



# Climate Action in Financial Institutions

PRINCIPLES FOR MAINSTREAMING CLIMATE ACTION

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## ADB Integrates Climate Risk Management Framework throughout Operations

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)
3 March 2014	A memo was issued to all Operations Departments that all ADB proposed projects have to be screened for climate risks and further assessment is required for those projects at risk.	All project teams has to be guided by the memo on how to undertake climate risk management in projects.	Consultants with expertise on climate science, climate modeling and research, and economic analysis of climate change adaptation were hired to support the climate change adaptation team.

### Key Lessons

- Risks need to be identified at the early phase of project preparation.
- Capacity building to interpret and use climate information for decision-making is needed.
- Financial resources to meet the incremental cost of adaptation are important. Vulnerability assessment can be undertaken within a reasonable timeframe and limited resources.
- Adaptation is not cost neutral but may not necessarily be expensive and a large menu of adaptation options are available—engineering and non-engineering.

## Introduction

**Climate Risk Management:** Building on the experience accumulated over the last decade, ADB formalized a climate risk management framework in March 2014 to address climate risks to project performance. All ADB projects are now screened for climate risks. This approach is seamlessly integrated in the project development cycle. All ADB projects are now screened for climate risks at early stages of project concept development and a climate risk and vulnerability assessment is carried out during the preparation of projects at risk. ADB's climate risk management approach comprises the following steps:

- context-sensitive climate risk screening at the concept development stage to identify projects that may be at medium or high risk;
- climate change risk and vulnerability assessment during preparation of projects at risk;
- technical and economic evaluation of adaptation options;

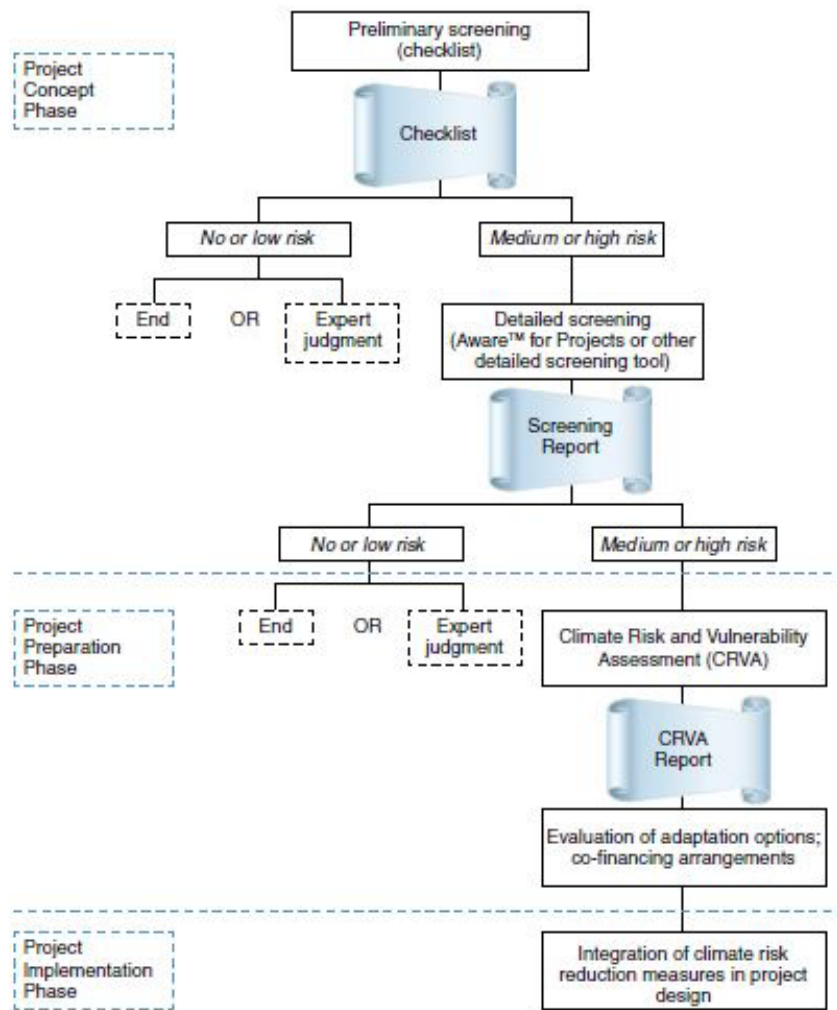
- identification of adaptation options in project design; and
- monitoring and reporting of the level of risk, climate resilient measures and associated adaptation finance.

## Development and Design

ADB has made available resources to support the implementation of the framework:

- a one-stop shop housed in the Climate Change and Disaster Risk Management Division to provide technical support and financial resources for screening and assessment of projects;
- an online tool—AWARE for Projects, which allows for consistent and systematic screening of climate risks. The tool was rolled out in early 2014 to help ADB operations screen projects for climate risks. As of end of May 2015, 105 projects were screened for climate risks;

**FIGURE 1** Flow Chart for Climate Risk Management of Investment Projects



- swift technical guidance materials for climate risk management at sector and project levels, including climate-proofing guidance for the transport, agriculture and energy sector. These are all available to help project teams and ADB developing member countries manage climate-related risks throughout the project cycle, and are accessible through the ADB website (<http://www.adb.org/publications/climate-riskmanagement-adb-projects>), (See Figure 2);
- financial resources to meet the cost of carrying out climate risk assessment in projects at risk, and the incremental cost of adaptation through dedicated trust funds, such as the Urban Climate Change Resilience Trust Fund;
- support to access external sources such as the Green Climate Fund, the Global Environmental Facility administered adaptation funds and the Pilot Program for Climate Resilience of the Climate Investment Funds.

DMCs' perspectives on adaptation and DRM, and to synthesize lessons from selected DMCs in identifying challenges and opportunities in integrating these two closely-related areas.

## Implementation

The figure outlines how these tools are used from project concept stage through implementation. ADB recognizes that reliable climate data, including climate change projections and scenarios, are indispensable to inform climate risks and vulnerability assessments and design of adaptation interventions. Through the establishment of the Regional Climate Consortium and Data Facility, ADB is promoting a public goods approach to the provision of climate data and services. The Consortium will serve as a regional mechanism for developing and applying climate information in support of climate risk assessment and management in development and adaptation work. ADB is also a founding partner of the recently launched global public-private initiative on Climate Services for Resilient Development, which aims to harness the best climate data resources available and help developing countries manage climate change

ADB is committed to promote the integration of climate change adaptation with disaster risk management (DRM) and is accordingly developing joint tools and materials on disaster and climate risk screening. For instance, ADB is working on enhancing the climate risk project screening tool to include screening of projects for geological hazards and incorporating climate and disaster risks consideration during project preparation. Guidance materials are also being developed to guide operations in integrating climate and disaster risk management in the design of projects. Focused studies are also being undertaken to improve the understanding of