



Climate Action in Financial Institutions

PRINCIPLES FOR MAINSTREAMING CLIMATE ACTION

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Mainstreaming Climate Change into the Interamerican Development Bank Group (IDBG)

Institution Principle Related Work Stream(s)



PRINCIPLE 1:
COMMIT
to Climate
strategies



Publication date: 2017

Date Policy/Tool Established	Additional Capacity Required (e.g., staff, resources, other)	How Established?
2016: Adopted the goal of increasing the financing of climate change-related projects in LAC to 30 percent of the IDBG by December 31, 2020.	Required internal reallocation of climate staff, hiring of additional climate staff, and internal and external resources.	The IDB and IIC Boards of Governors endorsed the goal (subject to demand from borrowing countries and clients, and access to external sources of concessional financing).
Monitoring, reporting tools		How Implemented?
IDBG applies the MDB joint metrics on adaptation finance and mitigation finance. The MDB methodology has been integrated into the IDB's tracking of alignment to its institutional strategy. The IDB is also developing a set of indicators for its Climate Change Action Plan 2016-2020, including process and results indicators.		To deliver on the 30% target the IDBG enhanced existing structures and tools and created new ones. The IDBG has recently approved its Climate Change Action Plan 2016-2020 summarizing all the actions developed for achieving the goal.

Key Lessons

- Institutional targets are the starting point to spread a climate strategy into a whole organization.
- Upstreaming climate change in strategic documents and programming, even before the discussion of specific projects with Governments is key to mainstreaming and taking climate change into consideration throughout operations.
- Incorporating climate change across strategies and operations requires building a robust knowledge agenda on climate change and materials to build internal capacity within the institution and to permeate climate consideration across the operations of the different sectorial teams.
- Count on the support of "champions" at senior management level to help spread either climate-related priorities or the institutional target across the organization.
- Building a network of focal points across the sectorial divisions facilitates mainstreaming across the organization.
- Access to additional internal and external climate-tied resources is needed to make climate change considerations "more attractive" for the project teams.

Introduction

In April 2016, at the Annual Meeting in the Bahamas, the Inter-American Development Bank (IDB) and Inter-American Investment Corporation (IIC) Boards of Governors endorsed "the goal of increasing the financing of climate change related projects in LAC [Latin American and Caribbean countries] to 30 percent of the IDB's and IIC's combined total approvals of loans, guarantees, investment grants, technical cooperation (TC), and equity operations by December 31, 2020, subject to demand from borrowing countries and clients and access to external sources of concessional financing." Governors also welcomed "Management's objective to improve the evaluation of climate risk and to identify opportunities for resilience and adaptation measures at the project concept stage." The resolution also acknowledges that the IDB and the IIC have taken a leadership role in supporting climate change and that they plan to "accelerate efforts to mainstream climate change, as well as to give particular consideration to climate change and environmental sustainability, throughout their operations."

Development and Design

The 30% target represents double the average annual volume of IDBG's climate finance between 2012 and 2015. The data complies with the climate finance tracking methodology developed by the MDBs.

Implementation

The IDBG has recently approved its **Climate Change Action Plan 2016-2020**. While the goal is specific to 2020, the intention is to set the IDBG on a long-term trajectory to mainstream climate change across the IDBG's portfolios. Furthermore, a series of efforts and

tools to achieve the Bahamas Resolution mandate are also underway, namely:

- **Mainstreaming climate change** into all of IDBG's country strategies agreed with borrowing member countries.
- **Preparation of country profiles** that summarize each country's Nationally Determined Contributions (NDCs), relevant domestic legislation and regulatory frameworks, potential opportunities for IDBG in line with NDCs, etc.
- **Scanning IDBG's pipeline** of projects to identify, early in the process, opportunities to include climate considerations and assess climate risks. A methodology has been developed to identify climate-related opportunities as projects enter the IDB pipeline
- **Enhancing the existing tool for screening disaster and physical climate change risk of projects.** The IDBG also committed to screen all relevant projects for physical climate risks by 2018 to increase investments in resilience, particularly for countries that are most vulnerable to the impacts of climate change. Rooted in the existing Policy for Disaster Risk Management, the IDB is enhancing its existing tool for screening the disaster and climate risk of projects.

IDB is also building a robust knowledge agenda and materials to support project preparation as follows: i) the preparation of a technical note to support teams working on climate change-related projects on how to adequately capture the long-term benefits of combating climate change in their economic analysis; ii) the elaboration of a manual to promote green procurement of goods, services, and works.

In addition, the IDBG has been scaling up its support with external climate funds. Between 2012 and 2016,

the IDBG financed more than US\$10 billion in climate change related activities and from this total US\$1.3 billion was granted from external sources. At the same time, the IDBG serves as an important partner to multilateral and bilateral providers of climate finance, particularly to ensure these resources have a transformative impact in support of countries' climate change agendas.

Finally, the IDBG launched in 2016 a platform called [NDC Invest](#) to support countries in the LAC region, as they engage in the alignment of their national portfolios to meet their international climate change and development commitments. This effort also contributes to fulfill the IDBG's strategic objectives.

The pursuit of a low-carbon, climate-resilient economy requires effective dialogue and collaboration among diverse stakeholders, as well as access to a wide range of expertise. By engaging with the Ministries of Finance and identifying synergies between NDCs and targets of the National Development Plan, NDC Invest seeks to translate their NDCs into investment plans.

NDC Invest is designed to bring together relevant IDBG services and activities under a single umbrella, enabling a better pooling of the IDBG's expertise and resource; as well as fostering collaboration across the public and private sectors to scale up finance flows and translate the NDCs commitments into pipelines of bankable projects that can effectively attract investors.

NDC Invest has four components specifically designed to address the range of obstacles and areas of work that countries need to tackle for implementation of their NDCs:

- **NDC Programmer:** focuses on the construction of investment plans and programs, as well as the creation of policy/regulatory enabling environments to reflect today's and tomorrow's climate needs and circumstances. It seeks to help countries identify and address the critical interventions required for the implementation of NDCs. In conjunction with the Ministry of Finance, the IDBG can support the Ministries responsible for advancing national efforts.
- **NDC Pipeline Accelerator:** finance priority studies and activities needed for the preparation of sustainable infrastructure projects or portfolios to meet NDCs goals, ensuring the technical and financial feasibility for bankable projects. The facility covers the additional costs associated with ensuring that projects are planned, designed and executed with a climate change focus.

- **NDC Market Booster:** non-reimbursable and reimbursable grants to support governments efforts in the development of new financial instruments and other market development services - across a range of businesses, sectors and technologies - required to enable private sector investments and innovative business models for a low carbon and resilient economy.
- **NDC Finance Mobilizer:** focuses on leveraging private finance investments at scale by enhancing economic feasibility and assisting in investment risk management. NDC Finance Mobilizer offers support for countries to increase access to external concessional resources and blend with IDB and IIC capital to increase the attractiveness of public sector investments, offering profitable investment opportunities to foster low carbon and climate resilient development.

Experience and Impact

It is premature to evaluate the full impact of the IDBG's 30% target. However, there are some impacts already materialized: i) the CF reported the IDBG increased from 16% in 2015 to 22% in 2016; ii) all the IDBG country strategies approved in 2016 and 2017 so far mainstreamed climate change in its document ; iii) the sector-specific operations (transport, water, urban, etc.) supported by the staff of the Climate Change Division increased from 44 in 2016 to 71 in 2017; iv) over 500 people were trained within the IDBG on how to incorporate climate change considerations in different sectorial projects and related tools and opportunities available.