MAPPING OF GREEN FINANCE DELIVERED BY IDFC MEMBERS IN 2015-2016

DECEMBER 2017

international development finance club

IDFC

supported by
Climate Policy Initiative

Introduction

Since 2011, the IDFC has conducted a periodic mapping exercise of its member institutions' contributions to green finance. This report presents the findings for commitments made in 2015-2016.

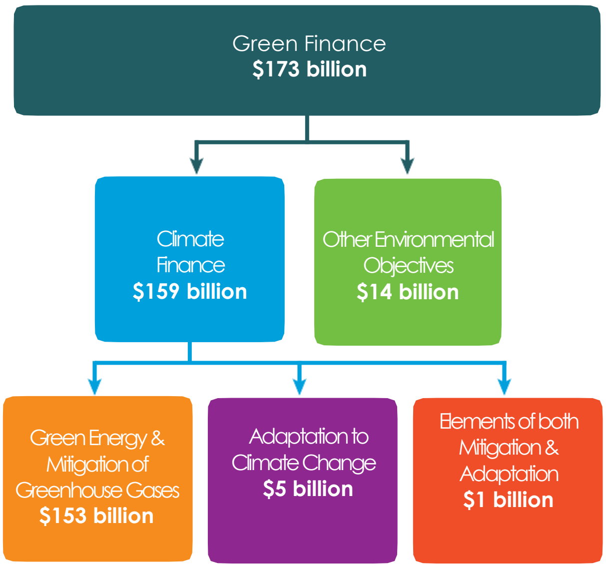
The major categories of the IDFC report include an overall green finance number divided into two major categories, namely climate finance and other environmental objectives. The former is composed of finance for green energy and mitigation of greenhouse gases (GHG), adaptation to climate change, and projects that include elements of both mitigation and adaptation. The latter is composed of non-climate related environmental activities.

Key Insights

IDFC members contributed $173 billion in green finance in 2016. [1] The corresponding figure for green financing in 2015 was $143 billion, an increase of $30 billion.

Total climate finance commitment stood at $159 billion or 92% of the total green finance commitments. The largest share of climate finance was accounted by green energy and

Figure 1 | Breakdown of New Green Finance Commitments 2016 (USD)



mitigation of GHGs which was $153 billion. Adaptation to climate change commitments were $5 billion, followed by finance for projects with elements of both mitigation and adaptation receiving $1 billion each. Finance for other environmental objectives was small, relative to climate finance, with commitments of $14 billion.

Institutions based in non-OECD countries contributed $118 billion or 68% of the green

[1] All figures are in US dollars nominal values unless otherwise stated.

finance commitments. The corresponding figure for OECD institutions was $55 billion. The majority of green finance from OECD ($33 billion) and non-OECD ($111 billion) based institutions went to financing projects in the institutions home country. Projects in non-OECD countries received $136 billion, or 79% of the total green finance commitments from all the IDFC members. Most international financing ($19 billion) came from the OECD based institutions, similar to 2015 figures.

Loans provided 99% (98% in 2015) of green finance commitments with non-concessional and concessional loans accounting for 73% and 26%. The corresponding figures for 2015 were 70% and 27%, respectively. Grants made up for 1% and while other instruments such as equity stood at a mere 0.2%, reflecting almost similar percentages in 2015.

Methodology For Climate Finance Tracking

The mapping exercise administers a survey to IDFC members, and data are checked for reliability and are then presented in aggregate form. The IDFC survey uses the Multilateral Development Banks (MDBs) and IDFC Common Principles for Climate Mitigation and Adaptation Finance Tracking. The number of reporting institutions for 2015 and 2016 is 20 out of 23.

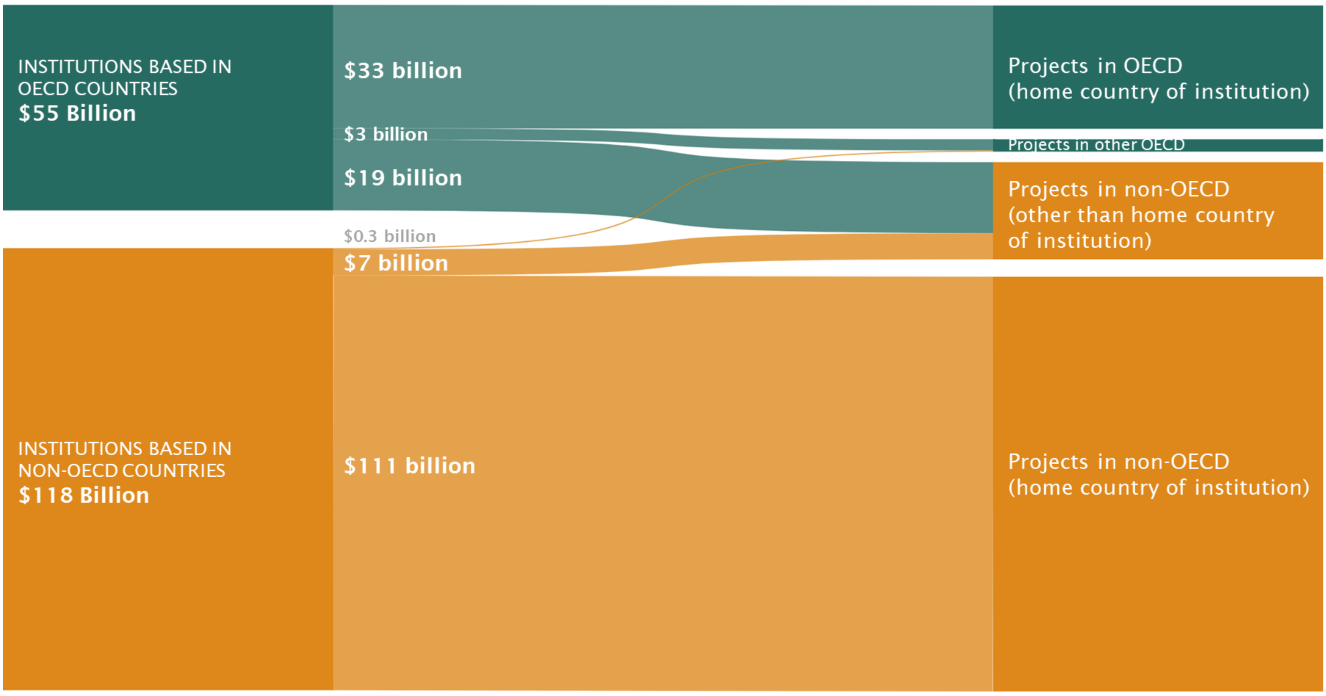
Differences in reporting institutions as well as reporting coverage across all green finance activities may vary from year to year. In particular, a notable increase in volumes is observed in this report compared to the 2015 report covering 2014 data.

Two factors played an important role towards a very significant increase of the volumes reported for both green finance commitments and climate finance in 2015 and 2016 compared to 2014-issued figures, notably

- varying sector coverage of reporting across IDFC members
- the impact of the inclusion of transportation in China in the coverage, given significant infrastructure investment taking place there

It should be noted that 2015-2016 reporting is improved compared to 2014 in terms of methodology and perimeter; nevertheless, there are still operational and methodological challenges, notably regarding adaptation finance, due to varying approaches regarding the implementation of the Common principles for adaptation finance tracking. In this context, any uncertainty is overcome following the principle of conservativeness where climate finance is preferred to be under reported rather than over reported.

Figure 2 | Green Finance Flows from OECD and Non-OECD IDFC Members in 2016



Green Energy and Mitigation of Greenhouse Gases

Green energy and mitigation of GHG commitments stood at $153 billion, an increase of $25 billion from 2015. Within mitigation, transport accounted for 52% (of the total mitigation flows) at $80 billion. This was a noticeable increase from 42% in 2015 and $53 billion of flows. The other major subcategories were renewable energy (24%) and energy efficiency (17%) amounting to $37 billion and $26 billion. Renewable energy flows dropped from $46 billion in 2015 but energy efficiency flows increased from $18 billion. Across both years, approximately $4.5 billion of flows went to lower-carbon and energy efficient power generation, mostly in the area of transmission and distribution systems.

Adaptation to Climate Change

At $5 billion, adaptation to climate change commitments were not only significantly lower than green energy and mitigation of GHG commitments in 2016, but also represent an 18% decrease from 2015. Water preservation accounted for the largest share with 35% (up from 31 % in 2015). These were followed by agriculture (25%) and other disaster risk reduction (24%) including non-coastal protection projects such as early-warning systems, insurance, drainage, and disease monitoring. The share of other disaster risk reduction flows declined the most from 2015 by 12 percentage points, while, agriculture reported the largest share gain from 9% in 2015.

Other Environmental Objectives

Finance for other environmental objectives doubled from $7 billion in 2015 to $14 billion in 2016. Industrial pollution control saw the largest increases in commitments from $1.6 billion in 2015 to $6 billion in 2016, making up 43% of the total. Water supply was the next largest sub-category with 23%, down from 30% in 2015 but its volume increased from $2 billion to $3 billion. Wastewater treatment projects received 15% of commitments in 2016, up from 10% in 2015 while broad environmental programs under the miscellaneous sub-category received 12%, down from 33% in 2015. Sustainable infrastructure accounted for 5% in 2016, an increase from 2% in 2015.

Figure 3 | Commitments to Green Energy and Mitigation of Greenhouse Gases in 2016

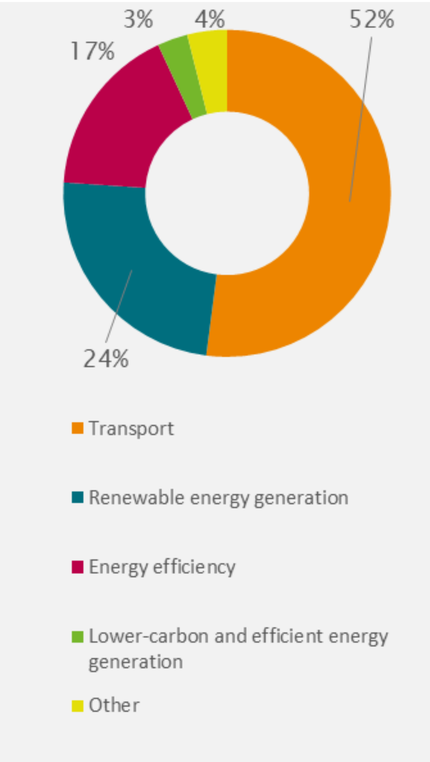


Figure 4 | Commitments to Adaptation to Climate Change in 2016

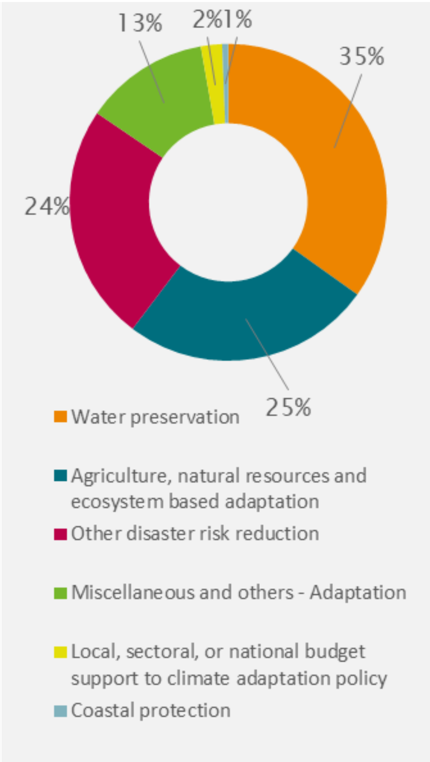


Figure 5 | Commitments Other Environmental Objectives in 2016

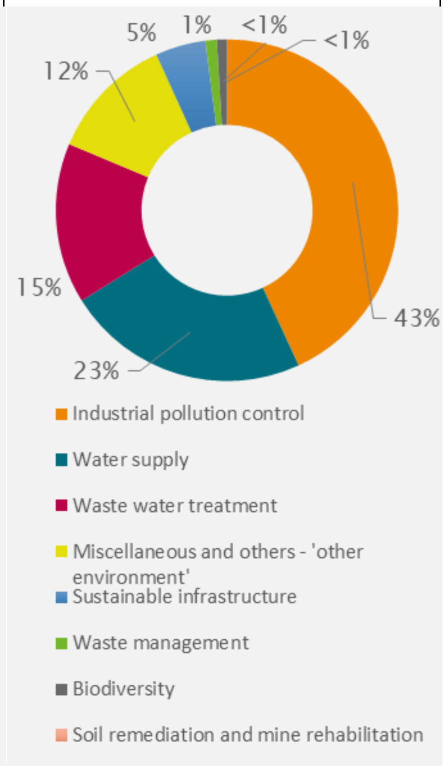
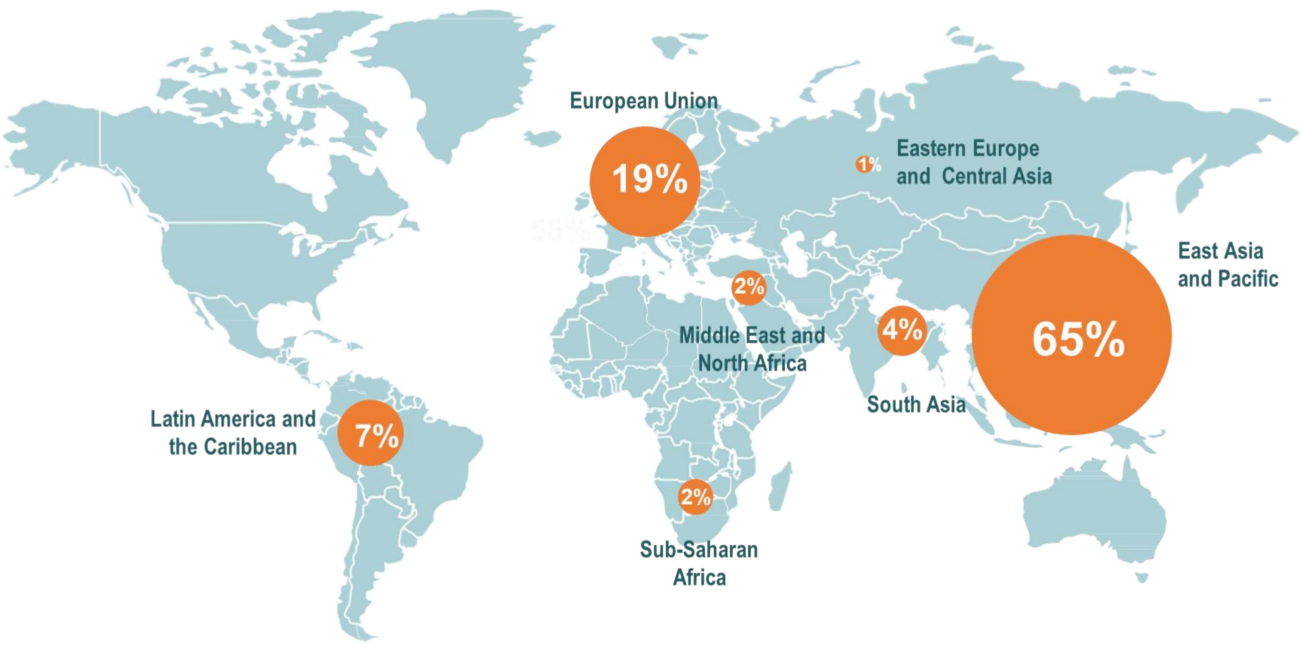


Figure 6 | New Green Finance per Target Region in 2016



Regional Distribution

The largest share of finance went to the East Asia and Pacific region with 65% in 2016 as compared to 59% in 2015. The European Union (19%), Latin America and the Caribbean (7%), South Asia (4%) were the other significant destinations of financing. In 2015, these regions received 19%, 12% and 2% of commitments, indicating how flows to South Asia have more than doubled, increasing by over $4 billion year-on-year. The Middle East and North Africa region also saw an increase in flows from $1.6 billion to $2.8 billion, while Eastern Europe and Central Asia halved. Flows to Sub-Saharan Africa remained consistent across both years.

ABOUT IDFC

IDFC members represent a global group of development banks at the national and subnational level. Likeminded in mission, members unite their expertise to help countries reach their national and international commitments.

Members work toward a vision of increased sustainable development. Specific topics include climate finance, infrastructure finance, social development, poverty reduction, green banking, and innovation finance.

The green mapping report exists to illustrate the contributions that IDFC members provide to green and climate finance. The report is constantly improving the reporting methodology, and hopes to further member efforts in tracking and reporting on green finance flows.

More information about the IDFC can be found at www.idfc.org.

This year's green mapping report was prepared with the support of the Climate Policy Initiative (https://climatepolicyinitiative.org/).

IDFC MEMBERS

- Agence Française de Développement (AFD)
- Banco del Estado de Chile (BE)
- Bancoldex S.A.
- Banco Nacional de Desenvolvimento Econômico e Social (BNDES)
- Banque Ouest Africain de Développement (BOAD)
- Black Sea Trade and Development Bank (BSTDB)
- Development bank of Latin America (CAF)
- Caisse de Dépôt et de Gestion (CDG)
- Central American Bank for Economic Integration (BCIE/CABEI)
- China Development Bank (CDB)
- Corporación Financiera de Desarrollo S.A. (COFIDE)
- Croatian Bank for Reconstruction and Development (HBOR)
- Development Bank of Southern Africa (DBSA)
- The Eastern and Southern African Trade and Development Bank (TDB)
- Indonesia Exim Bank (IEB)
- Industrial Development Bank of Turkey (TSKB)
- Islamic Corporation for the Development of the Private Sector (ICD)
- Japan International Cooperation Agency (JICA)
- KfW Bankengruppe
- Korean Development Bank (KDB)
- Nacional Financiera (NAFIN)
- Small Industries Development Bank of India (SIDBI)
- Vnesheconombank (VEB)