Climate Finance and Development Finance Institutions (DFIs)

OECD-CPI Consultation on Development and Climate Change
Warsaw - 19 November 2013

Jochen Harnisch, KFW - Competence Center Environment and Climate
The International Development Finance Club (IDFC)

- Network of 20 leading development finance institutions with mandates for national, sub-regional, regional and international activities around the world.

- Combined assets of more than USD 2,100 billion

- New commitments added up to approx. USD 390 billion

- Activities: Green finance mapping, exchange on good practices in private sector mobilisation and support of GCF implementation

- Current focus: green infrastructure finance, green urban infrastructure, SME energy efficiency
IDFC Green Finance Mapping 2013

- Institutions based in OECD countries
  - US$ 50 billion
- Institutions based in non-OECD countries
  - US$ 44 billion
- TOTAL
  - US$ 94 BILLION

Projects in OECD country (other then Home country of institution)
- US$ 2 BILLION
- US$ 33 BILLION
- US$ 15 BILLION

Projects in non-OECD country (Home country of institution)
- US$ 44 BILLION

»» Alternative Approaches for Tracking Climate Finance

OECD DAC Rio Marker - Methodology

- Objective: **Purpose** to reduce or limit GHG emissions
- Objective: Increasing adaptive capacity and resilience
- Projects, programs and policy

MDB - Methodology

- Positive list for climate mitigation **component**
- Criteria for adaptation component
- Specifically for financing activities
KFW New Projects 2012: MDB or OECD-DAC Rio Marker Approach

- MDB
- OECD DAC

### Amount in EUR

- 0
- 500
- 1000
- 1500
- 2000
- 2500
- 3000
- 3500

### Relevant Components

- 100%
- KLM2/KLA2 counted as 100%
- KLA1 or KLM1 as 50%

### Components

- Additional
- KLA1
- KLA2
- KLM1
- KLM2

KLA1/1 and KLM1/1 counted as 100%
Scaling-up the Green Economy
Conference, Frankfurt – 4 September 2013: Participating Organisations

**Development Finance Institutions (DFI) & Development Banks (DB) from Developed Countries:**

<table>
<thead>
<tr>
<th>Organisation</th>
<th>Description</th>
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<tbody>
<tr>
<td>AFD</td>
<td>Agence Francaise de Developpement, France</td>
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<tr>
<td>BIO</td>
<td>Belgian Investment Company for Developing Countries, Belgium</td>
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<tr>
<td>BSTDB</td>
<td>Black Sea Trade and Development Bank</td>
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<tr>
<td>CDC Group</td>
<td>UK</td>
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<tr>
<td>FINNFUND</td>
<td>Finnish Fund for Industrial Cooperation</td>
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<td>FMO</td>
<td>Netherlands Development Finance Company</td>
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<td>IFU</td>
<td>The Investment Fund for Developing Countries of Denmark</td>
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<td>JICA</td>
<td>Japan International Cooperation Agency</td>
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<tr>
<td>KfW</td>
<td>KfW Development Bank, Germany</td>
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<td>DEG Deutsche Investitions- und Entwicklungsgesellschaft, Germany</td>
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<tr>
<td>Norfund</td>
<td>Norwegian Investment Fund for Developing Countries</td>
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<td>OeEB</td>
<td>The Development Bank of Austria</td>
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<td>OPIC</td>
<td>Overseas Private Investment Corporation, U.S.</td>
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<td>SOFID</td>
<td>Sociedade para o Financiamento do Desenvolvimento, Portugal</td>
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<tr>
<td>VEB</td>
<td>Vnesheconombank, Russian Federation</td>
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Scaling-up the Green Economy
Conference, Frankfurt - Highlights From Final Statement on Conclusions

- Participating institutions are already core supporters of the development of a green economy - with new commitments for climate finance projects in developing countries and emerging economies of $15 bln. in 2012, plus $3.5 bln for other environment projects.

- Participants agree to improve the effectiveness of our financing activities for a green economy, and to increase our collective efforts, including catalytic effects on private investments towards the objective of $100 bln. p. yr. by 2020.

- Participants agree on efforts to work towards harmonised guidelines, taking into account individual countries' circumstances, to limit projects which lead to significant fossil fuel-based greenhouse gas emissions.

- Participating institutions strive to harmonise their monitoring and reporting systems for finance provided to green economy projects and programmes.

Source: https://www.kfw-entwicklungsbank.de/PDF/Entwicklungsfinanzierung/Umwelt-und-Klima/Konferenzen-und-Veranstaltungen/Scaling-up-the-Green-Economy-Final-Conclusion_EN.pdf
Outlook

› Different mapping processes on the road of convergence – catalytic role of OECD and CPI
› OECD-DAC approach well and widely accepted for wider reporting of development finance
› No agreed definitions of climate finance
› Unclear whether OECD-DAC or MDB approaches system is more accurate or more cost-effective: intensified dialogue with objective of mutual learning in 2014
› If underlying positive/negative lists are applied consistently results for both approaches generally agree reasonably well
› IDFC and bilateral DFIs:
  - Evolutionary harmonisation and development of reporting methodologies
  - Focus on scaling-up, increasing effectiveness and instrument innovation
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