

Climate Tracking

The Joint MDB Approach - Introduction

- Averting climate change requires mobilizing public, private, bilateral, multilateral and alternative finance sources
- It is increasingly necessary to track and report financial flows to build trust, accountability and to monitor trends and progress
- There is currently no precise, internationally agreed definition of climate finance and current efforts lack transparency, comparability and comprehensiveness
- MDBs wish not only to harmonise amongst themselves but also to encourage others to use this work and hope that it can be used as a robust and transparent basis for wider climate finance reporting



Climate Tracking

- The Joint MDB Approach -

- The joint approach responds to the particular context of the activities that the MDBs carry out in developing and emerging economies
- It has emerged from a process to find commonalities between existing MDB approaches to mitigation and adaptation finance
- The joint approach is a work in progress aimed at assisting MDBs and other organizations



The Joint MDB Approach - Agreements

- **Reporting is linked to MDB commitments:**

The approach measures financial commitments at time of Board approval or signature.

- **Classification is made ex-ante project implementation:**

The qualification of a project under this methodology does not imply evidence of the eventual delivery of climate change resilience benefits. Inclusion is not a substitute for project-specific ex-post evidence of resilience benefits, and projects seeking to demonstrate such effects must do so through project-specific data.

- **An activity can be a project, a project component, or a proportion of a project:**

The joint approach aims to report on adaptation activities disaggregated from non-adaptation activities through a reasonable level of data granularity.



Climate Mitigation Tracking - The Joint MDB Approach -

- The joint approach is activity based and measures financial flows rather than GHG reductions
- Activities are labelled as Mitigation if they promote “efforts to reduce or limit GHG emissions or enhance GHG sequestration”
- Mitigation measures in the agreed approach are assumed to lead to these GHG reductions based on past experience and/or technical analysis.
- The approach is based on a common list of mitigation activities at the intersection of what all MDBs consider mitigation.



The Joint MDB Adaptation Approach

The MDB approach for adaptation is process based on the following principles:

1. **It is purpose, context and activity based:** A project activity must fulfil three design process criteria for finance to be reported.

It must:

- ***Include a statement of purpose or intent*** to address or improve climate resilience in order to differentiate between adaptation to current and future climate change and good development;
- ***Set out a context of climate vulnerability*** (climate data, exposure and sensitivity), considering both the impacts from climate change as well as climate variability related risks;
- ***Link project activities to the context of climate vulnerability*** (e.g., socio-economic conditions and geographical location), reflecting only direct contributions to climate resilience.



The Joint MDB Adaptation Approach

2. It follows a conservative approach:

- *To prevent the mislabelling of development activities as adaptation*
- *Activities that do not explicitly meet all the above criteria are not included in reporting*

3. Project activities should reflect at least one of the following adaptation categories:

- *Addressing current drivers of climate vulnerability* especially in poorest countries or communities;
- *Building resilience to current and future climate risks*;
- *Incorporating climate risks into investments* especially for infrastructure with a long lifespan;
- *Incorporating management of climate risk into plans, institutions and policies.*



The Joint MDB Adaptation Approach

While fulfilling one of the above adaptation categories, project activities should also avoid:

- *Inadvertent increases in vulnerability of systems or social groups*
- *Placing assets or systems in harm's way (bad adaptation or maladaptation)*

A set of indicative examples of adaptation activities is set out in the following table, reflecting existing MDB experience in delivering climate resilience projects.

- *However, such a list can never be exhaustive*
- *The primary test will be whether a project can demonstrate purpose, vulnerability context and activity response*



The Joint MDB Approach - Reporting

In 2014 – a major aspect of the MDB work has been not just improved harmonisation amongst MDBs, but importantly:

Close discussions with IDFC, OECD, CPI, UNFCCC and others on the process of improved harmonisation in climate finance reporting.

This work continues today!

Thank you!

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Coordinator, MDB climate finance tracking work - 2014

Joint MDB Report on Climate Finance 2013:

<http://www.eib.org/projects/documents/joint-report-on-mdb-climate-finance-2013.htm>

