



GREEN FINANCE MAPPING REPORT 2021

FINDINGS IN 2020 DATA

EXECUTIVE SUMMARY

OCTOBER 2021



supported by:



Over \$1 trillion in total green finance since 2015

\$185 billion in green finance in 2020

Highest adaptation finance to date up 42% from 2019

\$14 billion in biodiversity finance in 2020

\$121 billion in climate finance committed in non-OECD countries

Six institutions increased their green finance despite the challenges posed by the COVID-19 crisis

Introduction and Context

Since 2011, the International Development Finance Club (IDFC) has conducted a periodic mapping of member institutions' green finance contributions.

In 2020, cumulative green finance commitments by IDFC members surpassed the \$1 trillion¹ mark since the Paris Agreement was signed. This is a major milestone, which materializes IDFC members' ability to deliver on unprecedented flows of green finance. Adaptation finance continued to grow, increasing by 42% over 2019 and more than fivefold compared to 2016 to reach \$27.5 billion. Mitigation finance suffered a shortfall in 2020, driven, at least in part, by the COVID-19 pandemic and the need to allocate resources to emergency response and economic recovery. Despite this challenge, six institutions increased their green commitments in 2020, compared to 2019.

In light of new priorities triggered by the economic response to the COVID-19 pandemic, IDFC institutions redistributed their green financing efforts towards adaptation and resilience while also including more conservation efforts. Indeed, at the inaugural 2020 Finance in Common Summit, IDFC members committed to step up investment in the conservation, sustainable use, and restoration of biodiversity. To better reflect these priorities, this year's Green Finance Mapping (GFM) report separates IDFC finance commitments to biodiversity projects, alongside conventional climate finance and other environmental objectives. Such efforts form part of a broader trend that acknowledges the intersectionality between the climate and biodiversity crisis, both in terms of causes, consequences, and potential (policy) solutions.

2020 Key Findings

- **IDFC members reported total green finance commitments of \$185 billion.** This represents a 6% decrease from 2019, primarily driven by the impact of the COVID-19 pandemic.
- **In 2020, green finance represented approximately 20% 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 96% of total green finance (or \$178.5 billion).

- Finance for green energy and mitigation of GHGs was the largest category, representing 82% of climate finance. However, in the context of a challenging year, mitigation finance declined 10%, primarily driven by lower commitments for renewable power generation and transport.

Figure 1: IDFC green finance commitments in 2020 by theme

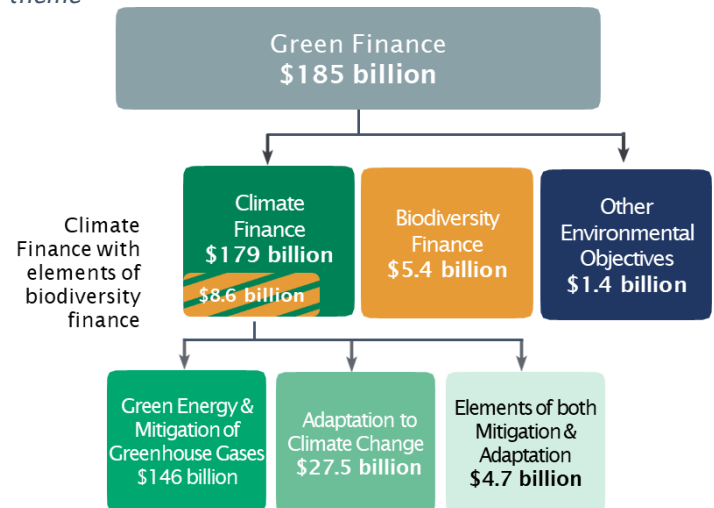
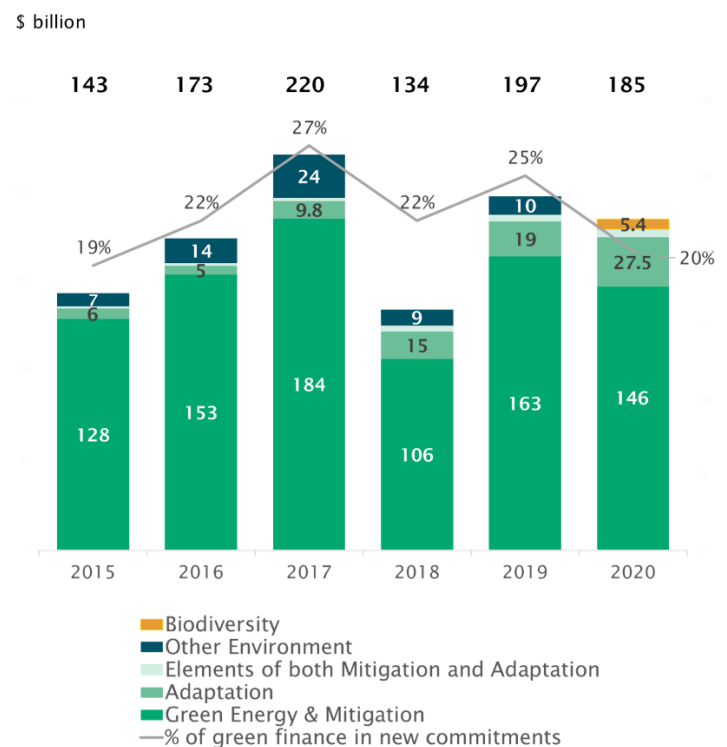


Figure 2: IDFC green finance commitments in 2015-2020²



¹ \$ = US dollar.

² For KfW, the breakdown of domestic finance flows was estimated based on figures reported in 2019.

- Adaptation projects represented 15% of climate finance, an increase of 42% from 2019. This continues four years of consecutive growth, achieving over five times the level of adaptation commitments in 2016.
- Finance to projects containing elements of both mitigation and adaptation has been steadily increasing but remains a small portion of the total at 2.6% (or \$4.6 billion).
- **Finance for biodiversity projects reached \$14 billion** in 2020. This includes, for example, finance for water supply, wastewater treatment, biodiversity conservation, and waste management, among others.
- Additionally, IDFC members reported \$1.4 billion of finance for other environmental objectives.

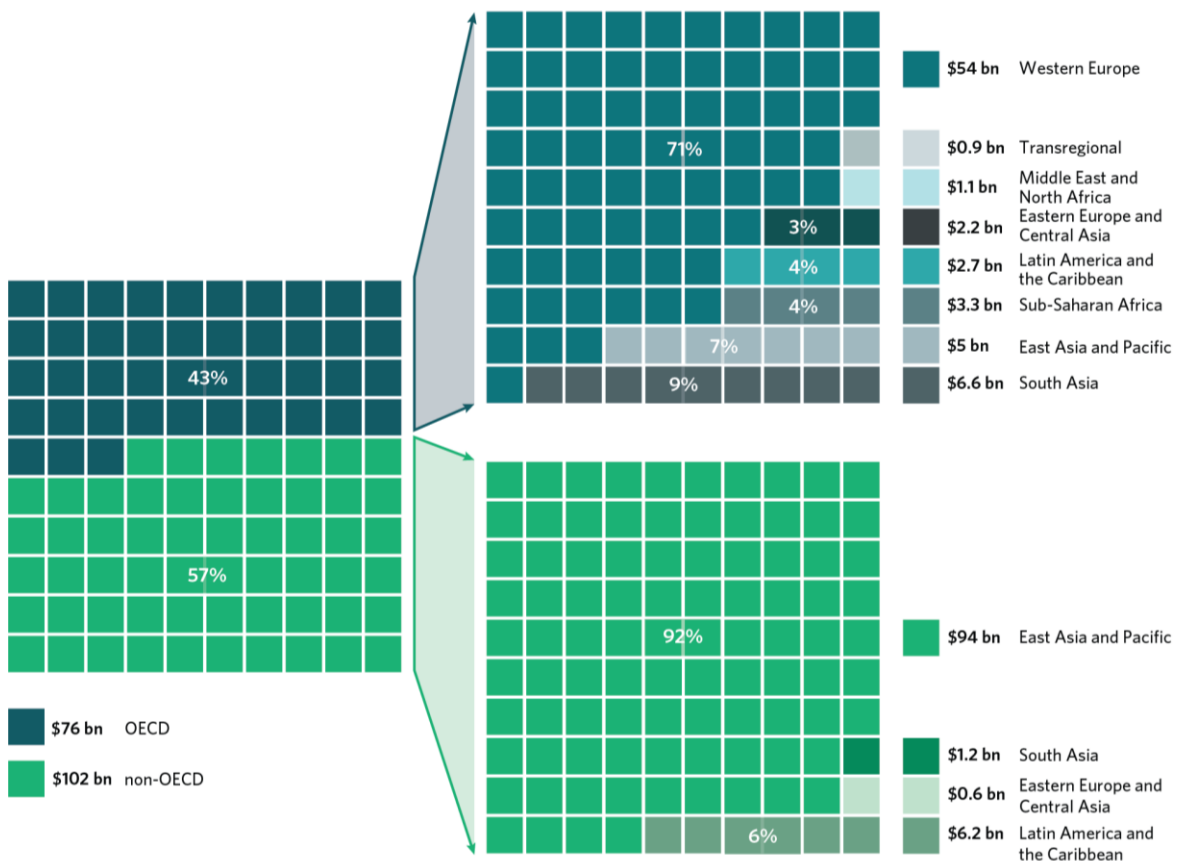
based in OECD countries committed \$76 billion, up by 55% from \$49 billion in 2019.

- **Geographic destinations:** The East Asia and Pacific region continues to attract the majority of climate finance, accounting for 55% of commitments in 2020 (down from 69% in 2019). Western Europe was the second highest recipient of climate finance, accounting for 31% of the total (or \$54.5 billion), proportionally higher than its 15% share in 2019.
- The share of total climate finance commitments made in the home country of IDFC member institutions was 86% (\$154 billion), while 14% (\$25 billion) was spent internationally.
- 81% of the climate finance committed internationally (\$20 billion) flowed from institutions based in OECD countries to non-OECD countries.
- **Financing instruments:** Most climate finance commitments were provided in the form of loans at \$168.5 billion, or 94% of total climate finance, a share similar to previous years. \$6.3 billion was provided through grants, a 70% increase from \$3.7 billion in 2019.

Climate Finance in 2020

- **Sources of finance:** IDFC institutions based in non-OECD countries committed \$102 billion in climate finance, a 26% decrease from \$138 billion in 2019. The share of climate finance coming from these institutions has also decreased from 74% in 2019 to 57% in 2020. IDFC institutions

Figure 3: Climate finance commitments in 2020 by source of finance (OECD/non-OECD) and region of destination (\$billion)



Biodiversity Finance in 2020

- Seven IDFC institutions reported investments in biodiversity in 2020, for a total of **\$14 billion, or 7.5% of total green finance commitments.**
- **39% of biodiversity finance commitments (\$5.4 billion) went to non-climate finance related biodiversity projects** while an additional \$8.6 billion consisted of climate finance projects simultaneously reporting biodiversity objectives. 4.6% of these dual-benefits projects had biodiversity as the principal objective [internal weight >50%].
- **Sources of finance:** IDFC institutions based in non-OECD countries committed \$12.6 billion in biodiversity finance, accounting for 90% of the total.
- **Geographic destinations:** The East Asia and Pacific region attracted 84% of biodiversity finance commitments in 2020 (or \$11.8 billion), followed by Latin America and the Caribbean at 10% (\$1.4 billion).
- **Sectors:** Most biodiversity finance went to water preservation projects (24%), followed by wastewater treatment (16%), and agriculture and natural resources (15%).

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 for 2020 is 21 out of 26.

The IDFC survey uses the Multilateral Development Banks (MDBs) and IDFC Common Principles for Climate Mitigation and Adaptation Finance Tracking. The list of reporting institutions and reporting coverage across all categories vary from year to year. Consequently, comparison with previous GFM figures may not be entirely consistent.

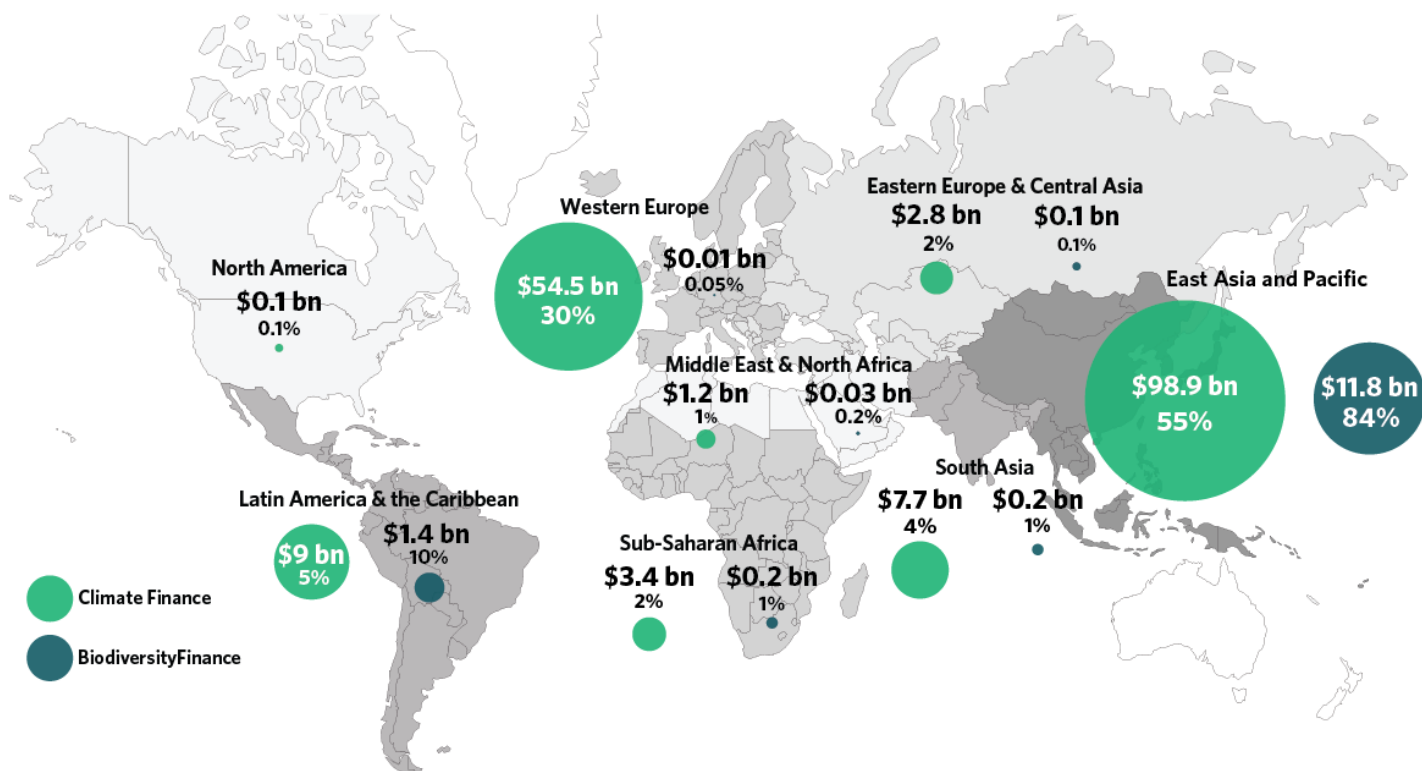
Following the Common Principles, uncertainty is overcome via the principle of conservativeness where climate finance is preferred to be under-reported rather than over-reported. In particular, adaptation commitments are expected to be conservative, since adaptation-related activities are broadly context-specific and institutions are not always able to identify relevant projects consistently.

For the first time this year, and in response to growing international momentum on the topic, the GFM tracks biodiversity as a separate category from other environmental finance. IDFC members could report on biodiversity finance at the project- or aggregate-level, weighted according to each institution's internal method for calculating the percentage of project funding allocated to biodiversity benefits.

Figure 4: Biodiversity finance commitments in 2020 by source of finance (OECD/non-OECD) and end use (\$billion)



Figure 5: Regional distribution of climate and biodiversity finance in 2020



ABOUT IDFC

IDFC, created in 2011, is a leading group of 26 national and regional development banks from all over the world. IDFC members have the unique function of supporting domestic policies while transferring international priorities into their own constituencies. IDFC members are aligned with and work together to implement the Sustainable Development Goals (SDGs) and the Paris Climate Agreement agendas. Through IDFC, and in close partnership with other development bank networks, members join forces as a platform to promote and leverage sustainable development investment worldwide.

The green finance 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 Climate Policy Initiative (www.climatepolicyinitiative.org) and Trinomics (www.trinomics.eu).

IDFC MEMBERS

- Agence Française de Développement (AFD)
- Banco del Estado de Chile (BE)
- Banco Industrial y de Comercio Exterior (BICE)
- Bancóldex S.A.
- Banco Nacional de Desenvolvimento Econômico e Social (BNDES)
- Banque Ouest Africaine de Développement (BOAD)
- Black Sea Trade and Development Bank (BSTDB)
- Development bank of Latin America (CAF)
- Caisse de Dépôt et de Gestion (CDG)
- Cassa depositi e prestiti (CDP)
- Central American Bank for Economic Integration (BCIE/ CABEL)
- 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)
- Industrial Development Bank of Turkey (TSKB)
- Islamic Corporation for the Development of the Private Sector (ICD)
- International Investment Bank (IIB)
- Japan International Cooperation Agency (JICA)
- KfW Bankengruppe
- Korean Development Bank (KDB)
- Nacional Financiera (NAFIN)
- PT Sarana Multi Infrastruktur (PTSMI)
- Small Industries Development Bank of India (SIDBI)
- State Development Corporation (VEB)