



# Climate Action in Financial Institutions

PRINCIPLES FOR MAINSTREAMING CLIMATE ACTION

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## MDBs Harmonize Approaches for Tracking in Order to Improve Disclosure of Important Climate Data\*

Principle

Related Work Stream(s)

PRINCIPLE 5:  
**ACCOUNT**  
for your  
Climate  
Action



MAPPING REPORTING  
INITIATIVES AND  
UNDERSTANDING  
IMPLEMENTATION  
CHALLENGES

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Date Policy/Tool Established	How Established?	How Implemented	Additional Capacity Required (e.g., staff, resources, other)
MDBs started joint climate finance reporting for 2011 finance flows	Evolved over time, and required harmonization efforts between different approaches and methodologies by each institution.	Harmonized guidelines published in 2012; implemented over the period of 2012 to 2015. Common principles for mitigation and adaptation finance tracking agreed between the MDBs and IDFC in 2015.	Varies by institution, but many incorporate the work within the teams responsible for other climate finance and/or tracking initiatives within those institutions.
<b>Key Lessons</b>			
<ul style="list-style-type: none"> <li>• Harmonization can help ensure publically reported data is consistent.</li> <li>• Notwithstanding harmonization of the approach to tracking, some differences in reporting are to be expected due to the varying businesses models across these financial institutions.</li> </ul>			

\*See Common Principles for Climate Mitigation Finance Tracking <http://www.worldbank.org/content/dam/Worldbank/document/Climate/commonprinciples-for-climate-mitigation-finance-tracking.pdf>, Common Principles for Climate Adaptation Finance Tracking <http://pubdocs.worldbank.org/pubdocs/publicdoc/2015/7/222771436376720470/010-gcc-mdb-idfc-adaptation-common-principles-pdf> and the MDB Joint Report on Climate Finance: <http://www.worldbank.org/content/dam/Worldbank/document/Climate/mdb-climate-finance-2014-joint-report-061615.pdf>.

## Introduction

Financial resources from a wide range of sources, public and private, bilateral and multilateral, including alternative sources is needed to support scaled up mitigation and adaptation action in developing countries. What finance is flowing, from where and to what activities are among the questions increasingly being asked by stakeholders, in particular donors. This makes it increasingly important to transparently track and report climate finance flows, to build trust and accountability with regard to climate finance commitments and monitor trends and progress in climate-related investment and impacts on the ground.

The MDBs, and other public development finance institutions, are an important channel of climate finance. In 2012, the MDBs created a joint approach for climate finance tracking and reporting that responds to the context in which the MDBs invest in developing and emerging economies. It is built on the premise that development finance is being provided in a world shaped by climate change.

## Development and Design

Climate finance data is tracked and reported in a granular manner for the financing of components (and/or subcomponents) or elements/proportions of projects that directly contribute to (or promote) mitigation and/or adaptation. The joint MDB approach differs in how it treats mitigation and adaptation.

For adaptation, the methodology uses a context- and location-specific, conservative and granular approach that is intended to reflect the specific focus of adaptation activities, and reduce the scope for overreporting of adaptation finance against projects. The approach includes the following key steps:

1. Setting out the climate vulnerability context of the project;
2. Making an explicit statement of intent to address climate vulnerability as part of the project;
3. Articulating a clear and direct link between the climate vulnerability context and the specific project activities.

For mitigation, the methodology follows an activity typology and includes a list of mitigations activities that promote "efforts to reduce or limit GHG emissions or enhance GHG sequestration.»<sup>1</sup>

MDBs recognize that some components and/or subcomponents, or elements within projects, contribute to both mitigation and adaptation. Because this financing is important, albeit currently a small volume of climate finance, it is reported separately where MDB systems allow.

## Implementation

The MDBs have reported jointly on climate finance since 2011 and have collectively financed over USD 100 billion in climate actions over the four years from 24 OECD/DAC Climate Markers (September 2011). 2011-14, equivalent to an average of USD 26.5 billion per year. While the group does not have a secretariat, its members share responsibility for annual joint reporting, and each year a different member takes the lead in coordinating and producing the report.

## Experience and Impact

The MDB joint report on climate finance has enabled greater collaboration among the MDBs, particularly with regard to sharing knowledge and lessons of experience. It has facilitated greater coordination in the use of special climate funds, such as the Climate Investment Funds, and has allowed for cooperation between many MDBs in the context of Country Investment Plans within the Clean Technology Fund, the Pilot Program for Climate Resilience, the Forest Investment Program and the Scaling Up Renewable Energy Program. From 2015 the MDBs have aligned approaches with the International Development Finance Club through common principles for mitigation and adaptation tracking.

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1 OECD/DAC Climate Markers (September 2011).