



Climate Action in Financial Institutions

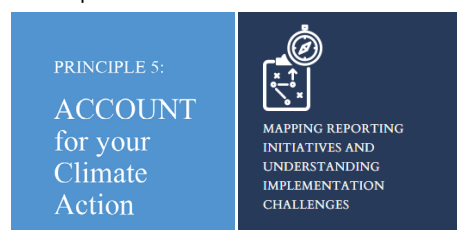
PRINCIPLES FOR MAINSTREAMING CLIMATE ACTION

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The IDFC Publicly Reports Green and Climate Finance Data

Principle Related Work Stream(s)



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Date Policy/Tool Established	How Established?	How Implemented	Additional Capacity Required (e.g., staff, resources, other)
Since 2012, IDFC publishes yearly IDFC Green Finance Mapping Reports, on the basis of a joint methodology.	The elaboration and publication of a yearly mapping report of green and climate finance provided by IDFC members was decided shortly after the creation of the club in 2011, as a key element of IDFC's work program on sustainable development and green and climate finance.	Through the elaboration of a joint methodology for IDFC green and climate finance reporting, and the establishment of a data collection process.	IDFC mapping reports have been elaborated with the support of wellknown international think tanks/ consultants (WRI, Ecofys). At the level of IDFC members, work often involves teams responsible for climate change issues and/or tracking.

Key Lessons

- Transparent reporting is essential to understand the scale and scope of climate finance and the actors involved. IDFC mapping reports highlight the important role of national and regional development banks in the mobilization and channeling of climate finance.
- Mapping reports also contribute to ongoing efforts of the international community to transparently track and disclose global climate adaptation and mitigation finance commitments.
- Mapping methodology and related data tracking processes need to be continuously improved over time to enhance transparency, comparability, consistency and flexibility to allow for a practical, adaptable, and coordinated universal reporting system to track climate finance.
- The progressive alignment of approaches for disclosure of climate finance data also allows for collaboration and crosscapitalization across IDFC members and beyond (e.g., IDFC-MDBs collaboration on establishing Common principles for tracking climate finance).
- Long-term commitment to constantly improve mapping methodology and implementation of comparable tracking and reporting processes is key.

Introduction:

The International Development Finance Club (IDFC), formed in 2011, is a group of 23 international, national, and regional development banks distributed across Europe, Asia, Latin America and Africa. IDFC members share a similar vision of the potential for development finance to promote and support a low-carbon and climate-resilient future, alongside continuously pursuing poverty reduction, economic and social development, and a fair and equitable design of the globalized economy.

With their medium and long-term vision, their field experience in financing development, and their capacity to leverage private investment, development banks are indeed uniquely positioned to provide supportive signals and contribute to the convergence of expectations for sustainable development within and across economic systems.

IDFC members got together in 2011 to pool their global expertise, best practices and in-depth local know-how on strategic topics of mutual interest. IDFC members represent important financial capacities—members commit around USD 630 billion/year to finance a wide range of projects and programs in all sectors. The primary objective of the club is to address the major obstacles facing long-term finance today by joining forces on the issues currently defining the global development agenda. IDFC's work program aims among others to mobilize green growth potential, support climate change mitigation and adaptation activities and accelerate green policies for an energy and ecological transition.

Development and Design

The international community recognizes the need to join forces to avert dangerous climate change. This requires mobilizing financial resources from a wide range of sources, public and private, bilateral and multilateral, including alternative sources. Tracking and reporting financial flows that support climate change mitigation and adaptation is therefore becoming increasingly important, not only to build trust and accountability with regard to climate finance commitments, but also to monitor trends and progress in climate-related investment.

The *IDFC Green Finance Mapping Reports*, which are among the most notable and substantial reports of IDFC published annually since 2012,¹ support this vision by disclosing information regarding IDFC's contribution to green and climate finance.

The *IDFC Green Finance Mapping Reports* are established on the basis of a joint and transparent reporting methodology and data collection process, with the support of internationally renowned think tanks and consultants (World Resources Institute and Ecofys). With the aim of identifying and categorizing financial flows of IDFC members to projects in the fields of green energy, adaptation and mitigation of climate change and the reduction of greenhouse gas emissions (GHG), the IDFC Green Finance Mapping Reports offer a transparent view on the activities of IDFC members. The reports provide consistent information on green finance flows from this major group of national, sub-regional and international development banks based in OECD and non-OECD countries, including domestic flows.

¹ All IDFC Green Finance Mapping Reports are available at www.IDFC.org

Implementation

IDFC has been publically reporting on its green and climate finance flows since the creation of the club in 2011. IDFC benefits from a light governance structure including a Secretariat. Each year, a different IDFC member coordinates the elaboration of the yearly mapping report with the assistance of the Secretariat of the club and the support of external consultancy and think tanks.

Over the years, IDFC has constantly improved its methodology and reporting process among members to reinforce data transparency and credibility of reporting. This on-going work and the continuous exchange with other climate finance reporting initiatives contribute to a better harmonization of green finance tracking and reporting standards, improving global climate finance tracking and steering towards a low-carbon climate-resilient society.

In particular, and in the context of the growing importance of climate finance tracking, IDFC has worked with the group of Multilateral Development Banks (MDBs) to harmonize respective approaches on climate finance tracking in 2015. Both groups jointly published Common Principles for Climate Finance Tracking, both for mitigation and adaptation. The IDFC Green Finance Mapping Report of 2015 (covering 2014 flows) and related methodologies follows these Common Principles. IDFC, along with the MDBs, also agreed to continuously work on improving data transparency, collection processes and comparability of reporting to further improve credibility of climate finance reporting based on their experience of the topic.

Experience and Impact

Since the initial IDFC Green Finance Mapping Report in 2011, total green contributions have increased by more than 10% to reach 98 billion USD in 2014. These flows are comprised of climate finance (mitigation and adaptation related projects) and 'other' environmental finance, which includes environmental protection and remediation related projects e.g. water, air, biodiversity.

Climate finance flows in developed and developing countries amounted to USD 85 billion in 2014. The contribution of IDFC to global climate finance flows is thus significant, highlighting the capacity and commitment of its members to channel large volumes of finance into climate mitigation and adaptation projects. During the UN Climate Summit 2014, the IDFC announced that it is on track to increase its direct

green/climate financing to USD 100 billion a year for new green finance activities by the end of 2015.

Transparent, credible and comparable climate finance data is essential for policy makers and other parties in the development community to understand the scale and scope of climate finance and the role of the different actors involved. In this respect, the collaboration on climate finance between IDFC members and public disclosure of green and climate finance commitments has enabled a better understanding of the role and importance of national and regional development banks in the mobilization, channeling, implementation and intermediation of both local and international resources, public and private, for climate-smart development projects programs and policies.

Based on IDFC's long-term commitment to constantly improve mapping methodology and implementation of comparable tracking and reporting processes, IDFC's mapping exercises also contribute to enhance four key aspects of defining, tracking and reporting climate finance:

- **Transparency:** to adopt a standardized and publically available financial reporting format with common definitions and methodologies to quantify climate finance. The methodology is publicly available on the IDFC website.
- **Comparability:** to encourage a universal methodology/ approach by which institutions can assess and compare mobilized climate finance.
- **Consistency:** to promote a yearly accounting requirement for financial institutions on climate finance.
- **Flexibility:** to allow for a practical, adaptable, and coordinated universal reporting system to track climate finance. Last but not least, by facilitating progressive alignment of approaches for disclosure of key green and climate finance data, the elaboration and publication of the IDFC Green Finance Mapping Reports also promote collaboration and cross-capitalization among IDFC members, and more generally between a wide range of stakeholders involved in climate finance.