



# Climate Action in Financial Institutions

PRINCIPLES FOR MAINSTREAMING CLIMATE ACTION

The information presented in case studies was prepared and submitted by financial institutions on an independent basis. The opinions expressed are the sole responsibility and product of that institution. They shall in no way be deemed endorsed by any other Supporting Institution nor the Secretariat.

Find more case studies online at <https://www.mainstreamingclimate.org/>

## Asia Development Bank (ADB) Makes Climate Change Core to Operations through Series of Strategy and Policy Changes

Principle

Related Work Stream(s)



**Publication date:** December 2015 – [Emerging Practice Document 2015](#)

Date Policy/Tool Established	How Established?	How Implemented	Additional Capacity Required (e.g., staff, resources, other)
Results Framework 2013–2016 (April 2013)	Established through ADB Board approval.	Implementation done through regional departments and through various sectors currently covering 2013–2016.	Gradual increase in staff with relevant expertise; renaming and upgrading of divisions and departments and the creation of a thematic group on climate change and disaster risk management.

### Key Lessons

- Mainstreaming climate change into operations is a lengthy process that requires establishing policies and implementing actions on climate change early on.
- Strong management support is key to successful mainstreaming.
- Cooperation and support from various departments is needed for successful mainstreaming.

## Introduction

The Asian Development Bank (ADB) acknowledges that Asia is to become a major driver of GHG emissions worldwide, while increasingly exposed to the risks of climate change.

The successful mainstreaming of climate change into ADB's operations was a culmination of decades long initiatives that started around 1989 when a directive from ADB Management on "Global Environmental Concerns: Possible Implications to Bank Operations" was given and a regional study on Environmental Considerations in Energy Development was implemented. From the early 1990s until 2005, ADB provided fundamental preparatory support to its DMCs to improve understanding of climate change threats and response options. Early initiatives included the 1992 technical assistance (TA) study *Climate Change in Asia*,<sup>1</sup> the *Asia Least-Cost Greenhouse Gas Abatement Strategy*<sup>2</sup> implemented from 1995 to 2001, the 2003 clean development mechanism facility, and the 2001 Technical Assistance on Promotion of Renewable Energy, Energy Efficiency, and Greenhouse Gas Abatement (PREGA), which helped enhance understanding of the region's greenhouse gas (GHG) emissions and the capacity of the DMCs to cost-effectively meet their mitigation objectives under the United Nations Framework Convention on Climate Change (UNFCCC).

## Development and Design

In response to increasing global attention and call to action to address climate change ADB embarked on major new initiatives, including:

- Energy Efficiency Initiative (EEI) in 2005 to expand ADB clean energy investments to \$1 billion a year starting 2008; elevated to \$2 billion by 2013 through the Energy Policy approved in 2009;
- Clean Energy Financing Partnership Facility (CEFPPF) in 2007 to support EEI;
- Carbon Market Initiative (CMI) in 2006, now a Program (CMP) to provide DMCs additional financing incentives for GHG mitigation projects eligible under the clean development mechanism (CDM);
- co-founded the Cities Development Initiative for Asia (CDIA) with the Government of Germany in

2007 to enhance sustainable development and poverty reduction in cities through environmental sustainability, pro-poor development, good governance, and climate change; and

- implemented the Climate Change Adaptation Project for the Pacific (CLIMAP) in 2005 that prepared risk profiles and demonstrated the importance of mainstreaming climate adaptation into development and planning in selected Pacific DMCs. ADB started working with other MDBs in designing a new funding facility that would help scale up climate finance for developing countries, i.e., the Climate Investment Funds (CIF) in 2008.

Understanding of climate change challenges and the international context affecting responses evolved significantly, especially with the release of critical studies such as the 2006 *Stern Review on the Economics of Climate Change* and the 2007 *4th Assessment Report* of the Intergovernmental Panel on Climate Change (IPCC). It has become clear that continued poverty reduction will not be possible without proactive efforts to address environmental sustainability, including the causes and consequences of climate change. In 2008, ADB made climate change a part of the broader agenda of environmentally sustainable growth under its long-term strategic framework, *Strategy 2020*<sup>3</sup>. In parallel, ADB initiated an institution-wide exercise to prepare, on a sub-regional basis, climate change implementation plans (CCIPs) to identify high priority areas for climate change assistance to the DMCs and provide the foundation for more systematic attention to such programming through regular updates of regional and country partnership strategies.

## Implementation

To support the implementation of the climate change agenda, ADB, in 2009, began operating a Climate Change Program Coordination Unit in the Regional and Sustainable Development Department (RSDD) to promote internal and external awareness of and coherence in ADB's climate-related responses. A network of climate change focal points was also formed to facilitate effective knowledge and operational management on climate change. By 2014, the Unit was joined by the Disaster Risk Management (DRM) Team and renamed as the Climate Change and Disaster Risk Management Unit.

1 ADB. 1992. TA 5463-REG: Regional Global Environmental Issues, Manila.

2 ADB. 2001. TA 5592-REG: Asia Least-Cost Greenhouse Gas Abatement Strategy, Manila.

3 <http://www.adb.org/documents/strategy-2020-working-asiandpacific-free-poverty>.

Drawing from the CCIP exercise (completed in 2009), ADB, in 2010, realigned and redefined its strategic priorities in addressing climate change—consistent with Strategy 2020—to provide guidance for all operations. These priorities are laid out in the 2010 paper *Focused Action: Priorities for Addressing Climate Change in Asia and the Pacific*.<sup>4</sup> ADB's climate change program adopts an integrated approach to address climate change mitigation and adaptation across priority areas like clean energy, sustainable transport, climate resilience, among others.

## Experience and Impact

In 2013/2014, ADB conducted a Mid-Term Review of the Strategy 2020,<sup>5</sup> which identifies environment and climate change as one of its ten priorities. The following priorities of action related to climate change include:

- continue to invest \$2 billion annually in clean energy;
- increase the share of low-carbon modes of transport,
- scale up support for climate change adaptation;
- strengthen integrated disaster risk management;
- promote natural resource management;
- strengthen policies and capacity to promote greater resource efficiency; and
- facilitate DMCs' access to global and regional funds.

In helping achieve these priorities, an assessment of the results framework was made to analyze the achievements and challenges in the use of the long-term strategy framework, to examine good practices, and to consult with stakeholders in determining which areas needed to be strengthened. As a result, a new framework<sup>6</sup> (2013–2015) included changes to its structure, indicators, and targets, where ADB has set a target of 45% of its operations supporting climate change by 2016, which effectively mainstreamed climate change into the Bank's operations. In 2014, 44% of ADB projects supported climate change. In conjunction, ADB has renamed RSDD into the Sustainable Development and Climate Change Department, upgraded the

---

4 ADB. 2010. *Focused Action: Priorities for Addressing Climate Change in Asia and the Pacific*. Manila.

5 <http://www.adb.org/about/strategy-2020-mid-term-review>.

6 The ADB corporate results framework, introduced in 2008, is a management tool that helps ADB monitor and improve its performance to achieve the goals set out in Strategy 2020. (<http://www.adb.org/sites/default/files/institutional-document/33861/files/results-framework.pdf>) and (<http://www.adb.org/sites/default/files/institutional-document/154037adbresults-framework-interim-update.pdf>).