Climate Action in Financial Institutions

PRINCIPLES FOR MAINSTREAMING CLIMATE ACTION

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IFC Builds an Internal Infrastructure to Embed Climate into Its Core Business Operations

Principle	Related Work Stream(s)
PRINCIPLE 1: COMMIT to Climate strategies	SPREADING A CLIMATE STRATEGY INTO A WHOLE ORGANISATION

Publication date: December 2015 – Emerging Practice Document 2015

Date Policy/Tool Established	How Established?	How Implemented	Additional Capacity Required (e.g., staff, resources, other)
2012 (date it was ormalized)	By Board approval.	Rolled out throughout AFD's activities over 4 years, building on previous activities and accumulated experience.	Required training and development of tools and procedures, some of which with the help of external consultants.

Key Lessons

- Buy-in from operational departments is crucial to making climate part of "business-as-usual". Embedding climate staff throughout the organization has been an effective way to build capacity and bench-strength across departments to identify and place climate deals.
- Clear operational targets tied to staff performance and incentives are important in getting investment staff to seek out climate smart opportunities. Investment staff must prioritize among competing demands and from a wide range of development objectives and prospective business. Incorporating climate on departmental scorecards created an incentive for staff to find climate business opportunities.
- Clear and easily definable guidelines on what qualifies as a climate project help build momentum for climate business. IFC's most successful climate business is in areas where we have clearly defined metrics and definitions for climate business. This reduces transaction costs and time to complete an investment and get it formally recognized.
- A centralized climate staff is key to provide the tools, strategy and support to build climate business.

Introduction

IFC began tracking climate investments in 2005. Since then, IFC has built an internal infrastructure to embed climate activities throughout the organization with a goal to make climate investments part of IFC's core business.

Key Elements

To mainstream climate into IFC's core business, IFC has developed an internal infrastructure based on three key elements:

1. Generate buy-in from IFC's operational departments, through dedicated staff resources. IFC has established an extended network of **climate managers and anchors embedded in its industry and regional departments.** This network is responsible for coordinating the climate business program in their respective group. The network holds regular video conferences to coordinate strategy across industry and regions and to share tools and knowledge developed across the network.

2. IFC has regional and industry **climate targets that are part of departmental scorecards, which are tied to monetary incentives.** Prior to 2013, IFC's climate financing had plateaued. In 2013, IFC added climate indicators onto the scorecard—beginning with a corporate target of 15% of IFC's own account investments and ramping up to 20% in FY15.

3. A **centralized Climate Business Department** that helps provide strategic and analytic support, as well as guidance in defining and measuring climate investments. These resources allow us to track and analyze performance and make sure we are meeting our targets using definitions that are similar across other MDBs. The Climate Business Department also supports operational departments throug technical/market assistance, innovative financing mechanisms and blended finance.

Results

A key indicator tracked by IFC is the penetration rate of climate business as a percentage of overall business. IFC has grown its climate business penetration from 13% in FY09 (the year before IFC established its internal climate infrastructure) to 22% of total long-term finance in FY15. In absolute numbers, this represents a growth from $1 billion to $2.3 billion.[1] Key climate business lines are now mainstream within IFC, including green buildings which was over $390 million in FY15, and renewable energy, which is now consistently two-thirds of IFC's power business.

Next Steps

IFC continues to grow its business through its existing framework. As part of the World Bank Group goals announced at the Annual Meeting in Lima, IFC will increase its climate target to 28% by 2020. To get there, IFC will expand and develop new business lines, create new innovative financing tools, expand its roster of climate industry specialists, and improve and mainstream metrics for more sectors.

1 If core mobilization is included (i.e., outside money that IFC actively brings to investments), IFC's FY15 climate business jumps to $4.5 billion, which is 26% of IFC's total portfolio.