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The factory of climate solutions

Major Development Finance Institutions Advance on Adaptation Metrics

Financial institutions play a pivotal role in scaling up and directing financing towards investments and assets that are necessary to transition to low-carbon, resilient economies globally, and achieve net zero emissions in the long term. "Making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development" is one of the overarching objectives of the Paris Agreement on Climate Change.

Turning the Paris Agreement into concrete action calls for the mobilization and reorientation of a wide range of financial resources, public and private, as well as national, regional, bilateral and multilateral. It also requires the development of processes, tools, methodologies and institutional set-ups that make it possible to design and implement climate-smart action at the required scale. In particular, the transparent tracking and reporting of robust data and analysis on climate finance flows, as well as an improved understanding of the impact of such financing, is crucial to build accountability with regard to climate finance commitments.

The group of multilateral development banks (MDBs) who jointly report on Climate Finance, and the collective of the International Development Finance Club (IDFC) support ongoing efforts to track and disclose global climate adaptation and mitigation finance commitments. Each group has published climate finance figures annually since 2012. The MDB group is comprised of the African Development Bank (AfDB), the Asian Development Bank (ADB), the European Bank for Reconstruction and Development (EBRD), the European Investment Bank (EIB), the Inter-American Development Bank (IDB) and Inter-American Investment Corporation (IIC) from the IDB Group, and the World Bank Group (WBG). The IDFC is a group of 23 leading national, regional and international development finance institutions from across the world, 19 of which are from developing countries and regions.

The MDBs, and public development finance institutions such as those represented within the IDFC, are an important channel of climate finance. In 2012, the MDBs created a joint approach for climate finance tracking and reporting. MDBs have been mainstreaming climate into their operations, to dedicate a significant and increasing share of overall lending to climate action. Similarly, IDFC has been supporting ongoing efforts of the international community to transparently track and disclose global climate adaptation and mitigation finance commitments. IDFC also produces yearly reports mapping the Club's green and climate finance activities since 2012, showing the importance and continuous integration and promotion of climate action by club members.

In 2015, during the first edition of the *Climate Finance Forum*, the MDBs and IDFC signaled unprecedented cooperation between major financial institutions who manage the largest sources of public climate finance globally. This collaboration has resulted in *Common Principles for Climate Mitigation Finance Tracking* and an initial set of *Common Principles for Adaptation Finance Tracking*[1] to measure financial commitments that help countries, and public and private project promoters prepare for and build resilience to the impacts of climate change.

[1] http://www.idfc.org/Press-And-Publications/other-publications.aspx

The common MDBs-IDFC initial principles for adaptation finance tracking call for the following key steps: (i) setting out the context of risks, vulnerabilities and impacts related to climate variability and climate change; (ii) stating the intent to address the identified risks, vulnerabilities and impacts in project documentation; and, (iii) demonstrating a direct link between the identified risks, vulnerabilities and impacts, and the financed activities.

IDFC and MDBs agree that increased support is urgently needed for more climate resilient infrastructure, and for natural ecosystem and other adaptation measures. The MDBs and IDFC are fully committed to promote and support sustainable, climate resilient development, and do so by integrating climate resilience and adaptation into their strategies, initiatives, investments and procedures.

Today, at the 2016 *Climate Finance Forum* in Casablanca, Morocco, ahead of COP22, and building on recent work including an *Adaptation Metrics Conference* organized by the Kingdom of Morocco in September, 2016, the MDBs and IDFC commit to further develop their collaborative effort to improve the quality, robustness and consistency of climate finance accounting and metrics through the sharing of practices and knowledge as well as continuing to explore the development of common approaches, in particular in the area of adaptation and resilience.

In connection with other entities working on such topics, the MDBs and IDFC commit to work together to, among others:

- Improve consistency of implementation of commonly agreed definitions and methodologies, thereby increasing capacity and knowledge on the topic and to refine the *Common Principles* over time as knowledge improves and good practices emerge;
- Advance understanding and provide increased transparency on areas where differences in tracking approaches continue to exist, including better definitions for adaptation activities in the context of adaptation finance tracking, or appropriate level of disaggregation and granularity in adaptation finance;
- Document and share good practice and whenever possible establish common approaches on key topics such as climate vulnerability assessments; climate resilience indicators; avoidance of "mal-adaptation"; adaptation decision pathways; and the role of non-structural adaptation options in managing climate risks.

Likewise, the MDBs and IDFC hope that these voluntary efforts, which do not preclude relevant provisions under the UNFCCC, will contribute to more robust and transparent reporting, and to improved practical approaches for financial institutions that are developing their climate finance metrics.

Both groups renew their invitation to all interested financial institutions to join this effort and consider the existing *Common Principles* for climate finance tracking. Transparency of climate finance quantitative and qualitative assessments within the financial community is crucial to implement the Paris Agreement and deliver climate-smart development.