2018

JOINT REPORT
ON MULTILATERAL
DEVELOPMENT
BANKS'

CLIMATE FINANCE

AFRICAN DEVELOPMENT BANK GROUP

ADB

European Bank
for Reconstruction and Development

European Investment Bank
The EU bank

IDB Group

IsDB
البنك الإسلامي للتنمية
Islamic Development Bank

WORLD BANK GROUP

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The IDB Group is the leading source of development finance for Latin America and the Caribbean. It helps to improve lives by providing financial solutions and development knowhow to public and private sector clients. The group comprises the IDB, which has worked with governments for 60 years; IDB Invest, which serves the private sector; and IDB Lab, which tests innovative ways to enable more inclusive growth.

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JUNE 2019

This report was prepared by a group of multilateral development banks (MDBs), composed of the African Development Bank, the Asian Development Bank, the European Bank for Reconstruction and Development, the European Investment Bank, the Inter-American Development Bank Group, the Islamic Development Bank and the World Bank Group. The findings, interpretations and conclusions expressed in this work do not necessarily reflect the official views of the MDBs' Boards of Executive Directors or the governments they represent.

CONTENTS

ABBREVIATIONS AND ACRONYMS

ADB	Asian Development Bank
AfDB	African Development Bank
CCF	climate co-finance
CIF	Climate Investment Funds
CO_2	carbon dioxide
EBRD	European Bank for Reconstruction and Development
EIB	European Investment Bank
EU	European Union
€	euro
FY	fiscal year
GEF	Global Environment Facility
GCF	Green Climate Fund
GHG	greenhouse gas
IDB	Inter-American Development Bank
IDBG	Inter-American Development Bank Group, composed of the IDB, IDB Lab and IDB Invest
IsDB	Islamic Development Bank
IDFC	International Development Finance Club
IFC	International Finance Corporation
IDB Invest	private sector operational arm of the IDBG
IDB Lab	innovation laboratory of the IDBG
MDBs	multilateral development banks
MIGA	Multilateral Investment Guarantee Agency
NAMAs	Nationally Appropriate Mitigation Actions
NDCs	Nationally Determined Contributions
UNFCCC	United Nations Framework Convention on Climate Change
US$	United States dollar
WB	World Bank, composed of the International Bank for Reconstruction and Development, and the International Development Association
WBG	World Bank Group, composed of the WB, IFC and MIGA

PREFACE

The Joint Report on Multilateral Development Banks' Climate Finance is an annual collaborative effort to make public MDB climate finance figures for developing and emerging economies, together with a clear explanation of the methodologies for tracking this finance.

This 2018 edition was prepared by the European Bank for Reconstruction and Development, together with partners the African Development Bank, the Asian Development Bank, the European Investment Bank, the Inter-American Development Bank Group, the Islamic Development Bank and the World Bank Group.

Since the first Joint Report, which covered 2011, figures reported for climate finance have been based on a jointly developed MDB tracking methodology, which has been gradually updated and detailed. From the 2014 report onwards, the methodology has included reporting on climate co-finance alongside MDB climate finance. In 2015, the MDBs and the International Development Finance Club (IDFC) agreed on a set of Common Principles for finance to mitigate climate change and an initial set of Common Principles for finance to support adaptation to climate change. Their intention was to take a common approach to tracking and, in future, to reporting climate finance. They are expected to promote the Common Principles as their starting point and to discuss all differences transparently. At COP24 in December 2018 the MDBs and IDFC announced joint work to review and strengthen the Common Principles for mitigation finance. The organisations also presented a paper about the lessons learned since 2015 through the application of the Common Principles for adaptation finance tracking.

The MDBs have continued to address the challenges and enhance their tracking methodologies, including through the ongoing work of the joint MDB climate finance tracking group. For these purposes, the joint MDB climate finance tracking group has formalised the coordination of two work streams. The first stream covers climate change mitigation and is coordinated by the European Investment Bank, while the second addresses climate change adaptation and is coordinated by the Inter-American Development Bank.

The Paris Agreement's vision of making financial flows consistent with low greenhouse gas emissions and climate-resilient development – Article 2.1(c) of the Agreement – remains important in the MDBs' work to improve tracking and reporting. At COP24 in December 2018 the MDBs reinforced their commitment to combating climate change, presenting a joint approach that will align their activities with the goals of the Paris Agreement. This approach goes beyond each MDB's own climate finance targets for 2020 and 2030 and builds on their sustained contributions to climate finance. It is based on the following six building blocks that align with the objectives of the Paris Agreement: (1) mitigation goals, (2) adaptation and climate resilience operations, (3) accelerated transition to a global green economy through climate finance, (4) engagement and support for policy development, (5) reporting and (6) alignment of internal activities.

Download this report at:
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Download the infographic summary at:
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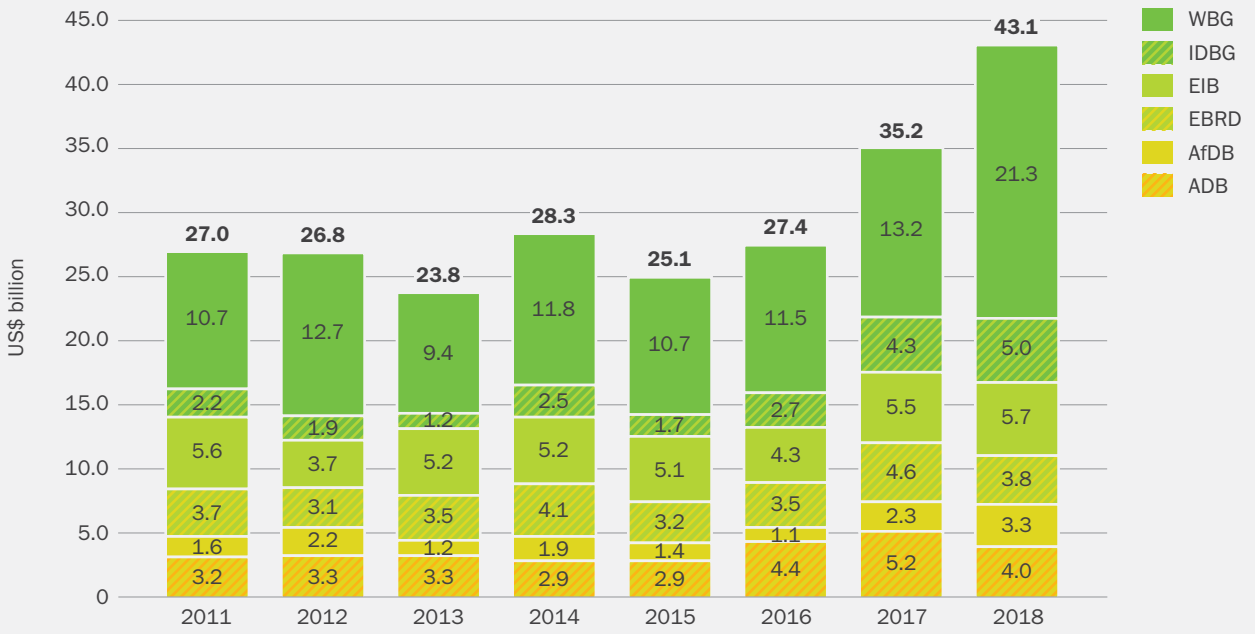
EXECUTIVE SUMMARY

This eighth edition of the *Joint Report on Multilateral Development Banks' Climate Finance* is an overview of climate finance committed in 2018 by 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 Group (IDBG) and the World Bank Group (WBG). In addition, this year's report summarises information on climate finance tracking from the Islamic Development Bank (IsDB).[1]

The AfDB, ADB, EBRD, EIB, IDBG and WBG have reported jointly on climate finance since the first edition, published in 2012, which reported figures for 2011. Collectively, they have committed almost US$ 237 billion in climate finance during the past eight years in developing and emerging economies. Figure 1 shows the reported commitments to climate finance from 2011 to 2018.

Figure 1. Total reported MDB climate finance commitments, 2011-18 (in US$ billion)



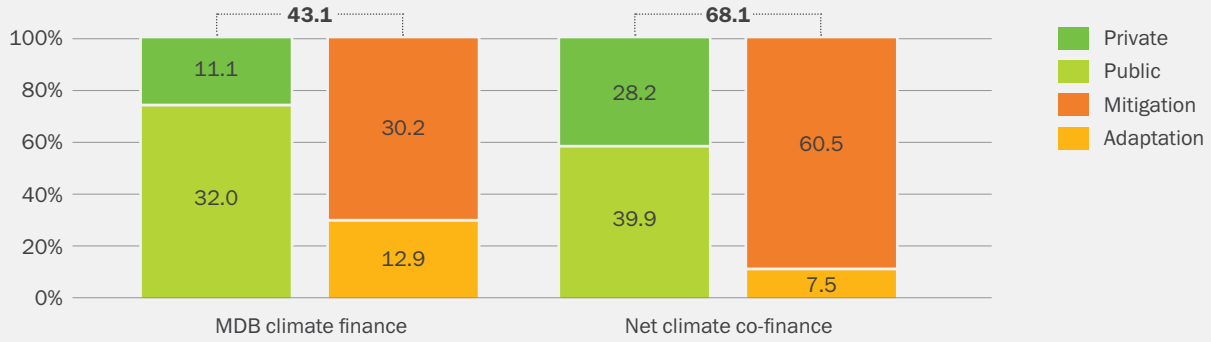
Notes:
1. In the years 2011-14 the numbers for the WBG included only IFC and WB, and IFC included short-term finance (such as trade finance). Since 2015 IFC has not included short-term finance when reporting its climate finance figures. MIGA finance has been included since 2015.
2. EIB climate finance figures (in this and in all previous editions of the *Joint Report on Multilateral Development Banks' Climate Finance*) are restricted to developing and emerging economies in transition, and do not include other economies where the EIB supports climate action. The 2018 data includes the "EU-12" (see Annex G), thereby excluding other EU Member States where the EIB is also active. EIB global climate-action own-resource financing was US$ 19.1 billion, representing 30 per cent of total EIB own-resource lending. Table A.G.4 in Annex G includes climate finance figures for EU economies outside of the EU-12 region.
3. Prior to 2016, IDBG figures did not include the private sector activity of the Inter-American Investment Corporation. The Group's figures from the start of 2016 onwards include all climate finance for public and private borrowers or beneficiaries.
4. EBRD and EIB climate finance figures in this chart are based on the annual average European Central Bank rate. For 2018 the exchange rate used is €1 = US$ 1.181.
5. Numbers in the tables and figures in this report may not add up to the totals shown, due to rounding.

[1] IsDB climate finance commitments are not included in the total MDB climate finance reported for 2018, but are summarised on page 6.

The data and statistics presented in this year's report result from uniform application of the methodologies developed jointly by the MDBs for their portfolios. In this report, the term "MDB climate finance" refers to the financial resources (own-account and MDB-managed external resources) committed by MDBs to development operations and components thereof which enable activities that mitigate climate change and support adaptation to climate change in developing and emerging economies. See Annex G for further details of the report's geographic coverage.

Collectively, the MDBs committed US$ 43,101 million in climate finance in developing and emerging economies in 2018 — US$ 30,165 million or 70 per cent of this total for climate change mitigation finance and US$ 12,936 million or 30 per cent for climate change adaptation finance. The net total climate co-finance committed during 2018 alongside MDB resources was US$ 68,050 million. When combined with the MDB climate finance, it brings the year's total climate finance to US$ 111,152 million. This is the fourth edition of the *Joint Report on MDBs' Climate Finance* to include climate co-finance.

Figure 2. Total MDB climate finance and net climate co-finance, 2018 (in US$ billion)



Note: See Annex A for the definitions of "private" and "public".

MDBs apply two distinct methodologies – with fundamentally different approaches – to tracking climate change adaptation finance (or "adaptation finance") and to tracking climate change mitigation finance (or "mitigation finance"). Both methodologies, however, track and report climate finance in a granular manner. In other words, the climate finance reported covers only those components and/or subcomponents or elements or proportions of projects that directly contribute to or promote adaptation and/or mitigation.

The MDBs estimate adaptation finance using the joint MDB methodology for tracking climate change adaptation finance. This methodology is based on a context- and location-specific approach and captures the amounts associated with activities directly linked to vulnerability to climate change. MDBs make the best possible efforts to differentiate between their usual development finance and finance provided with an explicit intent to reduce vulnerability to climate change. Thus, the methodology for tracking adaptation finance attempts to capture the *incremental cost* of adaptation activities. In contrast, mitigation finance is estimated in accordance with the joint MDB methodology for tracking climate mitigation finance, which is based on a list of activities in sectors and sub-sectors – according to each MDB's operational practice – that reduce greenhouse gas (GHG) emissions and are compatible with low-emission development. These fundamental differences between the two methodologies result in figures for mitigation finance and adaptation finance that are not directly comparable.

The MDBs' methodologies for tracking climate finance align with the Common Principles for Climate Change Mitigation Finance Tracking[2] that the MDBs and the IDFC jointly agreed and first published in March 2015. In July 2015 the MDBs and the IDFC agreed an initial set of the Common Principles for Climate Adaptation Finance Tracking.[3] The organisations continue to harmonise their approaches to tracking adaptation finance. At COP24 they announced a plan to work jointly to review and strengthen the Common Principles for Climate Mitigation Finance Tracking.

[2] The Common Principles for Climate Mitigation Finance Tracking are set out in Annex C: https://www.eib.org/attachments/documents/mdb_idfc_mitigation_common_principles_en.pdf

[3] The Common Principles for Climate Change Adaptation Finance Tracking are set out in Annex B: https://www.afdb.org/fileadmin/uploads/afdb/Documents/Generic-Documents/Common_Principles_for_Climate_Change_Adaptation_Finance_Tracking_-_Version_1__02_July__2015.pdf

The IsDB applied the MDB methodologies for tracking climate finance (mitigation and adaptation) to its 2018 projects in key sectors (energy, transport, agriculture, and water and sanitation). In the years ahead, the IsDB will apply the Common Principles in all of its projects as well as the operations of IsDB Group members the Islamic Corporation for the Development of the Private Sector (ICD), the International Islamic Trade Finance Corporation (ITFC) and the Islamic Corporation for Insurance of Investment and Export Credit (ICIEC). In 2018, IsDB climate finance was estimated to be US$ 351 million (approximately 42 per cent of approvals in the reported sectors), of which US$ 226 million (65 per cent) was for climate change mitigation, US$ 77 million (22 per cent) was dedicated to climate change adaptation and US$ 47 million (13 per cent) had dual benefits of mitigation and adaptation. The IsDB group will report fully on the details of its climate financing (modes, regions, sectors, and so on) in future reports as it expands the application of the joint MDB methodology consistently in all departments and entities.

Figure 3. IsDB climate finance, 2018 (in US$ million and percentage)

65% Mitigation finance **US$ 226 million**
22% Adaptation finance **US$ 77 million**
13% Dual-benefit projects **US$ 47 million**

1

OVERVIEW OF MDB METHODOLOGIES FOR TRACKING CLIMATE FINANCE

The tracking of MDB climate finance is based on the harmonised principles and jointly agreed methodologies detailed in Annexes B and C of this report. In this publication, the term "MDB climate finance" refers to the amounts committed by MDBs to finance climate change mitigation and adaptation activities in the development projects they undertake in developing economies and emerging economies in transition. See Table A.G.1 for details of the report's geographic coverage.

MDB climate finance includes commitments from the MDBs' own accounts, and from external resources channelled through and managed by the banks. Climate co-finance includes the amount of financial resources contributed by external resources alongside MDB climate finance. These may include entities from both the private (commercial) and public (non-commercial) sectors.

1.1. FINANCE FOR ADAPTATION TO CLIMATE CHANGE

Climate change adaptation aims to reduce the risks or vulnerabilities posed by climate change and to increase resilience. Identification of climate change adaptation finance is the result of a three-step process and thus, for a project to be counted either fully or partially towards MDB adaptation finance, it must:

a. set out the project's context of vulnerability to climate change

b. make an explicit statement of intent to address this vulnerability as part of the project, and

c. articulate a clear and direct link between the vulnerability and the specific project activities.

The MDB methodology for tracking climate change adaptation finance follows a context- and location-specific, conservative and granular approach. It tracks MDB financing only for those components and/or subcomponents or elements or proportions of projects that directly contribute to or promote adaptation. It is important to note the following:

a. The adaptation finance reported might not capture certain activities that might contribute significantly to resilience, but cannot always be tracked in quantitative terms (for example, operational procedures that support adaptation to climate change) or might not be associated with costs.

b. Climate adaptation finance, as defined by the methodology, is not intended to capture the value of an entire project or investment that may increase resilience as a result of specific adaptation activities that take place as part of the project.

1.2. FINANCE FOR THE MITIGATION OF CLIMATE CHANGE

Climate change mitigation reduces, limits, or sequesters GHG emissions to mitigate climate change. However, not all activities that reduce GHGs are eligible to be counted towards MDB mitigation finance, which is based on a list of activities that are compatible with low-emission pathways.

The joint methodology for tracking climate change mitigation finance recognises the importance of long-term structural changes, such as the shift to renewable energy technologies and the modal shift to low-carbon modes of transport. Consequently, the methodology includes both greenfield and brownfield renewable energy projects as well as modal-shift projects in transport. For energy efficiency projects the methodology acknowledges that drawing a boundary between increasing production and reducing emissions per unit of output is difficult. Therefore, greenfield energy efficiency investments are included only in a few cases where they help to prevent a long-term lock-in to high-carbon infrastructure. For brownfield energy efficiency investments to be considered as climate finance, old technologies must be replaced well before the end of their lifetimes with new technologies that are substantially more efficient. Alternatively, new technologies or processes are required to be substantially more efficient than those normally used in greenfield projects.

The methodology has some explicit exclusions in certain sectors. Examples include hydropower plants with high methane emissions from reservoirs that exceed GHG reductions associated with the plant's renewable energy output; geothermal power plants with a high carbon dioxide (CO_2) content in the geothermal fluid that cannot be reinjected; and biofuel projects that deplete carbon pools more than they reduce GHG emissions, due to high emissions during production, processing and transportation.

The joint methodology for tracking climate mitigation finance is contained in Annex C of this report.

There are fundamental differences between the tracking methodologies for climate change adaptation activities and those for mitigation activities. For mitigation activities, a one-tonne reduction in CO_2 emissions has the same impact regardless of where the activities take place. It is therefore possible to define lists of typical activities that are deemed to support the path to low-carbon development. However, adaptation activities are project- and location-specific, and they respond to specific climate vulnerabilities. Therefore, unlike mitigation activities, it is not possible to produce a standalone "list of adaptation activities" that can be used under all circumstances.

When comparing climate finance data, it is important to understand the differences and similarities. Table 1 summarises the key points in this regard.

Table 1. Comparison of methodologies for tracking adaptation and mitigation finance

	CLIMATE CHANGE ACTIVITY	
Item	**Adaptation**	**Mitigation**
General scope of qualifying activity	The activity is typically a component or element of a project, and in certain circumstances an entire project, contributing to resilience (including socio-economic resilience) or adaptation to climate change.	This is typically a project (or component thereof) that avoids, reduces or sequesters GHG emissions, or promotes efforts to achieve these goals.
Basis for tracking	Adaptation finance tracking is incremental or component based; it only takes into account those activities that specifically address vulnerability to climate change. Eligible components are usually parts of a larger project, for example, water-saving equipment that is part of a larger capital expenditure (CAPEX) investment in an area vulnerable to increased risk of drought.	Mitigation finance tracking is either project- or component-based. *Project-based:* The whole project is considered to be a mitigation activity, for example, a typical renewable energy project or a project dedicated to improving the energy efficiency of an existing facility. *Component-based:* Mitigation activity in a project, such as energy efficiency equipment that is part of a larger CAPEX investment.
Granular approach to finance tracking	The adaptation finance methodology intends to capture only the value of those activities within the project that are aimed at addressing specific climate vulnerabilities. It is not intended to capture the value of the entire project that is made more climate resilient as a consequence of specific adaptation activities within the project.	A granular approach is used. Climate finance methodology intends to capture only the value of the project or its components that avoid, reduce, limit, sequester or promote the avoidance, reduction, limitation or sequestration of GHG emissions.
Scale of impact	Local, regional, national or global.	Global
Indicator(s) to quantify and compare the outcomes of projects	Multiple (project- and context-specific) indicators are needed; the intended outcomes depend on the nature of the project.	Ultimately, all mitigation projects can be compared on the basis of their direct or indirect reduction of GHGs (for example, systems for monitoring GHGs that lead to better use of energy systems).
Qualification for climate finance	Qualification is based on a three-step assessment process, taking into account the climate change vulnerability context and the specific project intent to reduce climate vulnerabilities.	It is based on a "positive list" of activities that qualify for mitigation finance and a set of specific qualification and exclusion criteria.
Climate finance tracking	Following the three-step assessment process, climate change adaptation finance for those project components that are clearly linked to the climate vulnerability context and contribute to climate change resilience.	Following the positive-list approach, climate change mitigation finance for qualifying projects or project components is tracked.

See Annexes B and C for a full description of the methodologies and examples of their application to MDB projects in an array of sectors.

2

MDB CLIMATE FINANCE, 2018

2.1. TOTAL MDB CLIMATE FINANCE

In 2018, MDBs committed a total of US$ 43,101 million – from their own account and from external resources that were channelled through the MDBs – to climate finance in developing and emerging economies.

Mitigation finance totalled US$ 30,165 million, or 70 per cent of the total commitments, while adaptation finance was US$ 12,936 million, or 30 per cent of total commitments. Table 2 shows the adaptation and mitigation finance commitments of each MDB in the economies listed in Table A.G.1.

Table 2. Total MDB climate finance, 2018 (in US$ million)

MDB	Adaptation finance	Mitigation finance	MDB climate finance
ADB	1,286	2,725	4,011
AfDB	1,601	1,671	3,272
EBRD	452	3,374	3,826
EIB	432	5,268	5,700
IDBG	1,274	3,692	4,966
WBG	7,891	13,435	21,326
Total	**12,936**	**30,165**	**43,101**

Note: In certain cases, MDBs finance activities that have simultaneous benefits for mitigation and adaptation. The 2018 figure of US$ 867 million of climate finance with dual benefits is presented under the subheading of mitigation or adaptation finance (based on the most relevant elements of the project) to simplify reporting. Note that the IDBG splits dual benefit equally between adaptation and mitigation finance, while the EBRD and WBG allocate all dual-benefit activities to adaptation finance. See Annex D for more details of dual-benefit finance by MDBs.

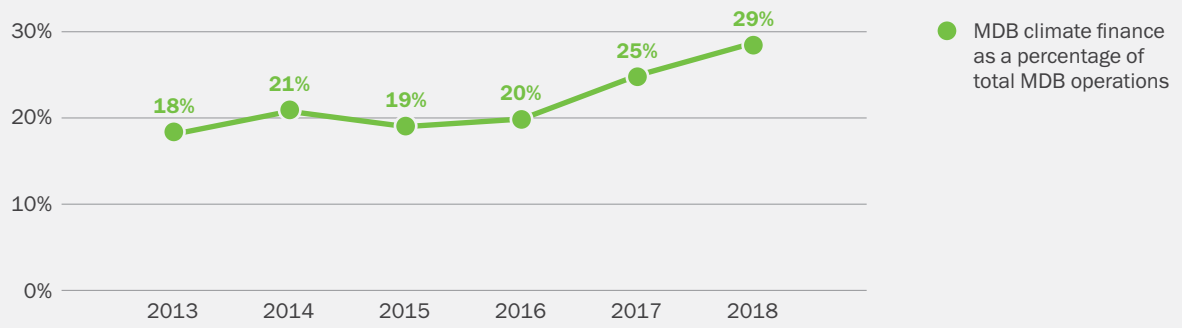
Table 3. Total MDB climate finance, climate co-finance and MDB finance, 2018

	ADB	AfDB	EBRD	EIB	IDBG	WBG	Total
Climate change finance commitment (US$ million)							
Own account	3,585	2,744	3,484	5,386	4,476	20,556	40,230
MDB-managed external resources	426	528	342	314	490	771	2,871
MDB climate finance	**4,011**	**3,272**	**3,826**	**5,700**	**4,966**	**21,326**	**43,101**
Climate co-finance	4,140	4,375	7,398	23,206	2,328	34,979	76,427
Correction for multiple-MDB financing	(43)	(375)	(1,544)	(4,142)	(203)	(2,070)	(8,377)
Total MDB climate activity finance	**8,108**	**7,272**	**9,680**	**24,764**	**7,091**	**54,236**	**111,152**
MDB finance (US$ million)							
MDB operations from MDB own account	19,532	8,720	11,275	18,105	17,735	63,892	139,259
Total MDB operations	22,611	10,170	13,008	19,620	18,561	66,868	150,837
Climate finance ratios							
Climate finance from MDB own account, as a percentage of MDB operations from MDB own account	18%	31%	31%	30%	25%	32%	29%
MDB climate finance as a percentage of total MDB operations	18%	32%	29%	29%	27%	32%	29%

Notes:
1. "MDB climate finance" refers to the sum of the climate finance from the MDBs' own accounts and the MDB-managed external resources.
2. "Total MDB operations" refers to the sum of the MDBs' own accounts and MDB-managed external resources.
3. EIB climate finance figures (in this and in all previous editions of the *Joint Report on Multilateral Development Banks' Climate Finance*) are restricted to developing and emerging economies in transition, and do not include other economies where the EIB supports climate action. The 2018 data includes the "EU-12" (see Annex G), thereby excluding other EU Member States where the EIB is also active. EIB global climate-action own-resource financing was US$ 19.1 billion, representing 30 per cent of total EIB own-resource lending. Table A.G.4 in Annex G includes climate finance figures for EU economies outside of the EU-12 region.
4. IDBG climate finance disaggregated by IDB, IDBInvest and IDBLab was US$ 4,161 million, US$ 789 million and US$ 16 million, respectively.
5. WBG climate finance resources (including own account and managed external resources) for IFC, MIGA, and the World Bank were US$ 3,990 million, US$ 924 million, and US$ 16,412 million, respectively. Note: MIGA's climate finance figure is US$ 924 million as FY18 figures include own account (US$ 917 million) and externally managed resources (US$ 7 million for PRICO solar in Gaza). IFC numbers capture long-term finance own-account commitments only. Total commitments of own-account long-term finance in the financial year 2018 (FY18) were US$ 11,629 million. As such, in FY18, IFC reached a level of 34 per cent on long-term finance own-account climate commitments (US$ 3,910 million of US$ 11,629 million).

From the 2013 report onwards, MDBs have been reporting their climate finance ratios in terms of total MDB climate finance as a percentage of total MDB operations.

Figure 4. Climate finance ratios, 2013-18



Sources of MDB climate finance are split between the MDBs' own accounts and the external resources channelled through and managed by the MDBs. External resources include trust-funded operations, such as those funded by bilateral agencies and dedicated climate finance funds such as the Climate Investment Funds (CIF), Green Climate Fund (GCF), and climate-related funds under the Global Environment Facility (GEF), EU blending facilities and others. As bilateral reporting may already cover some external resources, those managed by the MDBs are presented separately from the MDBs' own accounts.

Total 2018 MDB climate finance from MDBs' own accounts was US$ 40,230 million and US$ 2,871 million from external resources was channelled through the MDBs.

2.2. MDB CLIMATE FINANCE BY TYPE OF RECIPIENT OR BORROWER

MDBs report on the nature of first recipients or borrowers[4] of MDB climate finance (those to whom finance will flow directly from the MDBs), differentiating between public and private recipients or borrowers. Total commitment varies significantly between MDBs' own accounts and MDB-managed external resources, as Table 4 illustrates. Table 5 shows the split by type of recipient or borrower for the MDBs' own accounts and for MDB-managed external resources.

Table 4. MDB climate finance by source of funds and by type of recipient or borrower, 2018 (in US$ million)

	Mitigation finance			Adaptation finance		
Type of recipient or borrower	MDB own account	MDB-managed external resources	Subtotal	MDB own account	MDB-managed external resources	Subtotal
Public recipient or borrower	18,239	1,488	19,727	11,466	760	12,226
Private recipient or borrower	9,829	610	10,438	696	14	710
Total	**28,068**	**2,097**	**30,165**	**12,162**	**774**	**12,936**

[4] See Annex A for the definitions of public and private recipients or borrowers.

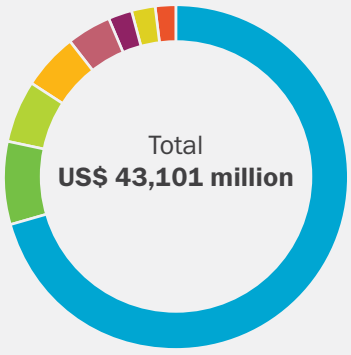
Table 5. MDB climate finance from MDB own account and MDB-managed external resources, split by type of recipient or borrower, 2018 (in US$ million)

	Private		Public	
MDB	MDB own account	MDB-managed external resources	MDB own account	MDB-managed external resources
ADB	814	52	2,771	374
AfDB	911	88	1,833	440
EBRD	1,965	138	1,519	204
EIB	1,332	156	4,053	158
IDBG	675	130	3,801	360
WBG	4,827	59	15,729	712
Total	**10,525**	**624**	**29,706**	**2,247**

2.3. MDB CLIMATE FINANCE BY TYPE OF INSTRUMENT

For the fifth consecutive year, MDBs reported climate finance by the types of financial instrument (see Annex E). MDBs reported that 71 per cent of total climate finance was committed through investment loans. Figure 5 shows the breakdown of total MDB climate finance by instrument type. Table 6 presents types of instrument by MDB. Table 7 provides examples of the attribution of climate finance to various types of instrument.

Figure 5. Total MDB climate finance split by type of instrument, 2018 (in US$ million)



71% Investment loan **US$ 30,516 million**
8% Policy-based financing **US$ 3,307 million**
6% Results-based financing **US$ 2,487 million**
5% Grant **US$ 2,259 million**
4% Guarantee **US$ 1,811 million**
2% Other instruments **US$ 1,042 million**
2% Line of credit **US$ 847 million**
2% Equity **US$ 832 million**

Note: Annex E defines the various types of instrument.

Table 6. Type of instrument, by MDB, 2018 (in US$ million)

Type of instrument	ADB	AfDB	EBRD	EIB	IDBG	WBG
Investment loan	3,433	2,269	2,553	4,980	3,395	13,885
Policy-based financing	37	229	–	–	808	2,234
Grant	529	489	177	94	94	876
Guarantee	–	105	85	18	118	1,485
Equity	–	132	113	327	9	252
Line of credit	–	47	520	281	–	–
Results-based financing	11	–	–	–	–	2,476
Other instruments	2	2	378	–	543	118
Total	**4,011**	**3,272**	**3,826**	**5,700**	**4,966**	**21,326**

Note: Other instruments include advisory services and bonds. Some MDBs report eligible bonds under the category of investment loans.

Table 7. Examples of types of instrument

Type of instrument: **RESULTS-BASED FINANCING**

Project focus: **Rural development**

Sectors: **Energy, transport and other built environment and infrastructure**

Brief description of project:

The affordable rural housing programme (ARHP) will support the government's state affordable rural housing programme (SARHP). The ARHP will focus on financing rural housing and on leveraging institutional improvements in related sectors. Under the ARHP, three state-owned banks will provide loans to construct at least 29,000 housing units in nine regions of the country.

The ARHP encompasses a number of elements that cut across sectors. For the programme to succeed, it is vital to align incentives and ensure effective coordination between the multiple entities involved in the programme. Results-based financing through the use of disbursement-linked indicators (DLIs) is therefore the most suitable form of lending for the ARHP.

The government and the MDB have selected eight DLIs that will be used to evaluate the achievement of critical project elements, from the targeting and loan application to the eventual outcome, as follows:

- **DLI 1:** By 2021, at least 29,000 habitable housing units are to be constructed in accordance with national quality standards for rural families that meet the social equity criteria.
- **DLI 2:** By 2021, at least 29,000 mortgage loan agreements are to be executed with the selected beneficiaries, for the construction of habitable housing units.
- **DLI 3:** By 2021, the average percentage of women among the ARHP homebuyers must increase to at least 30 per cent.
- **DLI 4:** By 2021, climate change risk assessments are to be an integral part of the site-selection process under the ARHP.
- **DLI 5:** By 2021, the participating state-owned banks implementing policies and actions are to improve their collection procedures and governance structures.
- **DLI 6:** By 2021, the governance, financial management and institutional capacity of the state-owned construction company, which will be the ARHP's construction supervisor, are to be strengthened through a time-bound action plan for accounting, financial reporting, and for internal and external audits.
- **DLI 7:** By 2021, the procurement action plans for the SARHP and the ARHP are to be fully implemented.
- **DLI 8:** By 2021, the system of programme management and performance monitoring is to be strengthened.

Climate vulnerability context:

Under the ARHP, site-specific risk-screening based on projected climate change scenarios is not possible as the project sites are located in different agro-ecological zones, and the exact locations of the sites have not yet been finalised. With regard to initial screening of climate risk, it is not possible to determine the level of risk to which the ARHP as a whole would be vulnerable. However, based on initial risk screening at two sites in two regions (one site in the plains and one in mountainous highlands), the ARHP has been classified as *low to medium risk*, primarily in terms of the temperature and precipitation variables that are likely due to climate change.

Some of the project sites in the target locations are most likely to be affected by climate change risks:

- Mountainsides are likely to be affected by flooding and/or landslides.
- Desert areas are likely to be affected by drought.

Statement of purpose or intent:

The ARHP will introduce climate-change risk assessment in the site selection. This is designed to identify and avoid sites that may be at high risk and vulnerable to major threats. In cases where there are no alternatives, climate change adaptation measures will be put in place to ensure resilience to climate change.

Link to project activities:

A preliminary climate change assessment identified that some of the housing sites are likely to be affected by flooding, landslides and drought. Proposed adaptation measures include the following.

- For areas at risk of flooding:
  - installation of flood barriers on banks
  - elevation of housing sites and electrical wiring
- For areas at risk of landslides:
  - Installation of slope stabilisation structures or protective barriers on mountain and high hill slopes
- For areas at risk of drought:
  - Installation of large overhead water tanks and deep wells.

Calculation of adaptation finance:

Adaptation finance was estimated based on assumptions about the number of sites that are most likely to be affected by the climate risk, multiplied by the estimated cost of the adaptation measures per site.

- Flooding: US$ 0.60 million
- Landslides: US$ 4.68 million
- Drought: US$ 0.76 million

Total estimated adaptation finance is US$ 6.04 million.

Type of adaptation finance:

MDB's own resources

Specific features:

As part of the ARHP, a government institution will assess the climate change risk of proposed sites and participate as a member of the site selection commissions, with relevant expertise and support provided by the MDB if required. As part of the process, potential measures for climate change adaptation will be identified so that they can be incorporated into the design of housing units.

(Continued overleaf)

Table 7. Examples of types of instrument *(continued)*

Type of instrument: **POLICY-BASED FINANCING**

Brief description of project:

The project aims to help (i) remove barriers to investment, trade and entrepreneurship; (ii) move towards a more efficient, sustainable and inclusive energy sector; and (iii) promote greater economic and social inclusion through the provision of budgetary support for implementing a series of policy actions.

Classification:
(1) Category – (2) Sub-category – (3) Eligible activity

(1) 9. Cross-cutting issues

(2) 9.1. Support for national, regional or local policy through technical assistance or policy-based financing

(3) Efficient pricing of fuels and electricity; energy sector policies and regulations leading to climate change mitigation or the mainstreaming of climate action.

Type of financial instrument:

Policy-based financing

Calculation of climate finance, including the basis (for example, eligible components):

The MDB provided US$ $500 million in budgetary support for 11 policy actions. Three of these policy actions were eligible to be assigned as climate mitigation finance as follows:

Policy action (a): To contain electricity and gas subsidies, the borrower has approved an electricity and gas tariff adjustment in line with its policy note on reducing energy subsidies to help the sector move to full cost recovery.

This policy action is fully credited as climate mitigation finance as it leads to efficient pricing of fuels and electricity.

Policy action (b): In order to improve the performance of the state-owned utility through performance contracts and greater accountability, the Board has approved a commercial action plan to reduce losses and improve the collection of bills, in line with the objectives of the utility's performance contract.

The commercial performance action plan includes several measures to reduce technical losses. These measures include the reinforcement of distribution grids, installation of capacitor banks and autoregulators, and management of energy use among major consumers.

Due to the reduction in technical losses, 25 per cent of this policy action is classified as climate mitigation finance.

Policy action (c): To improve the energy mix, the borrower will scale up and accelerate the implementation of the country's renewable energy plan through its private-sector-owned renewable energy capacity.

This policy action is fully credited as mitigation finance, due to the promotion of renewable energy.

Based on the policy actions above, 20.5 per cent of the MDB financing is counted as mitigation finance.

Type of climate finance (own account, co-finance):

MDB's own resources

Type of instrument: **INVESTMENT IN WORKING CAPITAL**

Brief description of project:

MDB finance will be used for the construction of a new district heating (DH) boiler plant, based on the use of wood biomass, with a capacity of 49 MW. The project aims to modernise the district heating system and replace heavy fuel oil with biomass in heat generation. The project will enable the company to shift from expensive and polluting heavy fuel oil to a cheaper and less polluting, locally available wood biomass.

Classification:
(1) Category – (2) Sub-category – (3) Eligible activity

(1) 1. Renewable energy

(2) 1.2. Heat production or other renewable energy application

(3) Thermal applications of sustainably produced bioenergy in all sectors

Type of financial instrument:

An unsecured loan to finance the city's equity stake in a newly created district heating company and its working capital

Calculation of climate finance, including the basis (for example, eligible components):

The total cost of the project is €18.6 million. The MDB committed an €8 million loan to fund the city's €7.5 million equity stake in a newly created district heating company. The equity will co-finance construction of the new boiler plant and €0.8 million of working capital for the initial purchase of wood biomass. Of the €8 million, 100 per cent is counted as mitigation finance, based on upgrading the heat generation capacity to renewable sources, which will reduce CO_2 emissions by 91 per cent. The reduction in concentrations of sulphur and nitrogen oxides in the city's air during winter will also alleviate negative effects on human health and enhance quality of life.

Type of climate finance (own account, co-finance):

MDB's own resources

(Continued overleaf)

Table 7. Examples of types of instrument *(continued)*

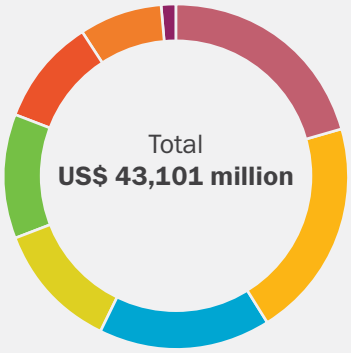
Type of instrument: **GUARANTEE: POLITICAL RISK INSURANCE**
Brief description of project:
The project involves supporting the private sector in the establishment and operation of a 15,000 tonne-per-year raisin producing and processing plant. It also aims to support the domestic value chain of raisin production by doubling the country's processing capacity for the product, while reducing post-harvest food losses by between 10 and 15 per cent or up to 1,500 tonnes of total annual production capacity. In order to achieve this, the project will adopt commercial-grade processing standards that reduce grape losses due to poor post-harvest processing techniques, poor infrastructure and the lack of efficient storage technology. Once fully operational, the project is expected to help avoid annual emissions of up to 3,000 tonnes of CO_2 equivalent, for example thanks to better refrigeration during transport and improved storage on site.
Classification: (1) Category – (2) Sub-category – (3) Eligible activity
(1) 4. Agriculture, aquaculture, forestry, and land-use (2) 4.1. Agriculture (3) Non-CO_2 GHG emissions from agricultural practices and technologies
Calculation of climate finance, including the basis (for example, eligible components):
The total project cost is US$ 9.0 million. The MDB issued guarantees of US$ 7.52 million in total to cover (i) a US$ 5.15 million equity investment for capital expenditure and (ii) a US$ 2.38 million loan guarantee covering working capital loans. Of the total, 100 per cent is counted as mitigation finance, based on the significance of the food losses avoided and the GHG emissions reduced, in the context of the fragile and conflict-affected operating market.
Type of climate finance (own resources, co-finance):
MDB's own resources

[5] For the purposes of this report, a complete list of economies, together with the income groupings, is available in Annex G.

2.4. MDB CLIMATE FINANCE BY REGION

This report covers climate finance committed by the MDBs in developing and emerging economies only.[5] In addition to the geographical distribution of climate commitments by region as shown in Figure 6, distribution to small island states and to the least-developed economies is presented in Table 8. Table 9 shows the distribution of climate commitments by income classification, following the World Bank definition dated June 2018.

Figure 6. MDB climate finance by region, 2018 (in US$ million)



21% Sub-Saharan Africa **US$ 8,957 million**
20% Latin America and the Caribbean **US$ 8,770 million**
16% South Asia **US$ 6,958 million**
12% Non-EU Europe and Central Asia **US$ 5,128 million**
12% East Asia and the Pacific **US$ 5,062 million**
10% Middle East and North Africa **US$ 4,310 million**
8% EU-12 **US$ 3,362 million**
1.3% Multi-regional **US$ 553 million**

Note: EIB climate finance figures (in this and in all previous editions of the *Joint Report on Multilateral Development Banks' Climate Finance)* are restricted to developing economies and emerging economies in transition, including the EU-12, and hence exclude a number of EU Member States where the EIB is also active. Table A.G.4 provides information about other countries not included in climate finance figures.

Table 8. MDB climate finance to least-developed economies and small island states, 2018 (in US$ million)

	Mitigation finance	Adaptation finance	Total
Least-developed economies	2,873	2,476	5,349
Small island states	455	708	1,163
Least-developed economies and small island states	59	211	270
Total	**3,387**	**3,396**	**6,782**

Table 9. MDB climate finance by income-classified economy groups, 2018 (in US$ million)

Total MDB climate finance	High income	Upper-middle income	Lower-middle income	Low income	Multi-regional or global	Total
Mitigation	3,695	11,173	11,282	2,264	1,752	30,165
Adaptation	621	2,941	6,127	2,515	731	12,936
Total	**4,317**	**14,114**	**17,409**	**4,779**	**2,483**	**43,101**

3

MDB ADAPTATION FINANCE, 2018

In 2018, MDBs reported a total of US$ 12,936 million in commitments for climate change adaptation finance, with US$ 12,162 million coming from MDBs' own accounts and US$ 774 million from MDB-managed external resources. Table 10 presents the 2018 adaptation figures for each MDB, with a breakdown of climate adaptation finance committed by the MDBs from their own accounts and from MDB-managed external resources. The data reported corresponds to the incremental costs of project components, subcomponents, or elements, or proportions of projects, which are considered to be input to an adaptation process and are intended to reduce vulnerability to climate change and build resilience to climate change.

Figure 7 shows a breakdown by type of recipient or borrower.

Figure 8 breaks down MDB adaptation finance by the type of instrument. MDBs reported that 70 per cent of total adaptation finance was committed through investment loans.

Figure 9 shows total adaptation finance by region. The largest proportions of adaptation finance were in the following regions: Sub-Saharan Africa, South Asia, and Latin America and the Caribbean.

Figure 10 reports MDB adaptation finance by sector grouping – that is, sector groups for which some adaptation finance has been reported.

The percentages of regional adaptation finance in various sectors are presented in Figure 11.

Table 10. MDB adaptation finance by MDB according to source of funds, 2018 (in US$ million)

	ADB	AfDB	EBRD	EIB	IDBG	WBG	Total
MDB own account	1,077	1,280	398	428	1,243	7,736	12,162
MDB-managed external resources	209	321	54	4	31	154	774
Total	**1,286**	**1,601**	**452**	**432**	**1,274**	**7,891**	**12,936**

Figure 7. MDB adaptation finance by type of recipient or borrower and by MDB, 2018 (in US$ million)

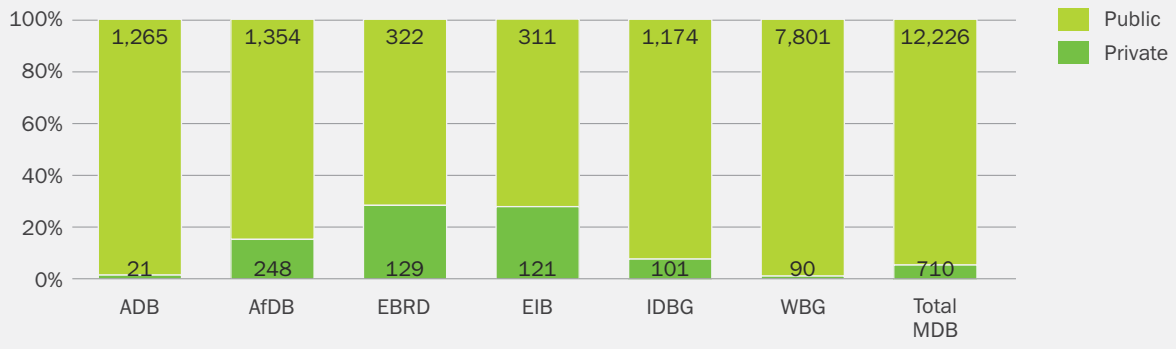
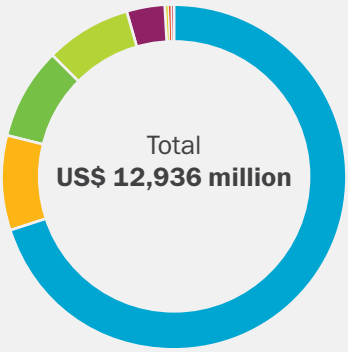
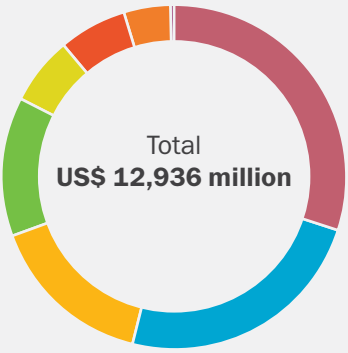


Figure 8. MDB adaptation finance by type of instrument, 2018 (in US$ million)



70% Investment loan **US$ 9,076 million**
9% Grant **US$ 1,150 million**
9% Policy-based financing **US$ 1,112 million**
8% Results-based financing **US$ 1,028 million**
4% Other instruments **US$ 463 million**
0.4% Line of credit **US$ 54 million**
0.4% Equity **US$ 47 million**
0.04% Guarantee **US$ 5 million**

Figure 9. MDB adaptation finance by region, 2018 (in US$ million)

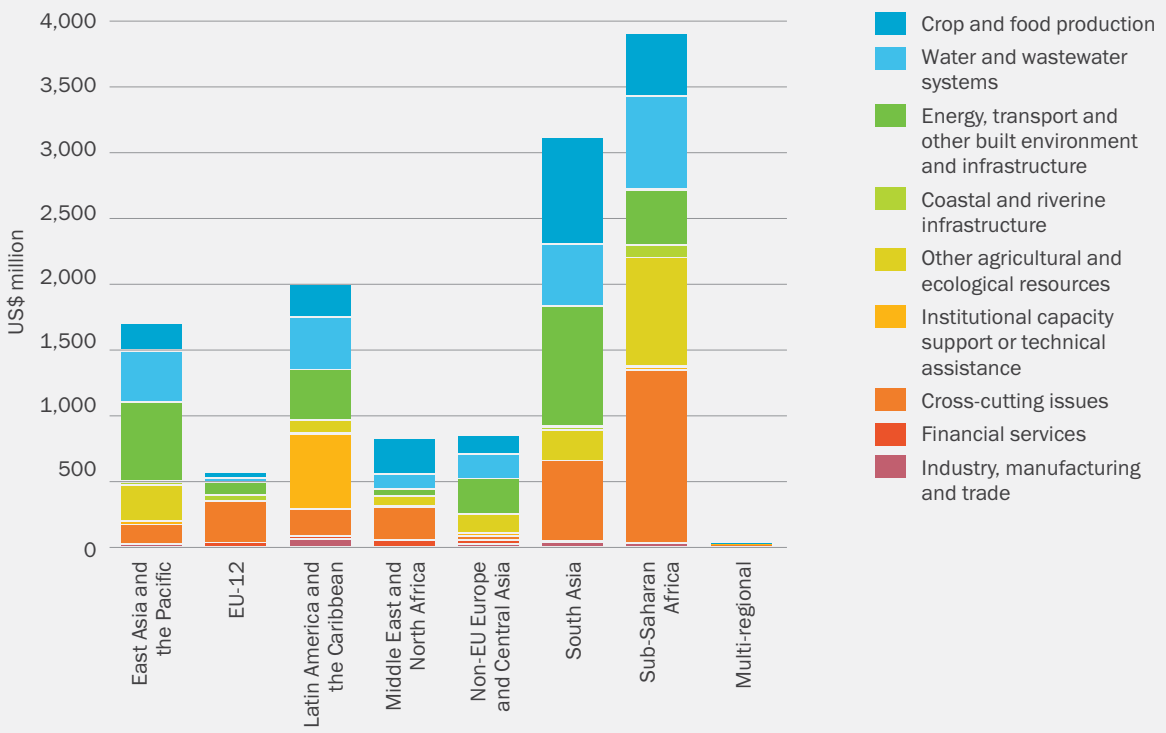


30% Sub-Saharan Africa **US$ 3,893 million**
24% South Asia **US$ 3,107 million**
15% Latin America and the Caribbean **US$ 1,990 million**
13% East Asia and the Pacific **US$ 1,695 million**
7% Non-EU Europe and Central Asia **US$ 849 million**
6% Middle East and North Africa **US$ 822 million**
4% EU-12 **US$ 564 million**
0.1% Multi-regional **US$ 17 million**

Figure 10. MDB adaptation finance by sector grouping, 2018 (in US$ million)

23% Cross-cutting issues **US$ 2,964 million**
22% Energy, transport and other built environment and infrastructure **US$ 2,824 million**
18% Water and wastewater systems **US$ 2,331 million**
17% Crop and food production **US$ 2,250 million**
13% Other agricultural and ecological resources **US$ 1,654 million**
5% Institutional capacity support or technical assistance **US$ 627 million**
1% Coastal and riverine infrastructure **US$ 130 million**
1% Industry, manufacturing and trade **US$ 83 million**
1% Financial services **US$ 74 million**

Figure 11. MDB adaptation finance by sector grouping and by region, 2018 (in US$ million)



4

MDB MITIGATION FINANCE, 2018

In 2018, MDBs reported a total of US$ 30,165 million in financial commitments to the mitigation of climate change, with US$ 28,068 million from the MDBs' own accounts and US$ 2,097 million from MDB-managed external resources. Data reported corresponds to the financing of mitigation projects or of those components, subcomponents, or elements, or proportions of projects that provide mitigation benefits (rather than reporting the entire project cost).

Figure 12 shows a breakdown by type of recipient or borrower.

Table 11 provides a breakdown of climate mitigation finance committed by the MDBs during 2018 from own-account and external resources.

MDBs reported that 71 per cent of total mitigation finance was committed through investment loans. Figure 13 breaks down MDB mitigation finance by type of instrument.

Figure 14 shows total mitigation finance by region. The largest proportions of mitigation finance were in the following regions: Latin America and the Caribbean, Sub-Saharan Africa, and Non-EU Europe and Central Asia.

Figure 15 reports MDBs' mitigation finance by sector grouping, that is, sector groups for which some mitigation finance has been reported.

The percentages of regional mitigation finance in various sectors are presented in Figure 16.

Table 11. MDB mitigation finance by MDB, according to source of funds, 2018 (in US$ million)

	ADB	AfDB	EBRD	EIB	IDBG	WBG	Total
MDB own account	2,509	1,463	3,086	4,958	3,233	12,819	28,068
MDB-managed external resources	217	207	288	310	459	616	2,097
Total	**2,725**	**1,671**	**3,374**	**5,268**	**3,692**	**13,435**	**30,165**

Figure 12. MDB mitigation finance by type of recipient or borrower type and by MDB, 2018 (in US$ million)

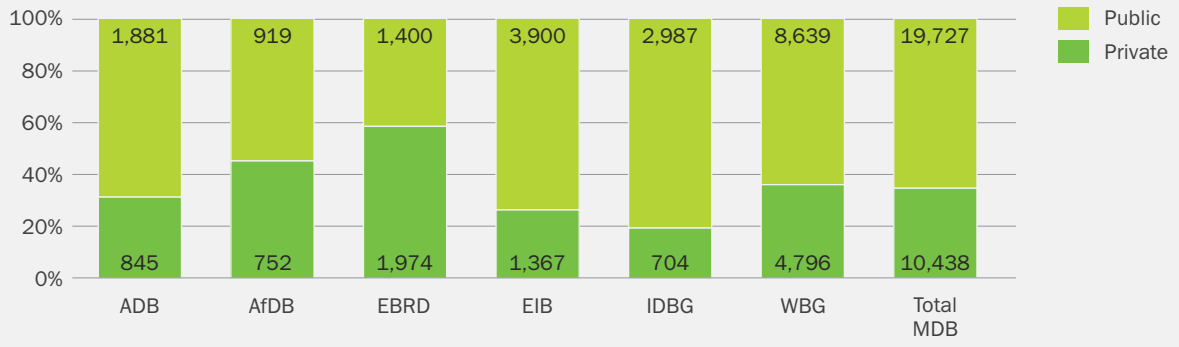
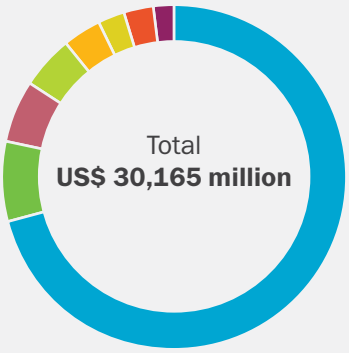


Figure 13. MDB mitigation finance by type of instrument, 2018 (in US$ million)



71% Investment loan **US$ 21,439 million**
7% Policy-based financing **US$ 2,195 million**
6% Guarantee **US$ 1,806 million**
5% Results-based financing **US$ 1,459 million**
4% Grant **US$ 1,109 million**
3% Line of credit **US$ 793 million**
3% Equity **US$ 785 million**
2% Other instruments **US$ 579 million**

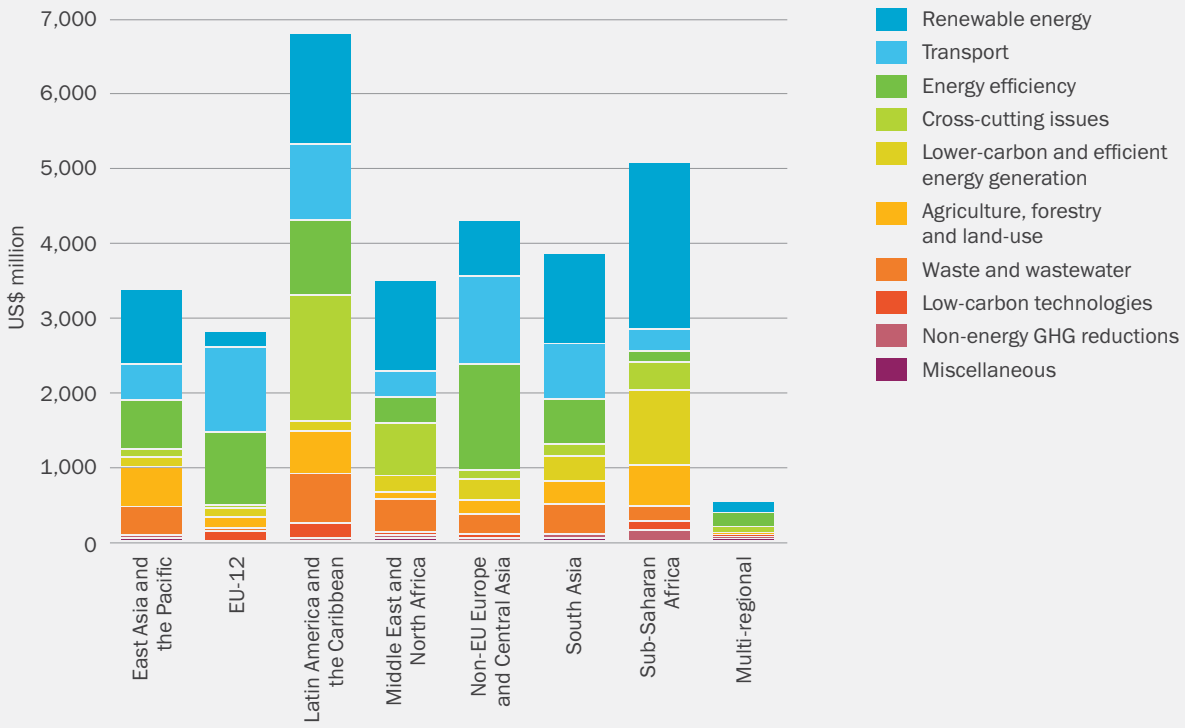
Figure 14. MDB mitigation finance by region, 2018 (in US$ million)

22% Latin America and the Caribbean **US$ 6,780 million**
17% Sub-Saharan Africa **US$ 5,064 million**
14% Non-EU Europe and Central Asia **US$ 4,280 million**
13% South Asia **US$ 3,851 million**
12% Middle East and North Africa **US$ 3,489 million**
11% East Asia and the Pacific **US$ 3,368 million**
9% EU-12 **US$ 2,798 million**
2% Multi-regional **US$ 536 million**

Figure 15. MDB mitigation finance by sector grouping, 2018 (in US$ million)

29% Renewable energy **US$ 8,653 million**
18% Energy efficiency **US$ 5,533 million**
18% Transport **US$ 5,347 million**
11% Cross-cutting issues **US$ 3,216 million**
8% Waste and wastewater **US$ 2,340 million**
8% Agriculture, forestry and land-use **US$ 2,325 million**
7% Lower-carbon and efficient energy generation **US$ 2,142 million**
1% Low-carbon technologies **US$ 416 million**
0.6% Non-energy GHG reductions **US$ 179 million**
0.04% Miscellaneous **US$ 14 million**

Figure 16. MDB mitigation finance by sector grouping and by region, 2018 (in US$ million)



5

CLIMATE CO-FINANCE, 2018

From 2015 the MDBs began reporting on climate co-financing (CCF) flows, in line with the harmonised definitions and indicators that had been established to estimate CCF. Tracking of climate co-finance aims to estimate the volume of financial resources invested by public and private external parties alongside MDBs for climate mitigation and adaptation activities.

This approach categorises CCF sources of funds as: (i) other MDBs; (ii) IDFC member institutions, including bilateral and multilateral members; (iii) other international public entities such as donor governments; (iv) contributions from other domestic public entities such as recipient-country governments; and (v) all private entities (defined as those with at least 50 per cent of their shares held privately) split by private direct mobilisation and private indirect mobilisation. This level of granularity enables MDBs to present an increasingly nuanced picture of co-finance flows used for climate change interventions.

In April 2017, MDBs published a reference guide *(From Billions to Trillions: Transforming Development Finance)*[6] to explain how they calculate and jointly report private investment mobilisation beyond climate finance. The purpose of the methodology is to recognise and measure the private capital mobilised in MDB project activities. The guide outlines the MDBs' joint commitment to mobilising increased investment from the private sector and institutional investors. *The 2018 Joint Report on MDBs' Climate Finance* follows the agreed terminology[7] and Table 12 includes "private direct mobilisation" and "private indirect mobilisation". Added together, these two forms of mobilisation represent the private share of climate co-finance.[8]

Table 13 shows 2018 CCF flows as reported by each institution, segmented by the source of co-financing. These CCF figures are the best estimate of resource flows based on information available at the time of board approval and/or commitment to each project.

In some cases, two or more MDBs jointly finance a project, which results in some overlap between the gross co-finance figures reported by the different MDBs. Table 13 shows CCF flows by adaptation and mitigation. In order to avoid double-counting, the last column of Tables 12 and 13 nets out potentially double-counted co-financing by considering only the proportion of co-financing for every project that features co-financing from another MDB. Such CCF figures are also listed in Table 3, alongside each MDB's own climate finance flows.

In the reference guide, MDBs emphasise the differences in how various financial instruments, including guarantees, are tracked and reported. By mitigating the political and commercial risks of private and publicly owned investments, guarantees can facilitate access to capital for climate finance activities. This can enhance the mobilisation of resources for a specific project or in support of specific government policies.

For consistency with the agreed MDB methodology on tracking and reporting mobilised private capital, the tracking and reporting of guarantees as detailed in the *2018 Joint Report on MDBs' Climate Finance* assumes: (i) a distinction in tracking and reporting between "commercial guarantees" and "non-commercial guarantees";[9] and (ii) causality between the guarantee and the underlying investment covered (in other words, in the absence of the guarantee, the underlying investment would be unlikely to occur).

Table 12 reflects the 2018 CCF flows, including the direct and indirect mobilisation attributed to guarantees. The guarantee exposure of each MDB has been shown as "own account" in Table 3.

[6] http://documents.worldbank.org/curated/en/495061492543870701/pdf/114403-WP-PUBLIC-cedvp-14p-JointMDBReportingonPrivateInvestmentMobilizationMethodologyReferenceGuide.pdf

[7] See Annex A for definitions of "private direct mobilisation", "private indirect mobilisation" and "public direct mobilisation".

[8] See Annex F for additional information on co-finance.

[9] In the context of this report, non-commercial risk guarantees are defined as insurance or guarantee instruments covering investors and lenders against perceived political risks including, but not limited to, the risks of transfer restriction (including inconvertibility), expropriation, war and civil disturbance, breach of contract, and failure to honour financial obligations, sovereign or sub-sovereign, and may provide credit enhancement and improve ratings for capital market transactions. Commercial or credit-risk guarantees refer to instruments covering all other risks not included above.

Table 12. Climate co-finance flows by MDB and by source, 2018 (in US$ million)

	ADB	AfDB	EBRD	EIB	IDBG	WBG	Total climate mobilisation	Correction for multiple MDB financing
Public direct mobilisation	–	73	–	73	152	12,680	12,977	12,977
Public co-finance								
Other MDBs	69	1,382	1,278	2,538	459	2,497	8,223	8,223
IDFC members	55	198	292	2,148	152	1,244	4,089	2,071
Other international public	9	916	109	5,825	234	2,598	9,689	8,820
Other domestic public	1,184	605	388	5,287	–	1,408	8,872	7,766
Total private mobilisation								
Private direct mobilisation	600	–	182	365	246	4,197	5,590	5,590
Private indirect mobilisation	2,223	1,202	5,151	6,971	1,085	10,354	26,986	22,603
Total	**4,140**	**4,375**	**7,398**	**23,206**	**2,328**	**34,979**	**76,427**	**68,050**

Notes:
1. Co-financing figures are current as of 1 April 2018. Fluctuations are expected due to changes in project financing between Board approvals, loan signatures and execution.
2. IDBG internal processes do not yet capture fully the levels of co-financing in IDBG operations, particularly for private indirect mobilisation.

Table 13. Climate co-finance flows by MDB and by thematic focus, 2018 (in US$ million)

	ADB	AfDB	EBRD	EIB	IDBG	WBG	Total climate mobilisation	Correction for multiple MDB financing
Adaptation finance	1,222	931	1,103	213	9	4,343	7,822	7,524
Mitigation finance	2,918	3,444	6,295	22,993	2,319	30,636	68,605	60,526
Total	**4,140**	**4,375**	**7,398**	**23,206**	**2,328**	**34,979**	**76,427**	**68,050**

A

ANNEX A. DEFINITIONS AND CLARIFICATIONS

Avoiding double-counting: Where the same project, sub-project or project element contributes to mitigation *and* adaptation, an MDB's individual processes will determine which proportion is counted as mitigation or as adaptation, so that the actual financing will not be recorded more than once. Some MDBs are reporting as a separate category any projects where the same components or elements contribute to mitigation and adaptation alike. The MDBs are working on the best method for reporting projects where the same components or elements contribute to both mitigation and adaptation.

Conservativeness: Where data is unavailable, any uncertainty must be overcome by taking a conservative approach, where under-reported rather than over-reported climate finance is preferable.

Financing instruments: This report accounts for climate finance through the largest and most relevant development-finance instruments of MDBs, including grants, loans, guarantees, equity, and performance-based instruments.

Granularity: MDBs report climate finance by taking only those components and/or subcomponents or elements or proportions of projects with activities that contribute directly to or promote climate change adaptation and/or mitigation.

Investments and technical assistance: Refers to vehicles that MDBs use to channel specific investments to finance capital and recurrent expenditures for goods and services, as well as to specialised advisory services and capacity-building initiatives.

MDB-managed external resources: Refers to the volume of operations supported by bilateral institutions through dedicated climate finance entities such as the GEF and CIF, or other donor funds such as EU blending facilities, which may also be reported to the Development Assistance Committee of the Organisation for Economic Co-operation and Development by contributor countries.

Point of reporting: Data reported in this publication reflects financial commitments at the time of Board approval or financial agreement signature and is therefore based on *ex-ante* estimations. All efforts have been made to prevent double-counting. No revisions will be issued in cases where a project's scope changes later to either increase or decrease climate financing.

Private direct mobilisation: Financing from a private entity on commercial terms due to the active and direct involvement of an MDB leading to commitment. Evidence of active and direct involvement includes mandate letters, fees linked to financial commitment or other valid or auditable evidence of an MDB's active and direct role leading to commitments by private financiers. Private direct mobilisation does not include sponsor financing.

Private indirect mobilisation: Financing from private entities supplied in connection with a specific activity for which an MDB is providing financing, where no MDB is playing an active or direct role that leads to the commitment of the private entity's finance. Private indirect mobilisation includes sponsor financing, if the sponsor qualifies as a private entity.

Public and private sector operations: This determination is based on the status of the first recipient or borrower of MDB finance. The first recipient or borrower is considered to be public when at least 50 per cent of the stakes or shares of the recipient or borrower are publicly owned.

Public direct mobilisation: Financing from a public entity due to the active and direct involvement of an MDB leading to commitment. Evidence of active and direct involvement includes mandate letters or other valid or auditable evidence of an MDB's active and direct role. The main difference between an external resource under MDB management (ERUM) and a public direct mobilisation is the disbursement which under public direct mobilisation goes directly from a public entity to the beneficiary.

Recipient or borrower: Refers to the first borrower or beneficiary to whom finance will flow directly. The MDBs acknowledge that this classification is neither simple nor straightforward and that the characteristics of the first recipient or borrower may not be the same as those of the final beneficiary or borrower. An example would be a loan to a national development bank (the first recipient) for energy efficiency in small and medium-sized enterprises (the final beneficiaries). Operations through public-private partnerships (PPPs) add another layer of complexity to this classification.

Reporting period: This report's data covers the fiscal year 2018. Even though MDBs do not follow the same reporting cycle, data remains comparable across MDBs as all reporting cycles correspond to a 12-month period.

Resources covered: MDBs' own accounts as well as a range of external resources managed by the MDBs and various sources of co-financing.

Values of zero and "—": Reporting is complete for all fields and tables. A value of 0 in a table means that the value is below US$ 0.5 million while a "—" means that no amount was reported. As all financial figures are rounded to the nearest US$ million, calculations contained in a table may vary slightly and may not always add up to 100 per cent or to the total shown.

B

ANNEX B. JOINT METHODOLOGY FOR TRACKING CLIMATE CHANGE ADAPTATION FINANCE

BACKGROUND AND GUIDING PRINCIPLES

Climate resilience and adaptation are intrinsically linked to development. This makes it challenging to accurately estimate adaptation finance elements in development operations. In response to this challenge, the joint MDB Working Group on Climate Finance Tracking applies a common adaptation finance tracking methodology to identify those specific adaptation activities within the development operations of MDBs or, in other words, those differentiating elements of development operations, that are carried out in response to perceived or expected climate change impacts. The methodology applies a context-specific, location-specific and granular approach, and estimations are made conservatively to reduce scope for over-reporting of adaptation finance.

The MDB adaptation finance tracking methodology considers the sub-project level or project-element level to be appropriate. The joint MDB approach also seeks to identify the links between adaptation activities and the project's explicit intent to reduce vulnerability to climate change. Thus, the volume of MDB-reported adaptation finance is an estimation of total project finance for specific project activities which contribute to overall project outcomes in the process of adapting to climate change.

It is important to note that the MDB's estimated climate finance may not express the full value of project finance that contributes to climate resilience. For instance, the granular approach would capture financing for improved drainage of a newly constructed road to withstand heavy rainfall or storm surges that in turn contributes to overall road and investment resilience. The granular approach does not capture the value of the entire project or investment that may increase resilience due to specific adaptation activities within the project. In addition, some activities without associated incremental costs, such as operational procedures to ensure business continuity or the practice of siting assets outside the range of a future storm surge, may not be tracked in quantitative terms.

MDB METHODOLOGY AND MDB-IDFC COMMON PRINCIPLES

MDBs and the International Development Finance Club (IDFC) are fully committed to promoting and supporting climate-resilient development as an essential part of the sustainability of their investments. With this shared commitment, MDBs and the IDFC work together towards improved definitions and understanding of the different approaches and principles for climate change adaptation finance tracking.

Consequently, in July 2015 these institutions agreed on the Common Principles for Climate Change Adaptation Finance Tracking. The Principles establish the parameters with which to identify – and estimate the volume of – adaptation finance in MDB and IDFC operations. They also form the basis for further joint work to increase the comparability of reported figures on climate adaptation finance and to harmonise key concepts related to reporting guidelines and processes. MDBs and the IDFC are currently developing additional metrics to identify and report on climate resilience in their development operations.

APPLICATION OF THE ADAPTATION FINANCE TRACKING METHODOLOGY

The MDB methodology on adaptation finance tracking features the following three key steps:

1. setting out the climate change vulnerability context of the project

2. making an explicit statement of intent of the project to reduce climate change vulnerability, and

3. articulating a clear and direct link between specific project activities and the project's objective to reduce vulnerability to climate change.

The identification and estimation of adaptation finance is limited solely to those project activities (that is, projects, project components, or elements or proportions of projects) that are clearly linked to the climate change vulnerability context.

Step 1. Context of vulnerability to climate change

For a project to be considered as contributing to adaptation, the context of climate change vulnerability must first be set out clearly using a robust evidence base. Project documents may refer to existing analyses and reports or to original, bespoke assessments of climate change vulnerability, such as those carried out as part of project preparation.

Good practice in the use of existing analyses or reports includes citing authoritative, preferably peer-reviewed sources, such as academic journals, national communications to the UNFCCC, Nationally Determined Contributions (NDCs), reports of the Intergovernmental Panel on Climate Change, or strategic programmes for climate resilience.

Good practice in conducting original, bespoke analysis entails the use of records from trusted sources, which document the vulnerability of communities, physical assets or ecosystems to climate change as well as the use of recent climate trends including any departures from historic means. These may be combined with climate change projections drawn from a range of climate change models, with high and low greenhouse gas emission scenarios, to explore the full array of projected outcomes and uncertainties. Climate projection uncertainties should be presented and interpreted in a transparent way. The timescale of projected climate change impacts should match the intended lifespan of the assets, systems or institutions being financed through the project (for example, a time horizon of 2030, 2050, 2080, and so on).

Step 2. Statement of purpose or intent

Once a project's context of vulnerability to climate change has been established, the project should set out the explicit intention to address the context- and location-specific climate change vulnerabilities in response to the project's climate vulnerability assessment. This is an important step to distinguish between a development project contributing to climate change adaptation and a standard development project.

The methodology is flexible about the location and form of this statement of intent in the document, as long as the MDB is able to record and track the rationale for each adaptation element linked to the climate-change vulnerability context described. MDB projects with adaptation finance usually state – in final technical documents, documents for Board approval, internal memos or other associated project documents – the intention to reduce vulnerability.

Step 3. Clear and direct link between climate change vulnerability and project activities

In line with the principles of the overall MDB climate finance tracking methodology, adaptation finance estimations consider only the finance allocated to specific project activities that are clearly linked to the project's climate change vulnerability context.

Where climate change adaptation activities are planned in projects that have additional objectives, adaptation finance tracking takes into account the estimated incremental cost or investment associated with such discrete project components – or elements of project design – that address risks and vulnerabilities under conditions of current and future climate change, and compares these with a project design that does not consider such conditions.

When it is not possible to estimate *incremental* cost or investment directly from project budgets – for example, when using policy instruments or balance-sheet lending, equity investments or credit-line lending through financial intermediaries – a proportion of the project cost or investment corresponding to adaptation activities may be used to represent the incremental amount.

Table 1 in Annex B of the *2016 Joint Report on Multilateral Development Bank's Climate Finance*[10] provides a list of examples illustrating sector- and subsector-specific adaptation activities in which MDB adaptation finance may be identified. The list is not meant to be exhaustive, nor is it intended for application as a positive list. It is for illustrative purposes only. Any adaptation finance that is identified needs to be substantiated through the application of the three-step process described above.

For an illustration of how the MDB adaptation finance tracking methodology is applied to development operations, see the projects that are summarised in this report.

ADAPTATION FINANCE TRACKING AMONG DEVELOPMENT FINANCE INSTITUTIONS

A growing number of institutions and initiatives work on the methodologies for tracking climate adaptation finance and make increasing efforts to harmonise these approaches. The MDB-IDFC Common Principles result from such joint work. These institutions continue their efforts for greater harmonisation, comparability and transparency of their reported climate finance. In addition, the OECD, which designed and applies the OECD-DAC Rio Markers, recommends the MDB methodology's three-step approach to climate adaptation finance tracking as a "best practice". The OECD's efforts have resulted in improved guidance for tracking bilateral official development assistance (ODA) targeting climate change adaptation.

[10] www.ebrd.com/2016-joint-report-on-mdbs-climate-finance.pdf

Table A.B.1. Case studies in tracking adaptation finance

Cross-cutting issues: **EDUCATION**

Brief description of project:

The project aims to make the secondary education system in the client country more effective by supporting curriculum upgrades, improvements to assessment and examination systems, and the recruitment and training of teachers. It also finances improvements to school infrastructure, such as classrooms and water and sanitation facilities, that enhance student retention.

Climate vulnerability context:

Frequent and recurring climate-related natural disasters in the client country, such as floods and cyclones, can trigger outbreaks of waterborne diseases, destroy sanitation facilities and compromise safe water supplies, compounding health issues. These disasters pose a risk to water, sanitation and hygiene interventions in schools that the project supports.

Statement of purpose or intent to reduce climate vulnerability:

The project aims to raise awareness of climate change issues and to mitigate climate change risks to school infrastructure.

Project activities linked to reducing climate vulnerability:

The project supports education and raises awareness of climate change by incorporating relevant content into the curriculum and instruction. Activities financed include educating children about emerging climate change issues such as changing patterns of rains and floods, and emergency response training for teachers to carry out evacuations at the onset of disasters such as cyclones, floods, and so on. In addition, the project addresses climate change risks to school infrastructure through dedicated operational and maintenance procedures for tube wells and sanitation facilities as well as for classrooms.

Type of financial instrument:

Investment loan

Estimation of adaptation finance:

The total project cost is US$ 2,017 million. The MDB provided a loan of US$ 510 million. Adaptation measures were estimated to cost US$ 25.33 million. The incremental cost of climate change adaptation was determined using a proportional approach.

Cross-cutting issues: **DISASTER RISK MANAGEMENT**

Brief description of project:

The project aims to alleviate the impact that a severe or catastrophic natural disaster could have on the country's finances by increasing the availability, stability and efficiency of contingent financing to address emergencies. In addition, the operation seeks to enhance the country's comprehensive disaster risk-management programme by fostering improvements in: (i) governance; (ii) risk identification; (iii) risk reduction; (iv) preparation for emergency and response; and (v) financial protection and risk transfer.

Climate vulnerability context:

Disaster risk in the country is considered to be high, mainly due to socioeconomic factors such as the location of communities and infrastructure on or near coastal areas. These trends are likely to worsen due to climate change. With most of its territory just a few metres above mean sea level, the country is highly vulnerable to sea level rise and to storm surges associated with the increasing intensity of extreme weather events. Likely impacts include coastal flooding and erosion, mangrove retreat, decreased productivity of seagrass beds, and saltwater intrusion into small lenses of fresh groundwater.

Statement of purpose or intent to reduce climate vulnerability:

The project seeks to build the resilience of the country to climate and disaster risks through improved financial risk management and the satisfactory deployment of the UNDP Comprehensive Disaster Risk Management Programme (CDRMP).

Project activities linked to reducing climate vulnerability:

The project provides rapidly disbursed and cost-efficient funds to the partner country's government in the event of a severe natural disaster. This contributes to climate change adaptation by increasing resilience to natural disasters. Unlike traditional contingent credit, the operation also ties the availability of resources to the satisfactory execution of the CDRMP. In other words, it provides strong incentives for the country to take preventive action to reduce disaster risks. Through the loan, the government commits to achieving significant progress in five key areas of disaster risk management, which will help increase its resilience to climate change and natural disasters.

Type of financial instrument:

Contingent loan

Estimation of adaptation finance:

Because all resources (US$ 100 million) provided by the operation and made available to the country are intended to strengthen resilience and mitigate the financial and socioeconomic impact of national disasters, the entire loan is considered to be adaptation finance.

(Continued overleaf)

Table A.B.1. Case studies in tracking adaptation finance *(continued)*

Sector: **ENERGY, TRANSPORT AND OTHER BUILT ENVIRONMENT AND INFRASTRUCTURE**

Brief description of project:

The project is a large-scale initiative to provide sustainable and comprehensive solutions that transform sub-standard, highly vulnerable and highly polluting areas, known as *ger* (traditional yurt) areas – which include wooden houses and *ger* – into affordable, low carbon, climate-resilient and liveable eco-districts.

Climate vulnerability context:

As a result of harsh winter storms, the rural areas of the country have seen particularly high rates of livestock death. Other adverse impacts of climate change include a decrease in the biomass production of grasslands and falling productivity in the husbandry sector. The gradual loss of productivity, combined with the increased frequency and severity of extreme weather events, have caused dramatic rural-to-urban migration, concentrated mostly in the capital city. Within the city, new migrants settle mostly in *ger* areas. Leaving behind their rural way of life, they move into an urban environment that is insufficiently adapted to climate change – susceptible to flooding, without access to piped drinking water, with poor sanitation, poor waste management, unpaved roads, and so on. The migrants have to pay high energy bills – typically, either for coal or unsustainable biomass – and heating methods are inefficient. Greenhouse gas emissions and air pollution loads are thus high, with adverse effects on the population's health.

Statement of purpose or intent to reduce climate vulnerability:

The project aims to deliver sustainable and comprehensive solutions that transform the sub-standard, climate-vulnerable and heavily polluting settlement areas in the country's capital city into affordable, low-carbon, climate-resilient and liveable eco-districts.

Project activities linked to reducing climate vulnerability:

The landscaping and active drainage designs of the project's eco-district housing complexes include explicit consideration of the elements of climate change to which the project is sensitive. Here, climate change is defined primarily by changes in the frequency and sensitivity of rainfall and wind events, and the effects on local flooding. Updates to the management of the local reservoir will be incorporated into the project to offset potential changes to annual storage that might result from changes in the availability of surface water and in the recharging of groundwater.

Type of financial instrument:

Concessional and non-concessional loans from MDB resources, plus a loan and a grant from a global fund to be administered or managed by the MDB

Estimation of adaptation finance:

The project has both adaptation and mitigation components. The full amounts of the loans and grants to the project are considered to be climate finance (both adaptation and mitigation). Adaptation finance is estimated to amount to US$ 146.3 million, based on the costs of the relevant adaptation components, representing 64 per cent of the total loan and grant amounts. The MDB resources will cover US$ 55.0 million of the adaptation finance. The remaining US$ 91.3 million will be covered by the loan and grant from a global fund to be administered by the MDB.

Sector: **AGRICULTURAL AND ECOLOGICAL RESOURCES: INTERMEDIATED FINANCE FOR THE TOURISM AND AGRICULTURE SECTORS**

Brief description of project:

The project aims to promote the adoption of climate resilience technologies among commercial end-beneficiaries, primarily in the tourism and agriculture sectors. The overall goal is to increase the climate resilience and capacity of businesses and farmers to adapt to climate change.

Climate vulnerability context:

The country is among those most vulnerable to climate change, due to water scarcity and soil degradation, as well as to the pressures of population growth and urbanisation. The economic and social impacts of the crisis in a neighboring country compound these challenges. For this country, the projected impacts of climate change include: (i) increasing temperatures, with annual mean temperatures to rise by up to 2.0°C by 2030; (ii) a significant increase in the duration of heat waves and a reduction in cold spells; (iii) shifts in precipitation patterns, with a decrease in total annual precipitation of up to 25 per cent by 2050, leading to more drought days and fewer wet days; and (iv) increased water stress, including drought risk, driven by temperature increases and higher evapotranspiration, as well as by decreased precipitation, soil moisture and river flows. Higher temperatures, reduced precipitation and higher evapotranspiration will decrease soil moisture and increase aridity, which will degrade soil and reduce the overall yield of crops.

Statement of purpose or intent to reduce climate vulnerability:

The project is expected to help manage the risks associated with increasing water stress through investment in technologies that promote the efficient use of water, such as efficient greenhouses, drip-irrigation systems and water-recycling systems. The project will also attempt to address the increasing risk of soil degradation by investing in sustainable land management measures, such as near-zero tillage. The agricultural sector contributes 6 per cent to GDP, primarily through wine and citrus production, which are vulnerable to the higher temperatures and more variable rainfall patterns currently being experienced and projected to continue.

Project activities linked to reducing climate vulnerability:

The project aims to promote the adoption of climate resilience technologies among commercial end-beneficiaries, primarily in the tourism and agriculture sectors. The overall goal of the project is to increase the resilience and the capacity of businesses and farmers to adapt to climate change. The project is expected to support at least six climate resilience investments, including greenhouses, drip irrigation and water recycling. Investments are expected to deliver a minimum savings of 380,000 m^3 of water a year and to reduce soil erosion by more than 30 per cent compared to the baseline value.

Type of financial instrument:

Investment loan

Estimation of adaptation finance:

The MDB provided US$ 90 million for this project, of which US$ 36 million was reported as adaptation finance on a proportional basis, taking into account the expected climate resilience outcomes of increased water availability and reduced soil degradation.

C

ANNEX C. JOINT METHODOLOGY FOR TRACKING CLIMATE CHANGE MITIGATION FINANCE

The 2018 tracking of mitigation finance is based on the Common Principles for Climate Change Mitigation Finance Tracking,[11] referred to in this report as the Common Principles. The Common Principles were developed by the joint climate finance group of MDBs and by the IDFC, based on their experience of the topic and with the intention of sharing them with other institutions that are seeking common approaches to tracking and reporting.

The Principles consist of a set of common definitions and guidelines, including a list of activities. However, they do not cover aspects of their implementation, including quality-control procedures, which remain the sole responsibility of each institution and/or group. The Common Principles reflect the approach that both groups (MDBs and the IDFC) have been following for tracking climate change mitigation activities for the past eight years, and are based on the application of harmonised terms. While the MDBs and the IDFC continue to report through their respective group-based efforts, the joint MDB approach for reporting mitigation finance aligns closely with the Common Principles, and is based on the following attributes:

1. **Additionality:** Like the Common Principles, this approach is activity-based. It focuses on the type of activity to be executed, and not on its purpose, the origin of the financial resources or the results.

2. **Timeline:** Project reporting is *ex-ante* project implementation at Board approval or at the time of financial commitment.

3. **Conservativeness:** Where data is unavailable, any uncertainty must be overcome taking a conservative approach, where it is preferable to under-report rather than over-report climate finance.

4. **Granularity:** The tracking only covers mitigation activities, which are 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 or experience-based assessment can be used to identify the proportion of the project that covers climate mitigation activities, consistent with the principle of conservativeness. This applies to all categories, but is of particular significance for energy efficiency projects.

5. **Scope:** Mitigation activities or projects can consist of a standalone project, multiple standalone projects under a larger programme, a component of a standalone project or a programme financed through a financial intermediary. For example, a project with a total cost of US$ 100 million may have a US$ 10 million documented component for energy efficiency improvement; in this case, only the US$ 10 million would be reported. Another example may be a US$ 100 million credit line to a financial intermediary for renewable energy and pollution control investments, where it is foreseen that at least 60 per cent of the resources would flow into renewable energy investments; in such a case, only US$ 60 million would be reported.

6. **Mitigation results:** Reporting according to this methodology and the Common Principles does not imply evidence of climate change impacts. Moreover, 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.

7. **Eligibility:** Climate mitigation promotes efforts to reduce, limit or sequester GHG emissions to reduce the risk of climate change. Mitigation finance is based on a list of activities that are compatible with low-emission pathways.[12] As a consequence, not all activities that reduce GHGs in the short term are eligible to be counted towards MDB mitigation finance.

   The joint methodology for tracking climate change mitigation finance recognises the importance of long-term structural changes, such as the shift in energy production to renewable energy technologies, and the modal shift to low-carbon modes of transport. Consequently, both greenfield and brownfield renewable energy and transport modal shift projects are included. For projects that improve the energy and resource efficiency of technologies and processes, the methodology acknowledges that their impacts in terms of reducing GHG emissions may be considered upstream and/or downstream. However, it also acknowledges that drawing the boundary

[11] http://www.worldbank.org/content/dam/Worldbank/document/Climate/common-principles-for-climate-mitigation-finance-tracking.pdf
[12] Paris Agreement, December 2015 (FCCC/CP/2-15/L9/Rev.1, Article 2c).

between increasing production and reducing emissions per unit of output is difficult. Therefore, investments in greenfield energy and resource efficiency are included only in a few cases when they help prevent a long-term lock-in to high-carbon infrastructure.

When considering brownfield energy and resource efficiency investments as climate finance, old technologies must be replaced well before the end of their lifetimes with new technologies that are substantially more efficient. Alternatively, new technologies or processes must enable substantially higher system efficiency compared to those normally used in greenfield projects.

8. **Exclusions:** The methodology assumes that care will be taken to identify projects that are included in the typology list but do not mitigate emissions due to their specific circumstances. Examples of such projects include: hydropower plants with high methane emissions from reservoirs exceeding GHG reductions associated with the plant's use of renewable energy; geothermal power plants with high CO_2 content in the geothermal fluid that cannot be reinjected; or biofuel projects with net high emissions taking into account production, processing and transportation.

9. **Avoidance of double-counting:** Where the same project, sub-project or project element contributes to mitigation and adaptation, an MDB's individual processes will determine what proportion is counted as mitigation or as adaptation, so that the actual financing will not be recorded more than once. Some MDBs are reporting as a separate category projects where the same components or elements contribute to both mitigation and adaptation. The MDBs are working on the best reporting method for projects where the same components or elements contribute to both mitigation and adaptation.

Table A.C.1 lists the activities that MDBs have agreed are eligible to be classified as climate mitigation finance. The table is based on a previous list that the MDBs and IDFC developed in the Common Principles for Climate Mitigation Finance Tracking, with a number of additional clarifications. MDBs apply the list of eligible activities to financing through all types of financial instruments. Table A.C.2 provides project case studies to illustrate how MDBs have applied the mitigation tracking approach recently.

Table A.C.1. List of activities eligible for classification as climate mitigation finance

Category	Sub-category	Eligible activities
1. RENEWABLE ENERGY	1.1. Electricity generation	Wind power
		Geothermal power (only if net emission reductions can be demonstrated)
		Solar power (concentrated solar power, photovoltaic power)
		Biomass or biogas power (only if they result in net reductions in emissions, taking into account production, processing and transportation)
		Ocean power (wave, tidal, ocean currents, salt gradient, and so on)
		Hydropower plants (only if net emission reductions can be demonstrated)
		Renewable energy power plant retrofits
	1.2. Heat production or other renewable energy application	Solar water heating and other thermal applications of solar power in all sectors
		Thermal applications of geothermal power in all sectors
		Wind-driven pumping systems or similar applications
		Thermal applications of sustainably produced bioenergy in all sectors
	1.3. Measures to facilitate integration of renewable energy into grids	New, expanded and improved transmission systems (lines, substations)
		Storage systems (battery, mechanical, pumped storage) that facilitate integration of renewables, or increase renewable energy production
		New information and communication technology, smart grid and mini grid

(Continued overleaf)

Table A.C.1. List of activities eligible for classification as climate mitigation finance *(continued)*

Category	Sub-category	Eligible activities
2. LOWER-CARBON AND EFFICIENT ENERGY GENERATION	2.1. Transmission and distribution systems	Retrofit of transmission lines or substations and/or distribution systems to reduce energy use and/or technical losses including improving grid stability or reliability (in the case of capacity expansion, only the portion of the investment that is reducing existing losses is included)
	2.2. Power plants	Thermal power plant retrofit to switch from a more GHG-intensive fuel to a different and less GHG-intensive type of fuel[13]
		Conversion of existing fossil-fuel-based power plant to co-generation[14] technologies that generate electricity in addition to providing heating or cooling
		Energy efficiency improvement in existing thermal power plant
3. ENERGY EFFICIENCY[15]	3.1. Energy efficiency in industry in existing facilities	Industrial energy-efficiency improvement though the installation of more efficient equipment, changes in processes, reduction of heat losses and/or increased waste-heat recovery and/or resource efficiency[16]
		Installation of co-generation plants that generate electricity in addition to providing heating or cooling
		Replacement of an older facility (older facility retired) with a more efficient facility
	3.2. Energy efficiency improvements in existing commercial, public and residential buildings	Energy efficiency improvement in lighting, appliances and equipment, including energy-management systems.
		Substitution of existing heating or cooling systems for buildings by co-generation plants that generate electricity in addition to providing heating or cooling[17]
		Retrofit of existing buildings: architectural or building changes that enable reduction of energy consumption
	3.3. Energy efficiency improvements in the utility sector and public services	Energy efficiency improvement in utilities and public services through the installation of more efficient lighting or equipment
		Rehabilitation of district heating and cooling systems
		Reduction of heat loss in utilities and/or increased recovery of waste heat
		Improvement in utility-scale energy efficiency through efficient energy use and loss reduction, or resource efficiency[18] improvements
	3.4. Vehicle fleet energy efficiency and low-carbon fuels	Existing vehicle, rail or boat fleet retrofit or replacement (including the use of lower-carbon fuels, electric or hydrogen technologies), or new vehicle, rail or boat fleets with ultra-low carbon emissions, exceeding available standards.
	3.5. Energy efficiency in new commercial, public and residential buildings	Use of highly efficient architectural designs, energy-efficient appliances and equipment, and building techniques that reduce the energy consumption of buildings, exceeding available standards and complying with high energy efficiency certification or rating schemes
	3.6. Energy audits	Energy audits of energy end-users, including industries, buildings and transport systems
4. AGRICULTURE, AQUACULTURE, FORESTRY AND LAND-USE	4.1. Agriculture	Reduction in energy use in traction (such as efficient tillage), irrigation and other agricultural processes
		Agricultural projects that improve existing carbon pools (such as rangeland management, collection and use of bagasse, rice husks or other agricultural waste, reduced tillage techniques that increase carbon content of soil, rehabilitation of degraded lands, peatland restoration, and so on)
		Reduction of non-CO_2 GHG emissions from agricultural practices and technologies (for example, paddy rice production, reduction in fertiliser use)
		Resource efficiency[19] in agricultural processes and supply chains

(Continued overleaf)

[13] Excluding replacement of coal by coal.
[14] In all co-generation projects energy efficiency is required to be substantially higher than separate production of electricity and heat.
[15] The general principle for brownfield energy efficiency activities involving the replacement of technologies or processes is that: (i) the old technologies are replaced well before the end of their lifetime and the new technologies are substantially more efficient; or (ii) new technologies or processes are substantially more efficient than those normally used in greenfield projects.
[16] The general principle for resource efficiency activities is that activities are substantially more efficient than the replaced technologies or processes, noting that efficiencies and avoided emissions may occur upstream or downstream of the project.
[17] Refer to footnote 15.
[18] Refer to footnote 16.
[19] The general principle for resource efficiency activities is that activities are substantially more efficient than the replaced technologies or processes, noting that efficiencies and avoided emissions may occur upstream or downstream of the project.

Table A.C.1. List of activities eligible for classification as climate mitigation finance *(continued)*

Category	Sub-category	Eligible activities
4. AGRICULTURE, AQUACULTURE, FORESTRY AND LAND-USE *(continued)*	4.2. Afforestation and reforestation and biosphere conservation	Afforestation (plantations) and agroforestry on non-forested land
		Reforestation on previously forested land
		Sustainable forest management activities that increase carbon stocks or reduce the impact of forestry activities
		Biosphere conservation and restoration projects (including payments for ecosystem services) seeking to reduce emissions from the deforestation or degradation of ecosystems
	4.3. Livestock	Livestock projects that reduce methane or other GHG emissions (for example, manure management with biodigesters, and improved feeding practices to reduce methane emissions)
	4.4. Biofuels	Production of biofuels, including biodiesel and bioethanol (only if net emission reductions can be demonstrated)
	4.5. Aquaculture	Reduction in energy use or resource efficiency in aquaculture[20]
5. NON-ENERGY GHG REDUCTIONS	5.1. Fugitive emissions	Reduction of gas flaring or methane fugitive emissions in the oil and gas industry
		Coal-mine methane capture
	5.2. Carbon capture and storage	Projects for carbon capture and storage technology that prevent the release of large quantities of CO_2 into the atmosphere from fossil fuel use in power generation and process emissions in other industries
	5.3. Air conditioning and refrigeration	Retrofit of existing industrial, commercial and residential infrastructure to switch to cooling agent with lower potential for global warming
	5.4. Industrial processes	Reduction in GHG emissions resulting from industrial process improvements and cleaner production (for example, of cement or chemicals), excluding carbon capture and storage
6. WASTE AND WASTEWATER	6.1. Wastewater	Treatment of wastewater, including wastewater collection networks, that reduces GHG emissions (only if substantial net GHG emission reductions can be demonstrated)
	6.2. Solid waste management	Waste management projects that capture or combust methane emissions
		Waste-to-energy projects
		Waste collection, recycling and management projects that recover or reuse materials and waste as inputs into new products or as a resource (only if net emission reductions can be demonstrated)
7. TRANSPORT	7.1. Urban transport modal change[21]	Urban mass transit
		Non-motorised transport (bicycles and pedestrian mobility)
	7.2. Transport-oriented urban development	Integration of transport and urban development planning (dense development, multiple land-use, walking communities, transit connectivity, and so on), leading to a reduction in the use of passenger cars
		Transport and travel demand-management measures dedicated to reducing pollutant emissions, including GHG emissions (such as high-occupancy vehicle lanes, congestion charging or road pricing, parking management, restriction or auctioning of licence plates, car-free city areas, low-emission zones)[22]
	7.3. Inter-urban transport	Railway transport ensuring a modal shift of freight and/or passenger transport from road or air to rail (improvement of existing lines or construction of new lines)
		Waterway transport ensuring a modal shift of freight and/or passenger transport from road or air to waterways (improvement of existing infrastructure or construction of new infrastructure)
		Bus passenger transport ensuring a modal shift from a higher-carbon mode of public transport
	7.4. Infrastructure for low-carbon and efficient transport	Charging stations and other infrastructure for electric vehicles, hydrogen or dedicated biofuel fuelling
		Digital solutions and programmes dedicated to reducing GHG emissions[23]

(Continued overleaf)

[20] Refer to footnote 16.
[21] Modal shift includes prevention of future shifts to high-carbon modes.
[22] General traffic management is not included. This category is for demand management to reduce GHG emissions, assessed on a case-by-case basis.
[23] Dedicated measures can mean that a proportional approach may be used to take account of the fact that reduction of GHG emissions may be one of several project objectives.

Table A.C.1. List of activities eligible for classification as climate mitigation finance *(continued)*

Category	Sub-category	Eligible activities
8. LOW-CARBON TECHNOLOGIES	8.1. Products or equipment	Projects producing components, equipment or infrastructure dedicated to the renewable and energy efficiency sectors, or low-carbon technologies
	8.2. Research and development	Research and development of renewable-energy or energy-efficiency technologies, or low-carbon technologies
9. CROSS-CUTTING ISSUES	9.1. Support for national, regional or local policy, through technical assistance or policy lending	National, sectoral or territorial policies/planning/action plans/planning/institutions dedicated to mitigation, such as NDCs, NAMAs and plans for scaling up renewable energy
		Energy sector policies and regulations leading to climate change mitigation or the mainstreaming of climate action, such as energy efficiency standards or certification schemes; energy-efficiency procurement schemes; renewable energy policies, power market reform specifically designed to enable renewable energy
		Systems for monitoring the emission of greenhouse gases
		Efficient pricing of fuels and electricity (such as subsidy rationalisation, efficient end-user tariffs, and efficient regulations on electricity generation, transmission or distribution, and on carbon pricing)
		Education, training, capacity-building and awareness-raising on climate change mitigation or sustainable energy or sustainable transport; mitigation research
		Other policy and regulatory activities, including those in non-energy sectors, leading to climate change mitigation or mainstreaming of climate action, such as fiscal incentives for low-carbon vehicles, sustainable afforestation standards
	9.2. Carbon finance	Carbon markets and finance (purchase, sale, trading, financing and other technical assistance); includes all activities related to compliance-grade carbon assets and mechanisms
	9.3. Supply chain	Measures in existing supply chains dedicated to improvements in energy efficiency or resource efficiency[24] upstream or downstream, leading to an overall reduction in GHG emissions
10. MISCELLANEOUS	10.1. Other activities with net greenhouse-gas reduction	Any other activity if agreed by MDBs may be counted as climate mitigation finance when the results of *ex-ante* GHG accounting (undertaken according to commonly agreed methodologies) show emission reductions that are higher than a commonly agreed threshold, and the project is consistent with a pathway towards development characterised by low GHG emissions

[24] The general principle for resource efficiency activities is that activities are substantially more efficient than the replaced technologies or processes, noting that efficiencies and avoided emissions may occur upstream or downstream of the project.

Table A.C.2. Case studies in tracking mitigation finance

Project focus: **WATER SUPPLY AND SEWERAGE SYSTEM**

Sector: **Water**

Brief description of project:

The project will improve water supply and sewerage systems by making essential improvements, such as repairs, upgrades and new supply and treatment infrastructure, to existing networks. The project will make these systems more reliable, sustainable and climate-resilient through an integrated approach that adopts lessons learned and introduces good practices in infrastructure design, procurement and construction. The investments will improve service delivery and managerial capacity at the level of local urban bodies.

The following are the key project outputs:

- **Climate-resilient sewage collection, treatment and drainage systems.** This output includes (i) new sewage treatment plants (STPs), including one STP with a 2 MW solar photovoltaic (PV) system installed to power its operations; (ii) rehabilitation of an STP; (iii) expansion of piped sewage-collection systems; and (iv) construction of a piped underground sewage-collection system.
- **Water supply systems in a least five cities, with improved smart features.** This includes (i) smart water-supply distribution systems that reduce the percentage of water from which the provider derives no revenue and provide a regular water supply; (ii) transmission systems; (iii) pumping stations; and (iv) water storage reservoirs.
- **Strengthening of institutional capacity, public awareness and urban governance.** This includes (i) establishing a new state-level unit for the improvement of urban data and governance; (ii) a new project design and management centre; (iii) implementing (a) a state-wide performance-based urban governance improvement programme to enhance revenue, financial management, administration, service delivery, gender mainstreaming, wastewater reuse and fecal sludge management, and (b) public awareness campaigns on water conservation, sanitation and hygiene.

The project has dual benefits, as it includes adaptation components.

Classification (as in Annex C, Table A.C.1): (1) Category – (2) Sub-Category – and (3) Eligible activity:

(1) 1. Renewable energy

(2) 1.1. Electricity generation

(3) Solar power (concentrated solar power, photovoltaic power)

(1) 3. Energy efficiency

(2) 3.3. Energy efficiency improvements in the utility sector and public services

(3) Improvement in utility-scale energy efficiency through efficient energy use, and loss reduction or resource efficiency improvements

Type of financial instrument:

The MDB provided an investment loan. The project will also be supported by a grant from MDB-administered funding.

Calculation of mitigation finance, including basis (for example, eligible components):

Project components considered in the estimation of climate mitigation finance include:

- sewage collection systems using closed-conduit transport preventing the release of sewer gases into the atmosphere
- STPs based on advanced technology that allow: greenhouse gas capture in wastewater, sludge treatment and disposal; wastewater reuse that lowers water demand and consequently the use of energy for pumping; and the use of solar PV systems to power STP operation
- transmission from a centralised sustainable source of water supply that avoids the conventional decentralised use of energy for groundwater pumping
- distribution system improvements that will lower wastage of water pumped by utility energy (for example, the integration of smart water-management and monitoring tools).

The total climate change mitigation finance in this project is US$ 225 million. The MDB loan will cover US$ 98.6 million of the mitigation finance, while the MDB-administered grant will finance the PV system component of one of the STPs (US$ 2 million).

Type of mitigation finance (own resources, co-finance):

Investment loan (MDB resource)

Grant (MDB-administered or managed)

(Continued overleaf)

Table A.C.2. Case studies in tracking mitigation finance *(continued)*

Project focus: **RENEWABLE ENERGY SECTOR DEVELOPMENT**

Sector: **Renewable energy**

Brief description of project:

The project will help develop a 40.5 MW distributed renewable-energy system using solar photovoltaic and wind power with advanced battery storage technology and energy management systems to supply clean, reliable electricity to a geographically scattered local town in the western portion of the beneficiary country. The town relies on high-cost and highly carbon-intensive electricity imports from neighboring countries. The project will also showcase a 500 kW thermal shallow-ground heat-pump system, which will supply pollutant-free space heating in public buildings. This system could be scaled up in the future and, ultimately, help mitigate local air pollution in winter.

Classification (as in Annex C, Table A.C.1): (1) Category – (2) Sub-Category – and (3) Eligible activity:

(1) 1. Renewable energy

(2) 1.1. Electricity generation
1.2. Heat production or other renewable energy application
1.3. Measures to facilitate integration of renewable energy into grids

(3) Wind power; solar power; thermal applications of geothermal power in all sectors; and storage systems (battery, mechanical, pumped storage) that facilitate the integration of renewables or increase the production of renewable energy

Type of financial instrument:

The MDB provided an investment loan. The project will also be supported by a grant from MDB-administered funding.

Calculation of mitigation finance, including basis (for example, eligible components):

The full amount of the loan (US$ 4 million) and grants (US$ 20.6 million) provided to this project was reported as mitigation finance. All of the project components were classified as "renewable energy", based on the MDB's list of activities eligible for classification as climate mitigation finance.

Type of mitigation finance (own resources, co-finance):

Investment loan (MDB resource)

Grant (MDB-administered or managed)

Project focus: **INTERMEDIATED LENDING FOR LOW-CARBON TRANSPORT**

Sector: **Transport**

Brief description of project:

Intermediated loan to a financial intermediary specialised in leasing. The funds are intended for use by multiple end-beneficiaries, in line with the borrower's current business orientation and the growing demand for activities that qualify as climate action, in particular the leasing of cleaner public transport. A contractually defined "climate window" was negotiated in the form of a commitment to dedicate a minimum of 70 per cent of the loan amount to such activities.

The review of the initial pipeline and business plan has indicated that the borrower will finance zero-carbon or low-carbon transport modes, including municipal bike-sharing schemes, electric or hydrogen public buses, electric passenger cars and vans for commercial use, as well as investments in railway infrastructure that support a modal shift away from road transport.

Classification (as in Annex C, Table A.C.1): (1) Category – (2) Sub-Category – and (3) Eligible activity:

(1) 7. Transport

(2) 7.1. Urban transport modal change

(3) Urban mass transit, non-motorised transport (bicycles and pedestrian mobility)

and

(1) 7. Transport

(2) 7.3. Inter-urban transport

(3) Railway transport ensuring a model shift of freight and/or passenger transport from road to rail (improvement of existing lines or construction of new lines)

Type of financial instrument:

Line of credit

Calculation of mitigation finance, including basis (for example, eligible components):

The MDB will provide a €180 million line of credit to the financial intermediary to fund loans to eligible beneficiaries. The finance contract with the borrower includes a contractual undertaking to allocate a minimum of 70 per cent of the overall line of credit to investments eligible for classification as "climate action", as defined in the climate action eligibility list annexed to the side letter to the contract. The eligible categories depend on the pipeline review and business plan of the borrower as described above. Of the €126 million climate window, 100 per cent is counted as climate mitigation.

Type of mitigation finance (own resources, co-finance):

MDB's own resources

Specific features:

The case study is part of a wider initiative to create climate windows within the MDB's intermediated loans in a more systematic way, in order to increase the volume of intermediated lending that can be classified as "climate action".

(Continued overleaf)

Table A.C.2. Case studies in tracking mitigation finance *(continued)*

Project focus: **RENEWABLE ENERGY AND ENERGY EFFICIENCY**
Sector: **Infrastructure**
Brief description of project: The MDB committed €20 million to a €100 million infrastructure fund. The proceeds will make equity infrastructure investments. The fund will address the scarcity of infrastructure equity funding in the region and promote the private financing of crucial infrastructure in the transport, energy efficiency and renewable energy sectors.
Classification (as in Annex C, Table A.C.1): (1) Category – (2) Sub-Category – and (3) Eligible activity: (1) 1. Renewable energy (2) 1.1. Electricity generation (3) Biomass or biogas power
Type of financial instrument: Equity fund
Calculation of mitigation finance, including basis (for example, eligible components): The MDB provided an equity investment of up to €20 million to the infrastructure fund. The fund targets (among others) investments in climate change mitigation projects such as renewable energy generation and energy efficiency. Other infrastructure projects to be financed by the fund may also feature resource efficiency components. Of the total finance, 35 per cent was counted conservatively as mitigation finance, based on a strong pipeline of climate change mitigation projects, such as electricity generation from biomass, solar and wind power projects, and efficient-street-lighting projects, all of which are expected to deliver significant emission savings.
Type of mitigation finance (own resources, co-finance): MDB's own resources
Specific features: The fund will set a green financing target of 40 per cent and incorporate green considerations into its investment, asset management, and reporting and disclosure policies. The fund will set an example for the private equity industry by piloting the latest voluntary UN Principles for Responsible Investment guidelines on investment and reporting (which are aligned with the Task Force on Climate-related Financial Disclosures) for asset managers and infrastructure investors.

D

ANNEX D. FINANCE THAT BENEFITS BOTH ADAPTATION AND MITIGATION

The MDBs identify some components and/or subcomponents, or elements or proportions of projects, which help to reduce GHG emissions while also reducing climate vulnerability, thereby delivering dual benefits of mitigation and adaptation. Where the same project, sub-project or project element contributes to both mitigation and adaptation, the MDB's individual processes will determine which proportions to count as mitigation or as adaptation so that the actual financing will not be double-counted. Some MDBs report projects where the same components or elements or proportions contribute to both mitigation and adaptation as a separate category (see Table A.D.1). The MDBs continue to work on the best reporting method for such projects.

For 2018, the EBRD, IDBG and WBG have tracked dual-benefit figures separately according to their internal systems. The other MDBs have split the financed amount between mitigation and adaptation. In both cases, there is no double counting. Table A.D.2 includes more detail on the instrument types used in adaptation, mitigation and dual-benefit finance.

Table A.D.1. MDB adaptation, mitigation and dual-benefit climate finance (in US$ million)

MDB	Adaptation finance	Mitigation finance	Dual-benefit finance	Total
ADB	1,286	2,725	–	4,011
AfDB	1,601	1,671	–	3,272
EBRD	180	3,374	272	3,826
EIB	432	5,268	–	5,700
IDBG	991	3,408	567	4,966
WBG	7,863	13,435	28	21,326
Total	**12,353**	**29,882**	**867**	**43,101**

Note: Numbers may not add up due to rounding.

Table A.D.2. MDB adaptation, mitigation and dual-benefit climate finance (in US$ million)

Instrument type	Adaptation finance	Mitigation finance	Dual-benefit finance	Total
Investment loan	8,795	21,360	361	30,516
Policy-based financing	928	2,010	369	3,307
Grant	1,128	1,109	22	2,259
Guarantee	5	1,806	–	1,811
Equity	47	785	–	832
Line of credit	8	793	46	847
Results-based financing	1,028	1,459	–	2,487
Other	414	559	69	1,042
Total	**12,353**	**29,882**	**867**	**43,101**

Note: Numbers may not add up due to rounding.

Table A.D.3. Example of a dual-benefit project

Project focus: **URBAN PLANNING**
Sector: **Cross-cutting issues**
Brief description of project: Rapid population growth and sprawling low-density growth of cities pose serious challenges to the country's social and economic well-being. The urban population has doubled over the past forty years and now stands at 80 per cent of the country's total population. In addition, fragmented, low-density urbanisation occupies seven times more land than it did forty years ago. This creates a greater need for motorised transport and longer commutes, which increase GHG emissions and reduce productivity. Robust studies consistently find a negative correlation between city density and energy consumption and the use of transport. In tandem, the most vulnerable groups in cities lack basic services and live far from city centres, often along riverbanks and unstable ravines that are at high risk from extreme events such as droughts, floods and storms exacerbated by climate change. In the past 35 years, 80 per cent of the country's disasters were caused by extreme hydro-meteorological events. The objective of this US$ 600 million policy-based loan is to strengthen a new, sustainable model of land-use management and urban development, which includes policies to promote compact growth patterns consistent with low-emission, climate-resilient development. The General Law on Human Settlements, Land-use Management, and Urban Development (Nov 2016) links ecological planning and urban development through land-use management – a new concept in the country's legal framework. The Law includes disaster prevention and risk reduction in human settlements as a cross-cutting matter and requires comprehensive disaster risk-management strategies. It requires patterns of mobility and transport to improve urban quality of life and cut emissions through reduced travel, optimised public transport and more non-motorised mobility. The Law also prioritises the creation, maintenance and restoration of public space to create public goods, increase air quality, reduce CO_2 emissions and deter the expansion of informal settlements.
Classification: Institutional capacity support or technical assistance
Calculation of mitigation and adaptation finance**:** The country's policy commitments in this policy-based financing programme are actions that make it possible to increase urban resilience, optimise land-use and promote better mobility, among other sustainability considerations. The commitments are followed by specific implementation measures. Thus, policy commitments that are deemed to serve mitigation and adaptation purposes simultaneously account for 62 per cent (US$ 372 million) of the total number of policy commitments adopted as a condition of disbursement of the loan programme. With a legal framework in place and specific policy commitments, subsequent urban investments by the public and private sectors would enable further positive outcomes in line with climate-sensitive development.
Type of financial instrument**:** Policy-based financing
Type of finance**:** Fast-disbursing fiscal support

E

ANNEX E. TYPES OF INSTRUMENT

The types of financial instrument containing climate finance as reported for 2018 include those listed below. In all cases, a granular approach is applied when tracking climate finance.

a) Advisory services: MDB advisory services include advising national and local governments on a variety of topics, for instance how to improve their investment climate and strengthen basic infrastructure. The MDB tracks and reports the costs of managing advisory programmes, which may consist of staff time, studies, and training with clients. Similar to investments, some programmes are 100 per cent climate-related and some have a climate component tracked in the overall programme budget.

b) Equity: Ownership interest in an enterprise that represents a claim on the assets of the entity in proportion to the number and class of shares owned.

c) Grants: Transfers made in cash, goods or services for which no repayment is required. Grants are provided for investment support, policy-based support and/or technical assistance and advice.

d) Bond: A type of bond, the issuance of which is done by a client and supported by an MDB, where the proceeds are applied exclusively to financing or re-financing, in part or in full, new and/or existing climate projects.

Only the percentage of proceeds that are used for activities included in the joint MDB methodology for tracking climate finance count as climate finance.

e) Guarantees: Guarantees are instruments provided by an MDB to cover commercial and non-commercial risk.

Guarantees support private sector investments, commercial borrowing by sovereign or state-owned enterprises, and/or commercial borrowing by the sovereign for budget financing and to support reform programmes. Guarantees are extended for eligible projects that enable financing partners to transfer certain risks that they cannot easily absorb or manage on their own. Guarantees cover a wide variety of debt instruments and support financial sector projects (including those of capital market investments and trade financiers and non-financial-sector business activities corresponding to activities across sectors.

f) Investment loans: Loans are transfers for which repayment is required.

Investment loans can be used for any development activity that has the overall objective of promoting sustainable social and/or economic development, in line with the MDBs' mandates. Proceeds used for activities included in the joint MDB methodology for tracking climate finance count as climate finance.

i. Refinancing: Refinancing is the replacement of an existing debt obligation with another debt obligation under different terms.

Refinancing can be classified as climate finance subject to the following terms:

- Refinancing of assets that have reached financial closure for the entire term of the project or that have passed the break-even point, provided that the client commits to originating new climate deals for that amount within the next 24 months.
- Refinancing of assets where financial closure has not yet taken place, or the project has not yet been fully constructed and is not yet operational.
- Bringing in additional long-term funds to replace short-term bridge loans or strengthening the financial terms of the climate-related asset through long-term loans with better terms than those of previous loans (for example, they correct a mismatch of maturity, adjust the costs of asset construction, reduce exchange rate impact, replace expensive debt, and so on)
- Refinancing climate finance projects that have already been constructed or are already operational but have not passed the break-even point (for example, recently built solar projects). The break-even conditions are confirmed by the investment team.

ii. Working capital: Working capital is finance provided for operational expenditures.

Working capital is considered to be climate finance if leads to, enables or supports the implementation and operation of activities included in the joint MDB methodology for tracking climate finance.

g) Lines of credit: Lines of credit provide a guarantee that funds will be made available but no financial asset exists until funds have been advanced. Climate finance is the proportion of the credit line that is committed to activities defined as eligible in the MDBs' climate finance tracking methodologies.

h) Policy-based financing (PBF): Financing for a public borrower that helps the borrower to address actual or anticipated requirements for development finance of domestic or external origins.

Policy-based financing supports a programme of policy and institutional actions for a particular theme or sector of national policy. While it does not use the cost estimation approach for each policy action, disbursements of PBF are conditional on the borrower fulfilling their policy commitments in the lending agreement.

The proportion of this public financing that is reported as climate finance is the same as the proportion of the climate-related "prior actions" agreed in order to allow the policy-based financing to proceed. For example, if one in three prior actions are climate-related, one third of the resulting policy-based financing would be counted as climate finance.

i) Results-based financing (RBF): Results-based financing directly links the disbursement of funds to measurable results in a government-owned programme.

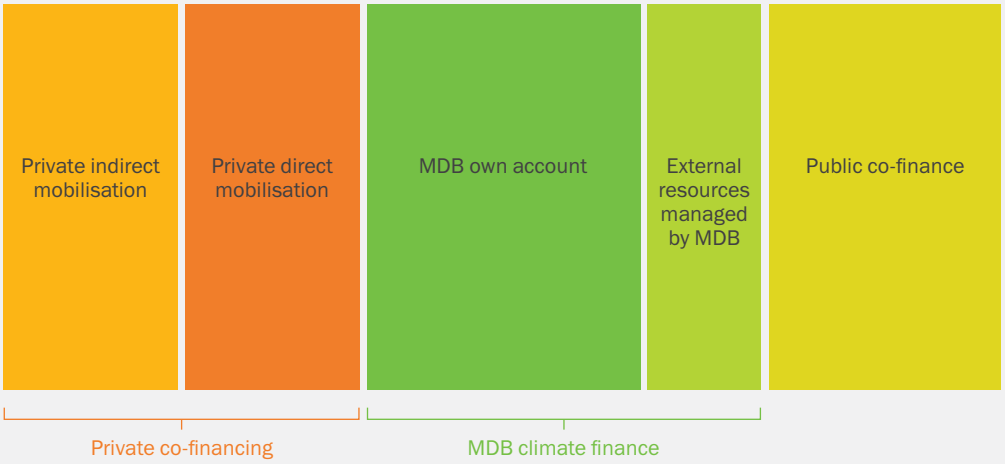
RBF aims to increase accountability and incentives for delivering and sustaining results, improve the effectiveness and efficiency of government-owned sector programmes, promote institutional development and enhance the effectiveness of development. Proceeds used for activities included in the joint MDB methodology for tracking climate finance count as climate finance.

F

ANNEX F. CLIMATE CO-FINANCE

Total financing of climate activity includes climate co-finance, that is, the amount of financial resources that external entities contribute. The MDBs are implementing the definitions and recommendations of the MDB taskforce on private investment mobilisation for tracking the private share of climate co-finance. This methodology focuses on assessing the private finance mobilised by an MDB, on a project-by-project basis, such as private direct mobilisation and private indirect mobilisation.[25]

Figure A.F.1. Total activity financing, by type of finance



[25] http://documents.worldbank.org/curated/en/495061492543870701/pdf/114403-WP-PUBLIC-cedvp-14p-JointMDBReportingonPrivateInvestmentMobilizationMethodologyReferenceGuide.pdf

G

ANNEX G. GEOGRAPHICAL COVERAGE OF THE REPORT

The inclusion of economies in Annex G, and terms and names used in this report to refer to geographical or other territories, political and economic groupings and units, do not constitute and should not be construed as constituting an express or implied position, endorsement, acceptance or expression of opinion by the MDBs or their members concerning the status of any country, territory, grouping and unit, or delimitation of its borders, or sovereignty.

Economy-level information on MDB climate finance for 2015-18 is available in Table A.G.4.

Table A.G.1. List of economies covered by at least one of the MDBs and taken into account for climate finance data presented in this report[26]

EAST ASIA AND THE PACIFIC			
Cambodia	Laos	Nauru	Thailand
China	Malaysia	Palau	Timor-Leste
Cook Islands	Marshall Islands	Papua New Guinea	Tonga
Fiji	Micronesia	Philippines	Tuvalu
Indonesia	Mongolia	Samoa	Vanuatu
Kiribati	Myanmar	Solomon Islands	Vietnam

EU-12			
Bulgaria	Estonia	Latvia	Romania
Croatia	Greece	Lithuania	Slovak Republic
Cyprus	Hungary	Poland	Slovenia

LATIN AMERICA AND THE CARIBBEAN			
Anguilla	Colombia	Haiti	Saint Kitts and Nevis
Antigua and Barbuda	Costa Rica	Honduras	Saint Lucia
Argentina	Dominica	Jamaica	Saint Vincent and the Grenadines
Bahamas	Dominican Republic	Mexico	Suriname
Barbados	Ecuador	Montserrat	Trinidad and Tobago
Belize	El Salvador	Nicaragua	Uruguay
Bolivia	Grenada	Panama	Venezuela
Bonaire, Saint Eustatius and Saba	Guadeloupe	Paraguay	
Brazil	Guatemala	Peru	
Chile	Guyana	Saint-Barthélemy	

MIDDLE EAST AND NORTH AFRICA			
Algeria	Israel	Morocco	Tunisia
Bahrain	Jordan	Oman	United Arab Emirates
Egypt	Kuwait	Qatar	Western Sahara
Iran	Lebanon	Saudi Arabia	Yemen
Iraq	Libya	Syria	West Bank and Gaza

(Continued overleaf)

[26] The list of EU countries shown here for which data is presented in this report excludes other EU countries where the EIB supports climate action.

Table A.G.1. List of economies covered by at least one of the MDBs and taken into account for climate finance data presented in this report[26] *(continued)*

SOUTH ASIA			
Afghanistan	Bhutan	Maldives	Pakistan
Bangladesh	India	Nepal	Sri Lanka

NON-EU EUROPE AND CENTRAL ASIA[27]			
Albania	Georgia	Montenegro	Turkey
Armenia	Kazakhstan	North Macedonia	Turkmenistan
Azerbaijan	Kyrgyz Republic	Russia	Ukraine
Belarus	Kosovo	Serbia	Uzbekistan
Bosnia and Herzegovina	Moldova	Tajikistan	

SUB-SAHARAN AFRICA			
Angola	Djibouti	Madagascar	Saint Helena
Benin	Equatorial Guinea	Malawi	Senegal
Botswana	Eritrea	Mali	Seychelles
Burkina Faso	Eswatini	Mauritania	Sierra Leone
Burundi	Ethiopia	Mauritius	South Africa
Cameroon	Gabon	Mayotte	Somalia
Cape Verde	Gambia	Mozambique	South Sudan
Central African Republic	Ghana	Namibia	Sudan
Chad	Guinea	Niger	Tanzania
Comoros	Guinea-Bissau	Nigeria	Togo
Congo	Kenya	Réunion	Uganda
Côte d'Ivoire	Lesotho	Rwanda	Zambia
Democratic Republic of the Congo	Liberia	São Tomé and Príncipe	Zimbabwe

Multi-regional refers to MDB operations implemented across two or more of the regions above, including activities with a global scope.

Table A.G.2. Economies categorised as least-developed economies, or small island states, or both

LEAST-DEVELOPED ECONOMY

Afghanistan	Democratic Republic of the Congo	Madagascar	Sierra Leone
Angola	Djibouti	Malawi	Somalia
Bangladesh	Equatorial Guinea	Mali	South Sudan
Benin	Eritrea	Mauritania	Sudan
Bhutan	Ethiopia	Mozambique	Tanzania
Burkina Faso	Gambia	Myanmar	Togo
Burundi	Guinea	Nepal	Uganda
Cambodia	Laos	Niger	Yemen
Central African Republic	Lesotho	Rwanda	Zambia
Chad	Liberia	Senegal	

SMALL ISLAND STATE

American Samoa	Cuba	Mauritius	Saint Lucia
Anguilla	Dominica	Micronesia	Saint Vincent and the Grenadines
Antigua and Barbuda	Dominican Republic	Montserrat	Samoa
Aruba	Fiji	Nauru	Seychelles
Bahamas	Grenada	New Caledonia	Suriname
Barbados	Guyana	Niue	Tonga
Belize	Jamaica	Palau	Trinidad and Tobago
Cape Verde	Maldives	Papua New Guinea	
Cayman Islands	Marshall Islands	Puerto Rico	
Cook Islands	Martinique	Saint Kitts and Nevis	

BOTH LEAST-DEVELOPED ECONOMY AND SMALL ISLAND STATE

Comoros	Kiribati	Timor-Leste	
Guinea Bissau	São Tomé and Príncipe	Tuvalu	
Haiti	Solomon Islands	Vanuatu	

Least-developed economies are defined according to the UNFCCC list[28] and small island states are defined according to the Alliance of Small Island States (AOSIS) list, excluding developed economies. Note that some least-developed economies are also small island states, as shown in Table A.G.2.

[28] http://unfccc.int/cooperation_and_support/ldc/items/3097.php

Table A.G.3. Economies categorised in accordance with the World Bank groupings list dated June 2018

HIGH INCOME

Andorra	Denmark	Liechtenstein	Saudi Arabia
Antigua and Barbuda	Estonia	Lithuania	Seychelles
Argentina	Faroe Islands	Luxembourg	Singapore
Aruba	Finland	Macao China	Sint Maarten (Dutch part)
Australia	France	Malta	Slovak Republic
Austria	French Polynesia	Monaco	Slovenia
Bahamas	Germany	Netherlands	South Korea
Bahrain	Gibraltar	New Caledonia	Spain
Barbados	Greece	New Zealand	Sweden
Belgium	Greenland	Northern Mariana Islands	Switzerland
Bermuda	Guam	Norway	Taipei China
British Virgin Islands	Hong Kong China	Oman	Trinidad and Tobago
Brunei Darussalam	Hungary	Palau	Turks and Caicos Islands
Canada	Iceland	Panama	United Arab Emirates
Cayman Islands	Ireland	Poland	United Kingdom
Channel Islands	Isle of Man	Portugal	United States of America
Chile	Israel	Puerto Rico	Uruguay
Croatia	Italy	Qatar	Virgin Islands (USA)
Curaçao	Japan	Saint Kitts and Nevis	
Cyprus	Kuwait	Saint Martin (French part)	
Czech Republic	Latvia	San Marino	

UPPER-MIDDLE INCOME

Albania	Cuba	Kazakhstan	Romania
Algeria	Dominica	Lebanon	Russia
American Samoa	Dominican Republic	Libya	Saint Lucia
Armenia	Ecuador	Malaysia	Saint Vincent and the Grenadines
Azerbaijan	Equatorial Guinea	Maldives	Samoa
Belarus	Fiji	Marshall Islands	Serbia
Belize	Gabon	Mauritius	South Africa
Bosnia and Herzegovina	Grenada	Mexico	Suriname
Botswana	Guatemala	Montenegro	Thailand
Brazil	Guyana	Namibia	Tonga
Bulgaria	Iran	Nauru	Turkey
China	Iraq	North Macedonia	Turkmenistan
Colombia	Jamaica	Paraguay	Tuvalu
Costa Rica	Jordan	Peru	Venezuela

(Continued overleaf)

Table A.G.3. Economies categorised in accordance with the World Bank groupings list dated June 2018 *(continued)*

LOWER-MIDDLE INCOME

Angola	Eswatini	Mauritania	Solomon Islands
Bangladesh	Georgia	Micronesia	Sri Lanka
Bhutan	Ghana	Moldova	Sudan
Bolivia	Honduras	Mongolia	Timor-Leste
Cape Verde	India	Morocco	Tunisia
Cambodia	Indonesia	Myanmar	Ukraine
Cameroon	Kenya	Nicaragua	Uzbekistan
Congo	Kiribati	Nigeria	Vanuatu
Côte d'Ivoire	Kosovo	Pakistan	Vietnam
Djibouti	Kyrgyz Republic	Papua New Guinea	West Bank and Gaza
Egypt	Laos	Philippines	Zambia
El Salvador	Lesotho	São Tomé and Príncipe	

LOW INCOME

Afghanistan	Ethiopia	Mozambique	Syria
Benin	Gambia	Nepal	Tajikistan
Burkina Faso	Guinea	Niger	Tanzania
Burundi	Guinea-Bissau	North Korea	Togo
Central African Republic	Haiti	Rwanda	Uganda
Chad	Liberia	Senegal	Yemen
Comoros	Madagascar	Sierra Leone	Zimbabwe
Democratic Republic of the Congo	Malawi	Somalia	
Eritrea	Mali	South Sudan	

Table A.G.4. Climate finance by economy, for 2015, 2016, 2017 and 2018 (in US$ million)

The list below includes economies that received climate finance in 2015, 2016, 2017 and 2018. Some economies may not appear on this list even though they are covered by one or more of the MDBs.

Those economies where the EIB is active that are outside of the geographical coverage of the report are marked with a *.

Economies	2015	2016	2017	2018	Total
Afghanistan	–	173	147	144	464
Albania	110	174	15	111	410
Algeria	1	–	–	0	1
Angola	–	15	72	43	130
Anguilla	–	–	–	0	–
Antigua and Barbuda	–	–	–	0	–
Argentina	314	508	2,276	1,434	4,532
Armenia	108	45	132	45	330
Azerbaijan	16	171	250	20	457
Austria*	1,101	1,188	852	344	3,484
Bahamas	1	1	44	100	146
Bahrain	–	–	–	0	–
Bangladesh	899	1,315	200	1,296	3,710
Barbados	1	5	0	0	6
Belarus	43	49	7	241	340
Belgium*	427	1,351	689	697	3,164
Belize	51	4	20	2	77
Benin	21	3	44	126	194
Bhutan	2	17	7	4	30
Bolivia	405	373	321	363	1,462
Bosnia and Herzegovina	27	95	101	110	333
Botswana	–	–	143	0	143
Brazil	548	914	766	1,473	3,701
Bulgaria	58	156	112	137	463
Burkina Faso	9	7	166	130	312
Burundi	25	22	28	27	102
Cambodia	46	85	86	117	334
Cameroon	2	17	329	186	534
Cape Verde	1	–	15	0	16
Central African Republic	7	–	10	23	40
Chad	6	–	–	41	47
Chile	119	153	208	7	487
China	1,091	2,349	2,305	2,019	7,764
Colombia	182	904	747	719	2,552
Comoros	5	–	4	0	9
Congo	–	25	2	58	85
Cook Islands	–	4	12	0	16
Costa Rica	200	0	5	4	209
Côte d'Ivoire	5	73	296	346	720
Croatia	174	16	68	311	569
Cyprus	22	27	46	34	129
Czech Republic*	91	11	144	59	305
Democratic Republic of the Congo	10	153	128	6	297
Denmark*	115	2	151	175	442
Djibouti	–	2	0	41	43
Dominica	–	–	–	39	39
Dominican Republic	1	137	3	509	650
Ecuador	582	325	27	792	1,726
Egypt	511	693	1,585	1,597	4,386
El Salvador	–	0	29	52	81
Equatorial Guinea	–	–	–	0	–
Eritrea	–	–	7	0	7
Estonia	47	89	5	8	149
Eswatini	3	31	–	58	92
Ethiopia	79	206	192	1,154	1,631
Fiji	53	31	15	0	99
Finland*	420	1,357	639	942	3,359
France*	4,185	3,124	4,461	2,673	14,443
Gabon	–	43	24	95	162
Gambia	–	5	9	53	67
Georgia	109	187	88	110	494
Germany*	1,669	2,390	1,768	1,868	7,695
Ghana	32	72	81	63	248
Greece*	216	91	673	225	1,205
Grenada	–	–	1	12	13
Guadeloupe	–	–	–	0	–
Guatemala	0	3	22	31	56
Guinea	–	7	17	64	88
Guinea-Bissau	10	–	3	12	25
Guyana	1	7	2	15	25
Haiti	41	4	143	234	422

(Continued overleaf)

[29] Over time, the geographical coverage of the *Joint Report on Multilateral Development Banks' Climate Finance* has changed as the economic status of certain economies has altered and/or they have been included or excluded from the operations of various MDBs. Those economies (such as Austria, Belgium, Czech Republic, Denmark, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Luxembourg, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, United Kingdom) have always been economies where the EIB operates, but have not appeared in all past editions of the report. To increase the transparency of total MDB climate finance, the list in Table A.G.4 includes total climate finance from all MDBs, including for all economies where the EIB operates.

Table A.G.4. Climate finance by economy, for 2015, 2016, 2017 and 2018 (in US$ million) *(continued)*

Economies	2015	2016	2017	2018	Total
Honduras	253	44	46	99	442
Hungary	497	155	31	155	838
Iceland*	–	189	–	–	189
India	1,948	3,017	2,678	3,703	11,346
Indonesia	674	578	873	773	2,898
Iran	–	–	–	0	–
Iraq	8	610	321	446	1,385
Ireland*	188	219	148	221	775
Israel	160	–	–	0	160
Italy*	2,593	2,437	2,492	1,964	9,486
Jamaica	21	57	52	290	420
Jordan	238	412	517	272	1,439
Kazakhstan	438	521	389	260	1,608
Kenya	260	159	581	1,161	2,161
Kiribati	–	11	–	2	13
Kosovo	74	56	31	48	209
Kuwait	–	–	–	0	–
Kyrgyz Republic	73	179	55	118	425
Laos	106	13	40	109	268
Latvia	247	2	86	0	335
Lebanon	303	27	82	581	993
Lesotho	–	11	5	15	31
Liberia	3	68	26	4	101
Libya	–	–	–	0	–
Lithuania	183	215	95	157	650
Luxembourg*	60	3	0	–	63
Madagascar	–	37	131	89	257
Malawi	58	1	210	218	487
Malaysia	–	–	–	0	–
Maldives	5	35	19	2	61
Mali	0	9	104	94	207
Marshall Islands	2	1	21	32	56
Mauritania	–	6	–	11	17
Mauritius	9	–	–	1	10
Mayotte	–	–	–	0	–
Mexico	330	277	1,211	1,193	3,011
Micronesia	–	–	–	0	0
Moldova	45	106	110	7	268
Mongolia	13	44	150	356	563
Montenegro	62	1	68	25	156
Montserrat	–	–	–	0	–
Morocco	914	729	668	1,057	3,368
Mozambique	111	51	55	224	441
Myanmar	81	107	212	178	578
Namibia	–	–	58	46	104
Nauru	–	–	3	62	65
Nepal	567	111	204	435	1,317

Economies	2015	2016	2017	2018	Total
Netherlands*	630	465	367	913	2,375
Nicaragua	207	49	235	56	547
Niger	12	163	47	29	251
Nigeria	1	102	34	1,155	1,292
North Macedonia	27	14	8	18	67
Norway*	0	6	347	74	428
Oman	–	–	–	0	–
Pakistan	1,161	673	1,018	1,305	4,157
Palau	–	–	–	2	2
Panama	112	25	350	171	658
Papua New Guinea	36	6	127	8	177
Paraguay	4	4	51	294	353
Peru	85	309	306	201	901
Philippines	657	638	167	505	1,967
Poland	1,189	1,806	1,562	1,286	5,843
Puerto Rico	–	–	–	0	–
Qatar	–	–	–	0	–
Réunion	–	–	–	0	–
Romania	249	196	887	768	2,100
Russia	55	0	0	0	55
Rwanda	63	57	203	217	540
Saint Helena	–	–	–	0	–
Saint Kitts and Nevis	–	–	–	0	–
Saint Lucia	–	–	2	35	37
Saint Vincent and the Grenadines	–	–	9	0	9
Samoa	22	–	4	5	31
São Tomé and Príncipe	4	6	11	0	21
Saudi Arabia	–	–	–	0	–
Senegal	41	16	679	272	1,008
Serbia	100	143	290	621	1,154
Seychelles	25	–	–	2	27
Sierra Leone	0	10	2	51	63
Slovak Republic	302	87	53	281	723
Slovenia	154	18	47	1	220
Solomon Islands	–	10	36	10	56
Somalia	–	8	–	1	9
South Africa	55	59	103	544	761
South Sudan	–	1	39	0	40
Spain*	1,973	560	1,876	1,526	5,934
Sri Lanka	84	212	574	72	942
Sudan	5	–	13	41	59
Suriname	1	8	26	32	67
Sweden*	557	417	1,431	1,038	3,442
Switzerland*	–	6	–	–	6

(Continued overleaf)

Table A.G.4. Climate finance by economy, for 2015, 2016, 2017 and 2018 (in US$ million) *(continued)*

Economies	2015	2016	2017	2018	Total
Syria	–	–	–	0	–
Tajikistan	149	34	232	192	607
Tanzania	243	138	549	198	1,128
Thailand	176	91	130	533	930
Timor-Leste	–	5	9	2	16
Togo	–	–	6	42	48
Tonga	15	8	1	14	38
Trinidad and Tobago	1	1	–	0	2
Tunisia	19	96	387	265	767
Turkey	2,582	2,135	1,790	1,450	7,957
Turkmenistan	1	1	6	5	13
Tuvalu	7	3	1	10	21
Uganda	124	15	166	621	926
Ukraine	940	865	833	519	3,157
United Arab Emirates	–	–	–	0	–
United Kingdom*	4,010	3,272	376	255	7,914
Uruguay	139	100	113	143	495
Uzbekistan	61	55	270	1,162	1,548
Vanuatu	23	51	17	0	91
Venezuela	0	–	–	0	–
Vietnam	385	1,211	862	210	2,668
West Bank and Gaza	5	1	2	15	23
Western Sahara	–	–	–	0	–
Yemen	–	–	–	78	78
Zambia	68	20	140	113	341
Zimbabwe	12	18	24	0	54
Global	169	77	–	0	246
Multi-regional	147	52	193	339	731
Regional	1,427	409	1,436	2,143	5,415
Regional – EU countries*	–	–	–	228	228

Notes:
1. In 2015 climate finance figures for the Czech Republic were reported under the EU-12.
2. Climate finance for figures Greece were reported under the EU-12 starting from the 2016 report.
3. EIB total climate finance in countries of operation not included within the geographical scope of the *Joint Report on Multilateral Development Banks' Climate Finance* was US$ 18.2 billion in 2015, US$ 17.1 billion in 2016, US$ 15 billion in 2017 and US$ 13.7 billion in 2018. Thus, EIB global own-resource climate finance in these years was US$ 23 billion in 2015, US$ 21.6 billion in 2016, US$ 21.9 billion in 2017 and US$ 19.1 billion in 2018.

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