent of the specific instruments applied.	

PROCESS

As in previous years, mapping is conducted in three stages:

i. **Collecting data on commitments using a survey template filled out by member institutions.** All commitments were reported in U.S. dollars, which institutions converted using World Bank exchange rate data where required.[r] Detailed guidelines were provided to IDFC members on the categorisation of projects and use of this template, including standardized definitions of regions, categories, and instruments; lists of eligible projects; and methodologies for estimating private finance mobilisation. Specific guidelines for the biodiversity component of the survey are further detailed in Section 2.1.

ii. **Checking the data and verifying reliability and consistency of reporting.** Institutions were encouraged to note and report any deviations from the guidelines, and inconsistencies were identified and corrected. In cases of uncertainty, the reported estimates are conservative, following a preference for under-reporting rather than over-reporting green finance.

iii. **Analysing the cleaned dataset and presenting findings at aggregate and entity levels.** Commitments by individual institutions were published for the first time in the 2017 GFM exercise. This edition largely analyses the Club's commitments across the last five years for which data is available (2018-2022).

The 2023 GFM is based on survey responses from 22 out of 26 IDFC members, the best participation rate so far.[s,t] Out of these, seven institutions reported financial commitments to biodiversity in 2022, the same level of coverage observed in 2021. There are four additional institutions which reported their green finance commitments this year, namely AFC, BICE, ICD and SIDBI. Annual fluctuations in the number of reporting institutions and in coverage across green finance activities inevitably affects year-to-year comparisons.

Another new and important component of the 2023 GFM exercise was the shift towards better reporting and increased transparency through the provision of project-level data. Indeed, high quality project-level data is the gold standard for green finance tracking, ensuring finance is accurately classified (whether climate, biodiversity or green more generally) while also facilitating deeper, more meaningful analysis of flows. In a positive development, 11 members, compared to nine last year, were able to fully report project-level data this year, while three members were able to partially report on key projects in their portfolio, in addition to fully reporting aggregate data. The hope is that IDFC members will continue to make progress on this front so that all members will eventually have the ability and resources to provide granular data for the GFM, ensuring high levels of transparency and credibility behind IDFC's green finance numbers.

BIODIVERSITY FINANCE TRACKING

The methodology used to track biodiversity finance flows builds upon prior work of IDFC in the report "Benchmarking report on Biodiversity Practices of Development Banks" (IDFC, 2020b) and the study on "Testing of Reporting Methodologies on Biodiversity Finance" (Belvaux, 2020). It is based on the OECD approach using the Common Reporting Standard (CRS) codes and the Rio Markers rating system.

This is the third year that biodiversity is included in the GFM survey as a separate dedicated section. In previous years, IDFC members could report on biodiversity as a sub-category of the 'Other Environment' category. Building on the work done in 2021, IDFC members could once again report their financial flows targeting biodiversity either as a principal objective or as a significant objective (or co-benefit) to interventions targeting climate or other environmental issues. Members could report biodiversity relevant finance at the project or aggregate level.

r Average annual exchange rates were drawn from the Global Economic Monitor (World Bank, 2022).

s The 22 respondents for 2022 data included: AFD, AFC, Bancoldex, BICE ,BNDES, BOAD, BSTDB, CABEI, CAF, CDB, CDP, DBSA, HBOR, ICD, JICA ,KDB, KfW, NAFIN, PT SMI, SIDBI, TDB, TSKB. Additionally, AFC, AFD, BNDES, CAF, CDB, JICA, and KfW also reported their biodiversity finance commitments. There were 20 respondents on 2021 data (7 respondents for biodiversity), 21 respondents on 2020 data, 22 respondents on 2019 data, 17 respondents for 2018, 18 respondents for 2017, and 20 respondents for 2016 and 2015.

t KfW reports its GFM data partially based on their national green financing reporting methodology.

Only **positive contributions to biodiversity, also known as 'net gains'** are tracked as biodiversity finance. Compliance to 'do no significant harm principles' and contributions to achieve neutrality or to mitigate environmental risks when undertaking projects[u] were not counted to follow the principle of conservativeness. The GFM survey template leaves room for IDFC members to report qualitative information on best practices or specific procedures related to net gains.

As stated by the OECD Development Assistance Committee (DAC), to be relevant for biodiversity, an activity should comply with at least one of the following eligibility criteria:

1. Conservation or enhancement of ecosystems, species or genetic resources, and/or enhancement of the sustainability of their use, through in-situ or ex-situ measures, or the restoration of existing damages; or
2. Integration of biodiversity and ecosystem services concerns within recipient countries' development objectives, economic decision-making and sectoral policies, through measures such as institution building, capacity development, strengthening the regulatory and policy frameworks, research, technology transfer, knowledge management and stakeholder engagement; or
3. Elimination, phasing out or reform of incentives, including subsidies, harmful to biodiversity and provision of positive incentives for the conservation and sustainable use of biodiversity; or
4. Maintenance of genetic diversity of seeds, cultivated plants and farmed and domesticated animals and their related wild species; or
5. Fair and equitable sharing of the benefits arising from the utilization of genetic resources, including by appropriate access to these resources and by appropriate transfer of relevant technologies, as agreed internationally; or
6. Developing countries' efforts to meet their obligations under the Convention on Biological Diversity (CBD).

A comprehensive list of activities eligible to classify as biodiversity finance is included in Appendix D.

According to the OECD DAC Marking scoring logic, the level of biodiversity relevance is indicated by a DAC Marker 1 or 2:

- **DAC Marker 2** indicates that the project has been undertaken specifically to contribute positively to biodiversity (principal objective).
- **DAC Marker 1** indicates that elements of the project contribute positively to biodiversity (significant objective).

Drawing on the DAC approach, the GFM weights finance for projects which are primarily dedicated to biodiversity conservation – "Biodiversity Conservation (2) – as 100% of their value (principal objective). "Biodiversity Conservation (1) projects, along with projects in other sectoral categories which have biodiversity benefits, are weighted as 30% of total financing,[v] or at the internal rate used by the reporting member institution if one is provided (significant objective/co-benefit).

It should be noted that this methodology is not widely used yet: only seven out of the 26 IDFC members reported biodiversity finance in 2023. Common principles for biodiversity finance tracking – as they exist for climate finance – still need to be built, in coherence with the post-2020 Global Biodiversity Framework, which sets out an ambitious plan to halt and reverse biodiversity loss to achieve a nature-positive world by 2030. While providing a first picture for tracking biodiversity investment, the methodology presented here could be refined to better reflect the Convention on Biological Diversity (CBD) goals (i.e., protection, restoration, integrated spatial management, governance, sustainable management of natural resources, reduction of local pressures). So far, the flat rate applied to all projects marked as "DAC 1" does not allow for distinguishing between different levels of biodiversity relevance in eligible projects.

u As defined by environmental safeguards published by ADB (2021), AFD (2018) and IFC (2021).

v 30% was used as a conservative approach for mainstreaming biodiversity into climate projects, rather than the 40% more typically used/recommended by OECD guidance.

ELIGIBILE PROJECTS

Disaggregated data was collected as shown in Table D1 below. IDFC members were asked to disaggregate their financial commitments to: (i) mitigation of greenhouse gas emissions; (ii) adaptation to climate change; and (iii) biodiversity by sub-sector and activity, wherever possible.

Table D1 | Eligible Project Categories (based on MDBs-IDFC Common Principles, 2021

Category	Subcategory	Activities
Mitigation		
1. Energy	1.1 Renewable energy generation	Generation of renewable energy with low lifecycle GHG emissions to supply electricity, heating, mechanical energy or cooling
		Joint use of renewable energy and fossil fuel to supply electricity, heat, mechanical energy or cooling
	1.2 Lower-carbon energy	Production, storage or use of low-carbon hydrogen
		Brownfield displacement of a carbon-intensive fuel with a different, lower-carbon fuel to supply electricity, heat, mechanical energy or cooling
		Use of waste gas as a feedstock or fuel to supply electricity, heat, mechanical energy or cooling
	1.3 Energy storage and network stability	Energy storage or measures to improve network stability that increase consumption of very-low-carbon energy
	1.4 Transportation of energy	Greenfield transmission or distribution of electricity that increases the share of very-low-carbon electricity delivered
		Greenfield high-efficiency transmission or distribution of heat or cooling energy
		Brownfield efficiency improvement or reduction of CO2e emissions in transmission or distribution of electricity, heat or gas
		Commercial and collection loss reduction in distribution of electricity, heat or gas; or measures aimed at demand-side management
	1.5 Fugitive emissions	Reduction of fugitive GHG emissions in existing energy transportation or storage infrastructure, or flaring of fugitive emissions from a closed coal mine where methane utilisation is not commercially viable
2. Mining and metal production for climate action	2.1 Mining for climate action	Projects that support mining of minerals and metal ores prevalently used in or critical for renewable energy, technologies that increase energy efficiency, other low-carbon technologies, or materials and products with low embedded GHG emissions
	2.2 Metal production for climate action	Projects that support production of metals or alloys prevalently used in or critical for renewable energy, technologies that increase energy efficiency, other low-carbon technologies, or materials and products with low embedded GHG emissions

Category	Subcategory	Activities
3. Manufacturing	3.1 Energy and carbon efficiency	Brownfield industrial energy-efficiency improvement
		Highly efficient or low-carbon greenfield manufacturing facilities or greenfield supplementary equipment or production lines at an existing manufacturing facility
		Retrofit of existing industrial infrastructure resulting in avoidance of industrial GHGs, a switch to industrial GHGs with lower global warming potential, or implementation of technologies or practices that minimise leakages
		Improvements to existing industrial processes, new processes, or advanced manufacturing technology solutions, leading to a reduction in consumption or a reduction in waste of non-energy resources through changes in processes or process inputs
	3.2 Lower-carbon energy generation	Brownfield conversion from production of one type of energy to joint generation, or delivery for use of electricity, heat, mechanical energy, cooling, or desalination
		Production or use of low-carbon hydrogen
		Use of waste gas as a feedstock or as a fuel to supply electricity, heat, mechanical energy or cooling
	3.3 Electrification	Brownfield replacement of equipment or processes based on fossil fuels with electrical equipment or processes components
	3.4 Energy storage	Energy storage or smart industrial-scale solutions to increase integration of very-low-carbon energy or use of previously waste energy
	3.5 Support for low-carbon development	Projects that support production of components, equipment or infrastructure dedicated exclusively to utilisation in the renewable energy, energy efficiency improvement, or other low-carbon technologies
4. Agriculture, forestry and land-use and fisheries	4.1 Agriculture: energy efficiency, carbon sequestration, GHG-emission reduction	Reduction in energy consumption in operations
		Agricultural projects that contribute to increasing the carbon stock in the soil or avoiding loss of soil carbon through erosion control measures
		Reduction of non-CO2 GHG emissions from agricultural practices or technologies
	4.2 Livestock: GHG-emission reduction, carbon sequestration	Projects that reduce methane or other GHG emissions from livestock
		Livestock projects that improve carbon sequestration through rangeland management
	4.3 Forestry: GHG-emission reduction and carbon sequestration	Forestry or agroforestry projects that sequester carbon through sustainable forest management, avoided deforestation or avoided land degradation
	4.4 Marine and other water habitats: GHG-emission reduction	Projects that reduce GHG emissions from the degradation of marine ecosystems or other water-based ecosystems
	4.5 Fisheries and aquaculture: GHG-emission reduction	Projects that reduce CO2e intensity in fisheries or aquaculture
	4.6 Food and diet: resource use efficiency	Projects that reduce food losses or waste or promote lower-carbon diets
	4.7 GHG reduction through biomaterial production	Projects that contribute to reduction of GHG emissions through production of biomaterials/bioenergy from biomass

Category	Subcategory	Activities
5. Water supply and wastewater	5.1 Water supply: GHG-emission reduction, energy efficiency and demand management	Brownfield energy efficiency improvement in water supply systems through deployment of low-energy-consumption technologies or equipment, promotion of better auditing practices, or reduction of water losses
		Lower-carbon greenfield and brownfield water supply projects that replace tanker use or local coping mechanisms with a piped utility water supply system
		Greenfield water supply projects meeting high energy efficiency standard or making use of demand management
		Greenfield and brownfield projects that promote improved operation and maintenance to reduce water losses, promote energy savings, or meet or exceed wastewater treatment targets
	5.2 Wastewater management: GHG-emission reduction, energy efficiency and demand management	Greenfield projects that reduce methane or nitrous oxide emissions through wastewater, fecal sludge or septage collection and treatment
		Brownfield projects for wastewater that reduce emissions through energy efficiency improvements or improved treatment targets
		Greenfield or brownfield projects that improve latrines or collection of wastewater, fecal sludge or septage
	5.3 Efficient use of wastewater	Wastewater reuse
6. Solid waste management	6.1 Waste collection, transport, storage and transfer	Separate collection and transport of source-segregated waste fractions
		Temporary storage, bulking, or transfer of separately collected, source-segregated waste fractions
	6.2 Product reuse and Material recovery from solid waste	Repair and reconditioning of products or product components to enable their reuse
		Material recovery from separately collected waste involving mechanical processes
		Material recovery from separately collected or pre-sorted waste involving processes other than mechanical processes
	6.3 Recovery and valorisation of bio-waste	Anaerobic digestion of separately collected bio-waste
		Composting of separately collected bio-waste
		Other types of recovery and valorisation of bio-waste
	6.4 Treatment of mixed residual waste	Mechanical or biological treatment of mixed residual waste
		Waste incineration with energy recovery (waste-to-energy) from mixed residual waste, RDF or SRF
	6.5 Landfill gas capture, abatement and utilisation	Landfill gas capture, abatement or utilisation as part of closure of old landfills, landfill cells or dumpsites
		Landfill gas capture, abatement or utilisation in new sanitary landfills or landfill cells
	6.6 Energy efficiency	Brownfield projects aimed at improving energy efficiency in waste management facilities

Category	Subcategory	Activities
7. Transport	7.1 Urban and rural transport	Urban and rural public transport projects
		Non-motorised transport (NMT) or schemes for sharing bicycles
	7.2 Low-carbon inter-urban transport	Inter-urban railway projects for freight or passengers
		Bus or coach public passenger transport
	7.3 Low-carbon vehicles, low-carbon fuels and demand management	Passenger or freight fleets or associated infrastructure with zero or low direct emissions
		Transport operations using biofuels or synthetic fuels with low lifecycle GHG emissions
		Transport demand management policy or associated intelligent transport systems (ITS)
		Use of waste gas as a transportation fuel
	7.4 Maritime transport: low-carbon mode and efficiency improvement	Water transport projects for freight or passengers, or efficiency improvement
	7.5 Aviation: efficiency and renewable energy	Efficient air traffic management
		Efficient airport system operations or on-site renewable energy generation
8. Buildings, public installations and end-use energy efficiency	8.1 Energy efficiency, renewable energy, CO2e-emission reduction, and carbon sinks in buildings and public areas	Measures that reduce net energy consumption, resource consumption or CO2e emissions, or increase plant-based carbon sinks in greenfield and brownfield buildings and associated grounds
		Measures that reduce net energy consumption, resource consumption or CO2e emissions, or measures that increase plant-based carbon sinks in new or retrofitted buildings and associated grounds, enabling certification standards to be met
		Measures that reduce net energy consumption, resource consumption or CO2e emissions, or increase plant-based carbon sinks in public areas or installations
	8.2 End-use energy efficiency	Brownfield stand-alone end-use energy efficiency improvement or CO2e-emission reduction in existing appliances or equipment
		New or replacement stand-alone energy efficient appliances or equipment
9. Information & communications technology (ICT) and digital technologies	9.1 Energy efficiency, renewable energy and CO2e-emission reduction	Energy Efficiency improvement, renewable energy deployment, or CO2e-emission reduction in existing data centres
		Greenfield data centres that meet best international practices for energy efficiency or that are supplied largely by on-site renewable energy generation
		Telecommunications networks with energy efficiency levels that meet best international practices
10. Research, development and innovation	10.1 Research, development and innovation	Research on or development of renewable energy, energy efficiency improvement, low-carbon technologies, or other technologies instrumental to achieving full decarbonisation

Category	Subcategory	Activities
11. Cross-sectoral activities	11.1 Energy and resource-use efficiency	An activity that enables a reduction in energy or material use across a supply chain (upstream or downstream) through energy efficiency or resource-use efficiency improvements in the existing supply chain, through a shift to a less carbon-intensive supply chain, or by implementing circular economy systems
	11.2 Demand reduction	An activity aimed at demand-side management
	11.3 Electronic service delivery	Digitisation of service delivery or internal operations, leading to a substantial reduction in travel or material use
	11.4 Energy transition	Direct financing, policy actions, programs, or technical assistance to support closure of fossil fuel plants or other activities involving fossil fuel extraction, processing or transport, including support to workers or communities affected by such closure
	11.5 GHG-emission reduction	Transport, use, or permanent storage of captured CO2
	11.6 Policy support, technical assistance, capacity building and information dissemination	National, subnational or territorial cross-sectoral policy actions that aim to lead to climate change mitigation actions or technical support for such actions
		Policy actions, programs, or technical assistance for establishing more stringent energy or resource-use efficiency standards or more stringent enforcement of efficiency standards
		Systems or transparency tools for monitoring GHG emissions
		Energy audits aimed at identifying scope for increasing energy efficiency or on-site renewable energy generation
		Policy actions, programs, or technical assistance for establishing fiscal incentives for scaling up investments in or deployment of low-carbon technologies and measures
		Policy actions, programs, or technical assistance that target carbon prices or other payments that have the equivalent effects
		Policy actions, programs, or technical assistance for reducing unplanned low-density urban development or promoting densification, leading to avoidance of a long-term lock-in of a higher-carbon built environment
		Education, training, capacity building or awareness-raising focused on climate change mitigation
		Programmes or systems that provide incentives or tools to units or teams within entities to manage and minimise GHG emissions and contribute to the entity's decarbonisation goals
		Articulation of entity-level climate action or decarbonisation plans
	11.7 Support for climate change mitigation	Technical services required to develop or implement climate change mitigation finance projects
		Carbon trading or financial services or instruments

Category	Subcategory	Activities
Adaptation to climate change		
Water preservation	Water preservation	Improvement in catchment management planning (to adapt to a reduction in river water levels due to reduced rainfall)
		Installation of domestic rainwater harvesting equipment and storage (to adapt to an increase in groundwater salinity due to sea level rise)
		Rehabilitation of water distribution networks to improve water resource management (to adapt to increased water scarcity caused by climate change)
Agriculture, natural resources and ecosystem-based adaptation	Agriculture, natural resources and ecosystem-based adaptation	Conservation agriculture such as provision of information on crop diversification options (to adapt to an increased vulnerability in crop productivity)
		Increased production of fodder crops to supplement rangeland diet (to adapt to a loss in forage quality or quantity caused by climatic changes)
		Adoption of sustainable fishing techniques (to adapt to the loss of fish stocks due to changes in water flows or temperature)
		Identification of protected ecosystem areas (to adapt to a loss of species caused by sudden temperature changes)
		Improved management of slopes basins (to adapt to increased soil erosion caused by flooding due to excess rainfall)
Coastal protection	Coastal protection	Building of dikes to protect infrastructure (to adapt to the loss and damage caused by storms and coastal flooding, and sea level rise)
		Mangrove planting (to build a natural barrier to adapt to increased coastal erosion and to limit saltwater intrusion into soils caused by sea level rise)
Other disaster risk reduction	Other disaster risk reduction	Early warning systems for extreme weather events (to adapt to an increase in extreme weather events by improving natural disasters management and reduce related loss and damage)
		Improved drainage systems (to adapt to an increase in floods by draining off rainwaters)
		Insurance against natural disasters (to adapt better to extensive loss and damage caused by extreme weather events)
		Building resilient infrastructures such as a protection system for dams (to adapt to exposure and risk to extreme weather impacts, such as flooding, caused by climate change)
		Monitoring of disease outbreaks and development of a national response plan (to adapt to changing patterns of diseases that are caused by changing climatic conditions)
Local, sectoral, or national budget support to a climate change adaptation policy	Local, sectoral, or national budget support to a climate change adaptation policy	Dedicated budget support to a national or local authorities for climate change adaptation policy implementation

Category	Description & Relevant CRS Code	Maximum weight (%)*	Examples of projects and activities
Biodiversity			
Agriculture and natural resources	312. Forestry projects include activities such as forest management, reforestation and rehabilitation of forestry, forestry policies, research and education activities that are likely to include biodiversity concerns as their **significant** objective. Some activities (such as monocrop commercial afforestation) might have negative impact on biodiversity and the marker shall be awarded on a case-by-case basis.	30 or internal rate equivalent to DAC1	Facilitate reforms to address the governance, policy and market failures that cause and sustain illegal logging and associated trade. International conferences to enhance readiness on climate change response in the forestry sector and promote capacity building at the regional level.
	43040. Rural development that includes active protection for ecosystems, promotes biodiversity or improves access to the benefits of biodiversity and ecosystem services, would score 1 if biodiversity is a **significant** component.	30 or internal rate equivalent to DAC1	Integrated rural development and nature conservation.
	311. Agriculture activities are inherently linked to biodiversity conservation, sustainable use of its components and utilisation of genetic resources. Activities in this category can have both a positive or negative effect on biodiversity (e.g., sustainable agriculture vs. large monocultures) and can be scored against the biodiversity marker only if their significant objective is to contribute to the above-mentioned goals.	30 or internal rate equivalent to DAC1	The project aims at increased food security, preservation of bio-diversity and increase the income of small scale farmers by focusing on organic agricultural production. Integrated management of Rice Yellow Mottle Virus (RYMV) in lowland ecosystem.
	52010. Food aid and food security programmes can include biodiversity components, particularly when dealing with access and improvement of subsistence agriculture, most likely with score 1.	30 or internal rate equivalent to DAC1	Increase and improve food security and poverty reduction in Africa by adapting climate-smart agricultural technologies and strengthening the implementation of relevant national policies and programmes.
	313. Projects in the fishery sector will qualify against biodiversity if they promote a sustainable use of the resource, applying ecosystem-based approaches. Projects to avoid overfishing, and recovery plans and measures for depleted species will also qualify. Sustainability of fisheries entails that they have no significant adverse impacts on threatened species and vulnerable ecosystems and the impacts of fisheries on stocks, species and ecosystems are within safe ecological limits.	30 or internal rate equivalent to DAC1	Integration of biological diversity concerns into promotion of sustainable marine, coastal and inland fishing.

Category	Description & Relevant CRS Code	Maximum weight (%)*	Examples of projects and activities
Water preservation	14040. River basins' development activities could impact significantly the ecosystems. If they include biodiversity protection or sustainable use of its components among other objectives, they can be scored 1.	30 or internal rate equivalent to DAC1	Integration of biological diversity concerns into integrated watershed, catchment and river basin protection and management.
	14015. Water resources conservation is a key element to prevent environmental degradation and the loss of biodiversity. These activities, including data collection, usage of quantitative and qualitative data on water resources; creation and sharing of water knowledge; conservation and rehabilitation of inland surface waters (rivers, lakes etc.), ground water and coastal waters; prevention of water contamination, would be eligible for score 1 if biodiversity is mainstreamed among other goals.	30 or internal rate equivalent to DAC1	Improvement of livelihoods by reducing water pollution through environmental protection, conservation and recovery of natural resources (water and soil)
Water supply	1402X & 1403X. Water supply activities, particularly large ones, can have a strong impact on the circulation of surface and underground water and could thus impact biodiversity. The activities that include biodiversity concerns among their objectives would score 1.	30 or internal rate equivalent to DAC1	Development of water supply systems that protect the biodiversity of the affected ecosystems through sustainable management of water resources
Wastewater treatment	1402X & 1403X. Sanitation activities could avoid or reduce the pollution of water ecosystems and thus protect their biodiversity. They most likely include biodiversity concerns as a significant objective among others.	30 or internal rate equivalent to DAC1	Sanitation and waste management activities that contribute to protecting biodiversity by avoiding pollution.
Industrial pollution control	320. Projects in this category cover a wide range of activities that typically do not contribute to the objectives of the CBD. The ones that are more likely to be linked to biodiversity are Agro Industries (32161) and, in specific cases, Small and medium-sized enterprises (SME) development (32130). If they include an ecosystem or biodiversity component, they would score 1.	30 or internal rate equivalent to DAC1	Reduction of fluid and air pollutants from industry. Contribute towards the development of sustainable production and consumption practices in the rattan/timber value chains that promotes responsible exploitation of the resource and protection of the environment.
Waste management	14050. Waste, especially hazardous waste, can have a profoundly negative impact on biodiversity. Waste management projects that aim to prevent or remove wastes that can harm the environment and biodiversity would score [1].	30 or internal rate equivalent to DAC1	Developing a model of green municipality integrating solid waste and natural resource management practices.

Category	Description & Relevant CRS Code	Maximum weight (%)*	Examples of projects and activities
Biodiversity Conservation (DAC Marker 1)	41050 Flood prevention activities can contribute to biodiversity protection or sustainable use of ecosystems, avoiding the damages of flooding, including sea water intrusion and prevention of sea level rise. These activities are most likely to have biodiversity as a significant objective (score 1) but can also be marked as principal (score 2) if sufficient justification is available	30 or internal rate equivalent to DAC1	Protecting the coastal regions from the negative consequences of climate change (especially coastal erosion), through ecological and economical rehabilitation and protection measures
	730. Reconstruction relief and rehabilitation activities in the aftermath of a disaster can include biodiversity concerns in their activities and be eligible to be marked as such	30 or internal rate equivalent to DAC1	Relief activities including rehabilitation of ecosystem in a coastal zone affected by oil spillage.
Biodiversity Conservation (DAC Marker 2)	41030. Including natural reserves and actions in the surrounding areas; other measures to protect endangered or vulnerable species and their habitats (e.g. wetlands preservation).	100	Maintain and improve waterfowl habitat for migratory species. The purpose of this project is to improve the protection of chimpanzees and other large mammals in the remaining forest blocks of the region.
	410. General environmental protection activities include environmental policy and administrative management, protection of terrestrial and marine areas, research and education. These activities are likely to have a positive impact on biodiversity and to address the objectives of the CBD. They can be marked for biodiversity as a principal objective after a case-by-case evaluation.	100	Sustainable management of the biodiversity in protected areas and forests. Conserve biodiversity and manage natural resources in ways that maintain their long-term viability and preserve their potential to meet the needs of present and future generations. Activities include combating illegal and corrupt exploitation of natural resources and the control of invasive species.

Category	Description & Relevant CRS Code	Maximum weight (%)*	Examples of projects and activities
Support to national, regional or local policy, through technical assistance or policy lending	110. The inclusion of biodiversity topics into wider educational programmes is eligible to be marked with the score 1.	30 or internal rate equivalent to DAC1	Mainstreaming of biodiversity themes into teaching, research, training and knowledge sharing activities.
	43030. Urban development and management: Integrated urban development projects can include measures to assure environmental sustainability and protection of the biodiversity in their activities, most likely as a significant objective.	30 or internal rate equivalent to DAC1	Capacity building for local municipalities to implement urban planning activities that include an ecological, sustainable, socially balanced and efficient steering of use of land. Project activities could range from local development and urban management; urban infrastructure and services; municipal finances; urban environmental management; urban development and planning; urban renewal and urban housing; land information systems. Project activities could range from local development and urban management; urban infrastructure and services; municipal finances; urban environmental management; urban development and planning; urban renewal and urban housing; land information systems.
	14010 Water sector policy and administrative management & 14081 Education and training in water supply and sanitation. Water sector policy and governance, including legislation, regulation, planning and management of projects, together with institutional capacity development and training activities, could have a strong impact on biodiversity. These activities would be eligible for score 1 if they include biodiversity among other goals.	30 or internal rate equivalent to DAC1	Community Driven Watershed Management for Climate Change Adaptation: Individuals, families and rural and urban communities actively involved in the management and implementation of the climate change adaptation agenda of their watershed, with knowledge about climate change and disaster risk reduction, with values and skills for protecting forests, soil, water, and biodiversity.
	410. General environmental protection activities include environmental policy and administrative management, protection of terrestrial and marine areas, research and education. These activities are likely to have a positive impact on biodiversity and to address the objectives of the CBD. They can be marked for biodiversity as a significant objective after a case-by-case evaluation.	30 or internal rate equivalent to DAC1	The project aims to provide technical and managerial tools for proper land use planning that protects the environment and promotes the improvement of income generating activities. Developing Agroforestry (agriculture and forestry technologies) to create more integrated, diverse, productive, profitable, healthy, and sustainable land-use systems.

Category	Description & Relevant CRS Code	Maximum weight (%)*	Examples of projects and activities
Financing instruments	240. Banking and financial services Activities that support the banking and financial sector can be marked as biodiversity-related if they include activities such as biodiversity mainstreaming in investment projects (score 1).	30 or internal rate equivalent to DAC1	Support microfinance institutions to offer a new agricultural product which has been developed to support sustainable and environmentally friendly rural enterprises.

Category	Subcategory	Activities
'Other Environment'	**Any other climate-related activities that do not fit the above descriptions**	

5.2 DATA TABLES

Mitigation	$ Billions in 2016	$ Billions in 2017	$ Billions in 2018	$ Billions in 2019	$ Billions in 2020
Transport	79.6	94.6	36.9	81.9	56
Renewable energy	37.1	47.2	29.4	35.1	35.1
Energy efficiency	25.8	25.8	23.8	26	40.2
Lower-carbon and efficient energy generation	4.7	5.3	7.7	5.1	2.9
Agriculture, forestry, and land-use	1.8	9.3	5.7	4.8	6.3
Cross-cutting issues	1.0	1.2	2.0	1.9	4
Miscellaneous and others— green energy and mitigation	0.9	0.7	0.3	5.2	0.4
Waste and wastewater	0.4	0.3	0.3	1.2	1.6
Unattributed	2.0	-	0.1	2.4	-
TOTAL	**153.3**	**184.5**	**106.3**	**163.5**	**146.4**

Green Energy and Mitigation of GHG Emissions	$ Billions in 2021	$ Billions in 2022
Energy	60.2	86.7
Mining and metal production for climate action	0.0	0.0
Manufacturing	0.2	0.9
Agriculture, forestry and land-use and fisheries	4.8	4.4
Water supply and Wastewater	16.0	13.1
Solid waste management	1.2	0.3
Transport	59.1	95.8
Buildings, public installations and end-use energy efficiency	39.8	40.4
Information and communications technology (ICT) and digital technologies	0.5	0.2
Research, development and innovation	0.0	0.0
Cross-sectoral activities	4.8	2.9
TOTAL	**186.6**	**244.7**

Adaptation to Climate Change	$ Billions in 2017	$ Billions in 2018	$ Billions in 2019	$ Billions in 2020	$ Billions in 2021	$ Billions in 2022
Water preservation	5.6	6.4	11.2	14	12.5	25.1
Agriculture, natural resources and eco-system-based adaptation	0.7	0.9	0.9	0.8	1.04	0.7
Other disaster risk reduction	1.6	7.6	6	10.2	5.4	3.2
Miscellaneous and others - Adaptation	1.6	0.2	0.5	1.1	0.9	0.0
Coastal protection	0.2	0.02	0.03	0.05	0.16	0.13
TOTAL	**9.7**	**15.4**	**19.3**	**27.5**	**20.9**	**31.6**

Projects with Elements of both Mitigation and Adaptation	$ Billions in 2017	$ Billions in 2018	$ Billions in 2019	$ Billions in 2020	$ Billions in 2021	$ Billions in 2022
TOTAL	**1.6**	**3.3**	**3.9**	**4.7**	**5.2**	**5.6**

Other Environmental Objectives	$ Billions in 2020	$ Billions in 2021	$ Billions in 2022
TOTAL	**1.4**	**3.5**	**2.0**

Note: from 2020, other environmental objectives was only tracked at the aggregated level.

Biodiversity (double-counted & non-double-counted, total)	$ Billions in 2020	$ Billions in 2021	$ Billions in 2022
Agriculture and natural resources	2.1	1.34	1.6
Water preservation	3.4	2.9	7.3
Water supply	1.6	1.9	2.0
Waste water treatment	2.3	4.9	4.0
Industrial pollution control	-	-	0.3
Waste management	0.8	1.0	0.3
Biodiversity conservation (1)	1.2	0.5	0.55
Biodiversity conservation (2)	1.8	5.1	2.0
Support to national, regional or local policy, through technical assistance or policy lending	0.3	0.35	0.03
Financing instruments	0.6	0.4	0.11
TOTAL	**14.1**	**18.4**	**18.2**

Note: Biodiversity finance was not tracked in the years prior to 2020.

5.3 INDEX OF ACRONYMS

ADB	Asian Development Bank
AFC	Africa Finance Corporation
AFD	Agence Française de Développement
AfDB	African Development Bank
Bancoldex	Banco de Comercio Exterior de Colombia
BICE	Banco de Inversión y Comercio Exterior S.A
BNDES	Brazilian Development Bank
BOAD	Banque Ouest Africain de Développement
BSTDB	Black Sea Trade and Development Bank
CABEI	Central American Bank for Economic Integration
CAF	Development Bank of Latin America
CBD	Convention on Biological Diversity
CCA	Climate Change Adaptation
CDB	China Development Bank
CDG	Caisse de Dépôt et de Gestion
CDP	Cassa Depositi e Prestiti
CEPF	Critical Ecosystem Partnership Fund
CFF	Climate Finance Facility
COFIDE	Corporación Financiera de Desarrollo S.A.
CRS	Common Reporting Standard
MDB-IDFC Common Principles	Common Principles for Climate Mitigation as well Climate Change Adaptation Finance Tracking, jointly developed by MDBs and IDFC
COP	Conference of Parties
CPI	Climate Policy Initiative
DBSA	Development Bank of Southern Africa
DMMP	Disaster Management Master Plan
DREAM	Disaster Resilience Enhancement and Management
DRR	Disaster-risk Reduction
GBF	Global biodiversity framework
GCF	Green Climate Fund
GEF	Global Environment Facility
GHG	greenhouse gases
HBOR	Croatian Bank for Reconstruction and Development
ICD	Islamic Corporation for the Development of the Private Sector
IEB	Indonesia Exim Bank
IDFC	International Development Finance IDFC
IFC	International Finance Corporation
IIB	International Investment Bank
JICA	Japan International Cooperation Agency
KFW	Kreditanstalt für Wiederaufbau
KDB	Korean Development Bank
L&D	Loss & Damage
MDB	Multilateral Development Bank
NAFIN	Nacional Financiera S.N.C

NDC	Nationally Determined Contributions
ODA	Official Development Assistance
OECD	Organisation for Economic Cooperation and Development
OECD-DAC	Organisation for Economic Cooperation and Development Assistance Committee
PDB	Public Development Bank
PT SMI	PT Sarana Multi Infrastruktur (Persero)
RKP	Indonesia's Government Work Plan
RPJMN	Indonesia's National Medium-Term Development Plan
SDG	Sustainable Development Goal
SEI	Stockholm Environment Institute
SIDBI	Small Industries Development Bank of India
TDB	Trade and Development Bank
TSKB	Industrial Development Bank of Turkey
VEB	Vnesheconombank



5.4 IDFC Progress Report 2023 – State of Ambition

In 2023, IDFC members were asked to complete a survey on their respective progress towards achieving the objectives of the (2021) State of Ambition. The survey covered several topics, including but not limited to: Paris alignment; institutional strategies on climate and biodiversity; green finance commitments and quantitative targets; barriers to green finance; sectoral priorities; mainstreaming adaptation and resilience; and ecosystem-based adaptation and nature-based solutions.

Among 15 respondents (AFC, AFD, Bancoldex, BICE, BNDES, BOAD, CABEI, CAF, CDP, DBSA, HBOR, JICA, KfW, PT-SMI, TSKB), the following trends were observed:

1.	Most members are either already, or on their way towards, aligning their operations with the goals of the Paris Agreement.
	a. Some members have additionally set a Net Zero target.
2.	Compatibility with Nationally Determined Contributions (NDCs) is a requirement for almost all members
3.	Few members have an explicit biodiversity strategy but adhere to do no significant harm principles.
	a. Tracking biodiversity finance is still early-stage, if not non-existent.
4.	There is a growing interest in Just Transition policies or programs.
5.	There is improving access to international climate finance (for example, through accreditation to the GCF or from foundations), however, gaps remain especially for adaptation or biodiversi-ty in non-OECD countries.
6.	There is growing interest in diversifying financial instruments (for example, guarantees and risk mitigation instruments, or credit lines) as well as for entering new, innovative sectors (for example, green hydrogen).
7.	All responding members have now ended international financing for new unabated coal power generation abroad, while several have excluded all projects that are linked to fossil fuels.
	a. Most members promote and support decarbonization, recognizing the need for complemen-tary Just Transition policies or programs.
8.	Most members have adopted climate risk assessment procedures, while some are considering mainstreaming adaptation as a key institutional objective with associat-ed quantitative targets.
	a. Tracking adaptation finance is still in development or relatively early-stage.



9.	There is growing interest in prioritizing nature-based solutions and disaster-risk re-duction, while loss & damage is an increasingly relevant topic for members to en-gage with.
10.	Most members are considering, while some have already completed, a Task Force on Climate-Related Financial Disclosure (TCFD) report, in order to improve transpar-ency on financial commitments and their exposure to climate risks.

Among respondents, the following challenges were observed:

1.	Access to concessional finance and risk mitigation instruments.
2.	Strengthening impact assessment methodologies.
3.	Measuring carbon footprints.
4.	Ensuring Paris alignment with necessary institutional processes and policies.
5.	Capacity building and technical assistance (especially for less experienced clients and in the context of climate finance tracking)
6.	Investable opportunities and project pipelines.
7.	The role of natural gas as a transitional fuel in particular country contexts.

Taken together, this update on members' progress towards the State of Ambition will help to inform the strategy and activities of the Climate and Biodiversity Finance Facility, as well as the Climate and Biodiversity Working Groups, in the period 2024-2025. The update indicates both convergence in and diversity of approaches, across members:

CONVERGENCE

1.	IDFC is collectively working towards Paris Alignment, with associated institutional-level strategies and policies put in place alongside complementary risk assessment and project approval processes.
	a. The momentum for increased transparency in reporting on green finance is reflected in the 2023 GFM and the increased availability of project-level data.
2.	Across IDFC, climate finance is rising rapidly, both as an absolute amount and as a share of total in-vestment portfolios.
	a. IDFC is recognized as a key provider of public climate finance, globally.
3.	IDFC members are working to phase-out fossil fuels from their investment portfolios.
4.	IDFC members are increasingly turning to topics such as adaptation, nature-based solutions, biodi-versity and loss & damage, with growing momentum to mainstream these issues into institutional objectives; however, more is needed on this front.



DIVERSITY

1.	IDFC members differ in their maturity with regard to investing, and reporting on, green finance, and have different priorities dependent upon their particular background and region or country of operation.
2.	IDFC members have to navigate their particular NDC country-context, which can lead to differentiated portfolio compositions and projects therein, with different overall institutional mandates.
3.	IDFC members differ in their access to financial resources, which implies certain limits and challenges for some in relation to green finance.
4.	IDFC members differ in size and the profile of their clients, with different business models. This affects the specific financial tools used and the areas or sectors of intervention.

THE PROGRESS UPDATE TOWARDS THE STATE OF AMBITION REAFFIRMS 8 KEY COMMITMENTS BY IDFC:

1.	Support countries of intervention to reach carbon neutrality and transition to a low-carbon economy, as soon as possible.
2.	Mobilise USD 1.3 trillion in green finance between 2019 and 2025, including significant increases for bio-diversity and adaptation therein.
3.	Support the energy transition towards a decarbonized economy, with an emphasis on clean power and energy efficiency, among other mitigation solutions.
4.	**Key IDFC achievement: No provision of international public finance for new unabated coal power generation abroad since 2021, amongst responding members.**
5.	Commit to mainstreaming adaptation and resilience considerations into strategies and operations, including assessing climate transition and physical risks, and investing in ex-ante disaster risk reduction in line with the Sendai Framework.
6.	Promote ecosystem-based adaptation and nature-based solutions, with an emphasis on forest conservation and reforestation.
7.	Continue to support adaptation efforts within countries of intervention, including contributing to an enabling environment.
8.	Strengthen support for integrated climate disaster risk management, including through structured financing mechanisms.



THE PROGRESS UPDATE YIELDED THE FOLLOWING DISCUSSION POINTS REGARDING NEXT STEPS:

1.	Possibility of support from GCF/IDFC readiness program and through the preparation of deals like the IKI-urban initiative and the NBS program.
2.	Using and developing shared tools, for example, the climate screening and carbon toolkit under preparation by IDFC.
3.	Pursuing Paris Alignment, informed by the E3G assessment and by bolstering the IDFC mentoring program.
4.	Reinforcing the need for resource mobilization, with an emphasis on the GCF but also through other sources (for example, the EU).
5.	Increasing capacity for reporting, with a specific reference to TCFD and TNFD.
6.	Reevaluating how to mainstream more adaptation, biodiversity and disaster risk reduction work, with the possibility of joint work programs.

6. ENDNOTES

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