



# Climate Action in Financial Institutions

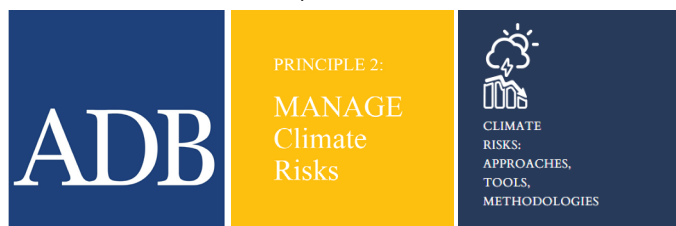
PRINCIPLES FOR MAINSTREAMING CLIMATE ACTION

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/>

## ADB scales up the integration of physical climate risk management into its operations\*

Institution      Principle      Related Work Stream(s)



Publication date: 2017

Date Policy/Tool Established	Additional Capacity Required (e.g., staff, resources, other)	How Established?
March 2014	Significant resources were required to develop technical tools, provide ongoing support to project teams in all operational departments.	A memo was issued to all Operations Departments that all ADB proposed projects have to be screened for physical climate risks and further detailed assessment is required for those projects deemed at medium or high risks.
Monitoring, reporting tools		How Implemented?
Physical climate risk management is included, as a linked document, in the description presented to the ADB Board for investment projects deemed at medium and high risks. The "project at a glance" sheet in paper for the Board includes, among others, information on the level of climate risks and use of ADB resources for adaptation/ climate risk management measures within the project. Further, project completion reports could contain relevant information on climate risk management.		Various physical climate risk screening, assessment and management activities have been incorporated into regular investment project cycle.

\* Update to the case study "ADB Integrates Climate Risk Management Framework throughout Operations" in the 2015 edition of the Emerging Practices paper.

## Key Lessons

- The alignment of physical climate risk management activities with the key milestones within the investment project cycle is key for climate risk management to be effective.
- With the awareness on climate risks increasing, and experiences for risk screening and assessment accumulate within the institution, the need for technical support to strengthen climate risk management shifts towards practical guidance and advice on structural and non-structural interventions that investment projects could integrate to address physical climate risks.
- As physical climate risks and associated risk management solutions are highly context specific, there is a growing need for more tailored, project-level technical support in designing and assessing climate risk management options.
- Efforts to strengthen climate resilience need to go beyond "climate proofing" existing development investment projects and to include investments that are predicated on the need to address physical climate change impacts as an emerging risk to sustainable and inclusive development.

## Introduction

Recognizing the vital importance of strengthening resilience of communities, ecosystems and economies in its developing member countries (DMCs) in delivering sustainable and inclusive socio-economic development in a changing climate, ADB formalized a climate risk management framework in March 2014 to guide efforts in managing physical climate risks in its investment operations. The launch of the framework was accompanied by the provision of technical support through the provision of: climate data and information; guidance materials; ongoing technical stopping to project teams; and financial resources for climate risk assessments and targeted climate risk management interventions. In 2015, in a move to further demonstrate its determination to strengthening investment in building the Region's resilience to physical climate change and disaster risks, ADB committed to investing USD\$2 billion in climate change adaptation annually by 2020, as part of its commitment to double climate finance by 2020. Further, in July 2017, ADB adopted its Climate Change Operational Framework 2017-2030 (CCOF 2030),<sup>1</sup> to guide the institution's enhanced action for low-carbon and climate resilient development, including through the promotion of climate change adaptation, and the integration of climate change adaptation and disaster risk management. These developments represent supportive conditions to scale up the institution's efforts in integrating climate risk management into its operations.

## Implementation

Since the report on this initiative in 2015, the implementation has gathered speed. This is evident from the following developments:

- In addition to mandatory initial project physical climate risk screening, the inclusion of details on climate risk management in board documents such as the Report and Recommendations of the President (as a linked document) of at risk projects has been formally introduced into project development process. This has been a reflection, as well as a further promotion, of detailed climate risk and risk management options analyses being carried out to support climate resilient investments in key sectors.
- To support more robust and project design relevant assessments of climate risks and risk management options, ADB allocated a further USD\$6 million from its 2016 income to support operations teams in implementing the climate risk management framework.
- Complementary to the strengthening of project-specific support, efforts have been scaled up to develop strategic knowledge products and conduct capacity building for projects across sectors and locations. This includes the recent investment in technical assistance projects aimed at assessing vulnerabilities of critical infrastructure to climate change and identifying policy, regulatory, engineering, ecological and financial options to reduce vulnerability and build resilience of critical infrastructure Asia and the Pacific, and at enhancing the provision of climate change and disaster risk information and project design relevant good practice guidance on how to use climate information for resilient infrastructure design.
- In addition to scaling up efforts in managing climate risks in existing investment projects, opportunities have been identified to investment in projects which are predicated on the need to address climate change and disaster risks and to broaden climate resilience benefits beyond

<sup>1</sup> Please see case study presented under Principle 1.

the investments made through the projects by ADB and its DMCs.

## Experience and Impact

Since the issuance of the memo mandating all investment projects to be screened for physical climate risks, there has been a marked increase in in-house awareness and understanding of climate risks, particularly amongst operations teams. As a direct result of strengthened implementation of the climate risk management framework, ADB's investment in climate adaptation reached \$1.187 billion in 2016 , a notable increase from \$356 million in 2015.

## Next Steps

Guided by ADB Climate Change Operational Framework 2017-2030, efforts to scale up investment in climate change and disaster resilience in ADB are in full swing, with the near-term goal to deliver USD2 billion of annual climate change adaptation finance in ADB's developing member countries by 2020. These will be supported by a review of the physical risk screening tool, an injection of additional financial resources, the provision of more practical and tailored technical assistance and internal capacity building.