



# Climate Action in Financial Institutions

PRINCIPLES FOR MAINSTREAMING CLIMATE ACTION

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## Islamic Development Bank (IsDB) - Climate Change Adaptation Sector Guidance Note

Institution	Principle	Related Work Stream(s)
		

**Publication date:** 2020

Date policy / tool established	Additional capacity required (eg: staff, resources, other)	How established?
2019	The guidance note was developed by the IsDB Climate Change Division with the support of the World Resources Institute, while inputs were received from sector divisions and partner institutions.	As part of its efforts to integrate climate change considerations into its operations, the Islamic Development Bank developed an adaptation guidance note to help project teams integrate information on climate risks into project design.
Monitoring, reporting tools		How implemented
The use of the guidance note for project impact and adaptation assessment is part of the business operation process.		The Climate Change Division works closely with project teams to screen project for climate risks. In this process, the guidance note is used for project impact assessment and adaptation assessment.
Key Lessons		
<ul style="list-style-type: none"> <li>In developing the guidance note, a series of consultations were held with sector divisions to ensure the alignment of the guidance note with key sector operations.</li> <li>The guidance note does not provide tailored solutions for individual projects but highlighted common options for reducing climate vulnerability in the relevant sectors.</li> </ul>		

## Introduction

As part of effort to integrate considerations of climate change into its operations, the Islamic Development Bank (IsDB) developed a climate change adaptation sector guidance note. The note aims to help sector-focused project teams incorporate climate change considerations into project planning and design. It supports the broader climate risk management process, which begins with climate risk screening and concludes with project implementation. The note covers projects involving physical assets across four key sectors: (i) Agriculture and Rural Development; (ii) Energy; (iii) Transport, and (iv) Water.

## Development and design

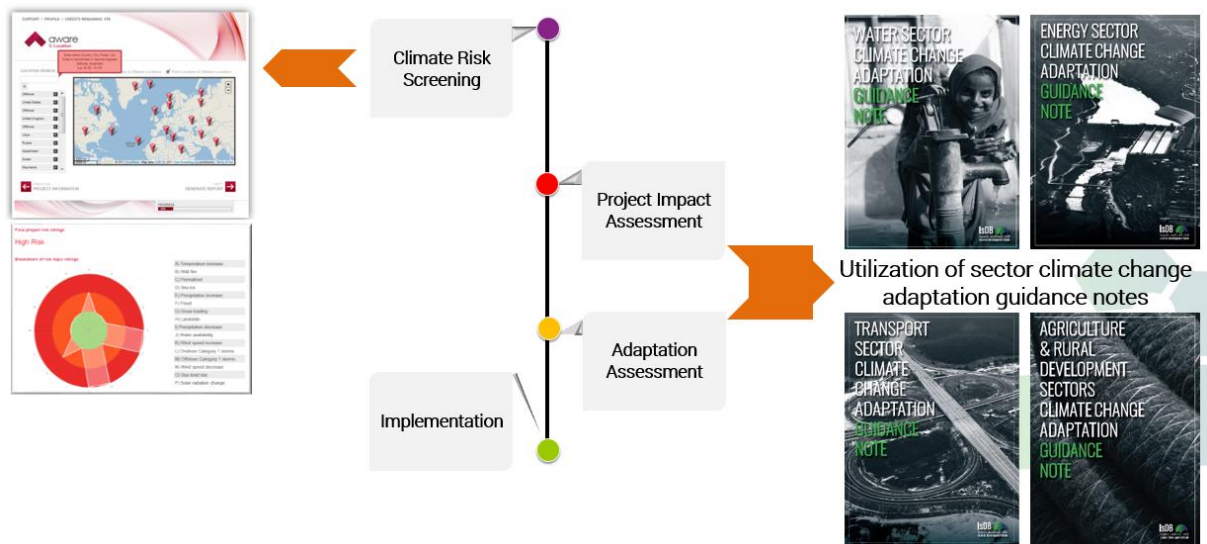
The four guidance notes were developed by the IsDB Climate Change Division (CCD), under the general oversight of Country Programs Complex Business Unit. The main author of this guidance note was the World Resources Institute (WRI), a technical consultant to the Islamic Development Bank. The guidance note received inputs from sector divisions and from partner institutions. It was based on research into similar guidance used by other financial institutions, as well as WRI's expertise in these sectors and their vulnerability to climate change. It describes the steps involved in managing a project's climate change risks—beginning with climate risk screening, followed by project impact and adaptation assessments, and ending with project implementation. It lays out a process for determining potential climate impacts on sector development projects and for identifying adaptation options to address those impacts. It also presents an approach to evaluate adaptation options, and case studies to demonstrate practical examples of the approach are provided.

## Implementation

### **Project Climate Risk Management Process**

The climate risk management process at IsDB comprises four phases (Climate Risk Screening, Project Impact Assessment, Adaptation Assessment and Implementation).

- The climate risk screening generates an overall climate risk ranking and identify key climate risk areas for the project, based on the project category and location. The risk screening is carried out using the AWARE climate screening tool - an online tool that allows users to screen investments for climate risk.
- If the screening indicates that a project is exposed to some level of climate risk, a Project Impact Assessment (PIA) follows using the IsDB climate change adaptation sector guidance note. The PIA identifies climate vulnerabilities, hazards and actions that would best reduce those impacts, thereby establishing a direct link between specific project activities and the overall objective of reducing climate vulnerability. The risk level also determines the depth of involvement of the climate change team on the overall project. For instance, when the climate risk level of the project is low, the climate change team may not necessarily need to participate in project preparation or appraisal mission. However, for high risk projects, the climate change team would need to participate in the preparation or appraisal mission.
- The Adaptation Assessment involves identifying possible adaptation solutions after the identification of potential project vulnerabilities. The guidance note describes how to use of qualitative (multi-criteria analysis) and quantitative (Cost-benefit analysis and Cost-effectiveness analysis) for evaluating and prioritizing among adaptation options. Upon selection of the adaptation measures, implementation arrangements are established to determine roles and responsibility, to identify needs for technical support and capacity building, and to provide for ongoing monitoring and evaluation.



## Experience

- The sector climate change adaptation guidance notes are easy to use.
- They served as learning material to project team members that do not have environment science / climate change background.
- They have been useful tools to engage member countries on climate change discussion, in relation to physical assets.

The sector climate change adaptation guidance notes can be accessed through these links:

- Agriculture: <https://books.isdb.org/view/183219/>
- Transport : <https://books.isdb.org/view/594245/>
- Water : <https://books.isdb.org/view/124792/>
- Energy : <https://books.isdb.org/view/952483/>