2017

JOINT REPORT
ON MULTILATERAL
DEVELOPMENT
BANKS'

CLIMATE FINANCE

AFRICAN DEVELOPMENT BANK GROUP
ADB
European Bank for Reconstruction and Development
European Investment Bank The EU bank
IDB Inter-American Development Bank
IDB Invest
IsDB Islamic Development Bank
WORLD BANK GROUP

2017

JOINT REPORT
ON MULTILATERAL
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CLIMATE FINANCE

JUNE 2018

This report was written by a group of multilateral development banks (MDBs), composed of the African Development Bank (AfDB), the Asian Development Bank (ADB), the European Bank for Reconstruction and Development (EBRD), the European Investment Bank (EIB), the Inter-American Development Bank Group (IDBG), the Islamic Development Bank (IsDB) and the World Bank Group (WBG). The findings, interpretations and conclusions expressed in this work do not necessarily reflect the official views of the MDBs' Boards of Executive Directors, or the governments they represent.

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ABBREVIATIONS AND ACRONYMS

ADB	Asian Development Bank
AfDB	African Development Bank
CCF	climate co-finance
CIF	Climate Investment Funds
CO_2	carbon dioxide
EBRD	European Bank for Reconstruction and Development
EIB	European Investment Bank
EU	European Union
€	euro
FY	fiscal year
GEF	Global Environment Facility
GHG	greenhouse gas
IDB	Inter-American Development Bank
IDBG	Inter-American Development Bank Group, composed of the IDB and IDB Invest
IsDB	Islamic Development Bank
IDFC	International Development Finance Club
IFC	International Finance Corporation
IDB Invest	private sector operational arm of the IDBG
MDBs	multilateral development banks
MIGA	Multilateral Investment Guarantee Agency
NAMAs	Nationally Appropriate Mitigation Actions
NDCs	Nationally Determined Contributions
UNFCCC	United Nations Framework Convention on Climate Change
US$	United States dollar
WB	World Bank, composed of the International Bank for Reconstruction and Development, and the International Development Association
WBG	World Bank Group, composed of the WB, IFC and MIGA

PREFACE

The *Joint Report on Multilateral Development Banks' Climate Finance* is an annual collaborative effort to make public MDB climate finance figures for developing and emerging economies, together with a clear explanation of the methodologies for tracking this finance.

This 2017 edition was prepared by the European Bank for Reconstruction and Development, together with partners the African Development Bank, the Asian Development Bank, the European Investment Bank, the Inter-American Development Bank Group, the Islamic Development Bank and the World Bank Group. The Islamic Development Bank joined the MDBs' climate finance tracking groups in October 2017.

Since the first Joint Report, which covered 2011, figures reported for climate finance have been based on a jointly developed MDB tracking methodology, which has been gradually updated and detailed. From the 2014 report onwards, the methodology has included reporting on climate co-finance alongside MDB climate finance.

In 2015, the MDBs and the International Development Finance Club (IDFC) agreed on a set of Common Principles for finance to mitigate climate change and an initial set of Common Principles for finance to support adaptation to climate change. Their intention was to take a common approach to tracking and, in future, to reporting climate finance. These institutions are expected to promote the Common Principles as their starting point and to discuss all differences transparently. The Paris Agreement's vision of making financial flows consistent with low greenhouse gas emissions and climate-resilient development – Article 2.1(c) of the Agreement – will be important in this ongoing work to improve tracking and reporting.

In order to address challenges and to further enhance their tracking methodologies, the joint MDB climate finance tracking group has formalised the coordination of two existing work streams. The first stream covers climate change mitigation and is coordinated by the European Investment Bank, while the second addresses climate change adaptation and is coordinated by the Inter-American Development Bank. The methodologies presented in Annexes B and C of this Report contain a number of incremental improvements and clarifications compared with the 2016 edition.

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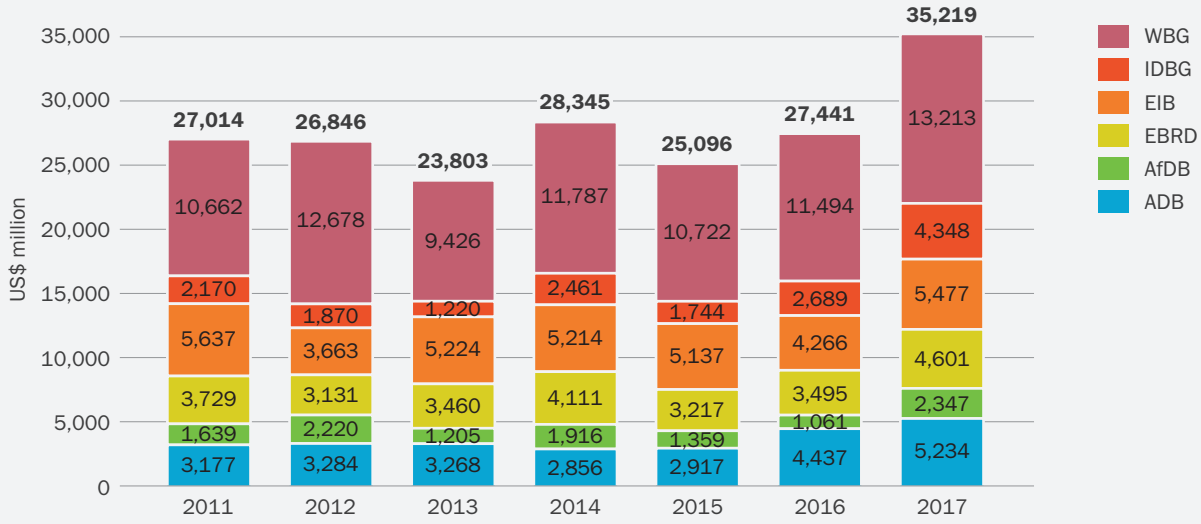
EXECUTIVE SUMMARY

This seventh edition of the *Joint Report on Multilateral Development Banks' Climate Finance* is an overview of financing committed by the African Development Bank (AfDB), the Asian Development Bank (ADB), the European Bank for Reconstruction and Development (EBRD), the European Investment Bank (EIB), the Inter-American Development Bank Group (IDBG) and the World Bank Group (WBG), to projects and activities in 2017 that mitigate climate change and support adaptation to climate change. In addition, this year's report summarises information on climate finance tracking from the Islamic Development Bank (IsDB).[1]

The AfDB, ADB, EBRD, EIB, IDBG and WBG have reported jointly on climate finance since the first edition, published in 2012, which reported figures for 2011. Collectively, they have committed almost US$ 194 billion in climate finance during the past seven years in developing and emerging economies. Figure 1 shows the reported commitments to climate finance from 2011 to 2017.

Figure 1. Total reported MDB climate finance commitments, 2011-17 (in US$ million)



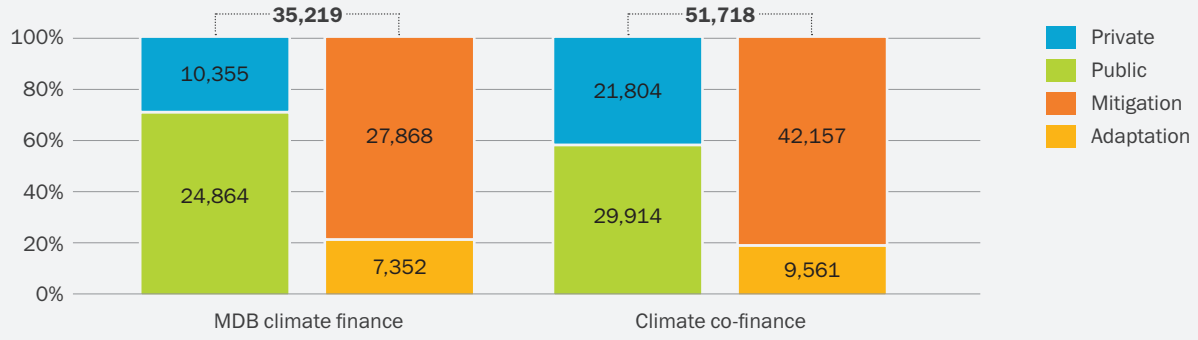
Notes:
1. In the years 2011-14 the numbers for WBG included only IFC and WB, and IFC included short-term finance (such as trade finance). Since 2015 IFC has not included short-term finance when reporting its climate finance figures. MIGA finance has been included since 2015.
2. EIB climate finance figures (in this and in all previous editions of the *Joint Report on MDBs' Climate Finance*) are restricted to developing and emerging economies in transition, and do not include other economies where the EIB actively supports climate action. The 2017 data include the "EU-12" (see Annex G), thereby excluding a number of EU Member States (including the Czech Republic and Malta), where the EIB is also active.
3. IDBG numbers in the joint MDB reports include activities with public and private sector clients in all 26 borrowing member countries, based on the year of approval of sovereign- and non-sovereign-guaranteed operations by the corresponding Board of Executive Directors. Activities of the Inter-American Investment Corporation (IIC) prior to 2015 are not reported.
4. EBRD and EIB climate finance figures in this chart are based on the annual average European Central Bank rate. For 2017 the exchange rate used is €1 = US$ 1.1297.
5. Numbers in the tables and figures in this report may not add up to the totals shown, due to rounding.

[1] IsDB climate finance commitments are not included in the total reported MDB climate finance for 2017. IsDB climate finance commitments for 2017 are summarised on page 6.

The data and statistics presented in this year's report result from uniform application of the methodologies developed jointly by the MDBs for their portfolios. In this report, the term "MDB climate finance" refers to the financial resources (own-account and MDB-managed external resources) committed by MDBs to development operations and components thereof which enable activities that mitigate climate change and adaptation to climate change in developing and emerging economies. See Annex G for further details of the report's geographic coverage.

Collectively, the MDBs committed US$ 35,219 million in climate finance in developing and emerging economies in 2017 – US$ 27,868 million or 79 per cent of this total for climate change mitigation finance and US$ 7,352 million or 21 per cent of this total for climate change adaptation finance. The net total climate co-finance committed during 2017 alongside MDB resources was US$ 51,718 million. When combined with the MDB climate finance, it brings the year's total climate finance to US$ 86,937 million. This is the third edition of the *Joint Report on MDBs' Climate Finance* to include climate co-finance.

Figure 2. Total MDB climate finance and net climate co-finance, 2017 (in US$ million)



Note: See Annex A for definition of private and public.

MDBs apply two distinct methodologies – with fundamentally different approaches – to tracking climate change adaptation finance (or "adaptation finance") and to tracking climate change mitigation finance (or "mitigation finance"). Both methodologies, however, track and report climate finance in a granular manner. In other words, the climate finance reported covers only those components and/or subcomponents or elements or proportions of projects that directly contribute to or promote adaptation and/or mitigation.

The MDBs estimate adaptation finance using the joint MDB methodology for tracking climate change adaptation finance. This methodology is based on a context- and location-specific approach and captures the amounts associated with activities directly linked to vulnerability to climate change. MDBs make the best possible efforts to differentiate between their usual development finance and finance provided with an explicit intent to reduce vulnerability to climate change. Thus, the methodology for tracking adaptation finance attempts to capture the *incremental cost* of adaptation activities. In contrast, mitigation finance is estimated in accordance with the joint MDB methodology for tracking climate mitigation finance, which is based on a list of activities in sectors and sub-sectors – according to each MDB's operational practice – that reduce greenhouse gas emissions and are compatible with low-emission development. These fundamental differences between the two methodologies result in figures for mitigation finance and adaptation finance that are not directly comparable.

The MDBs' methodologies for tracking climate finance align with the Common Principles for Climate Change Mitigation Finance Tracking[2] that have been jointly agreed by the MDBs and by the IDFC and were first published in March 2015. In July 2015 the MDBs and the IDFC agreed an initial set of the Common Principles for Climate Adaptation Finance Tracking.[3] The organisations continue to harmonise their approaches to tracking adaptation finance.

The IsDB started applying the MDB methodologies for tracking climate finance (mitigation and adaptation) to its 2017 projects in key sectors (energy, transport, agriculture, and water and sanitation). In the years ahead, the IsDB will start to apply the Common Principles in all of its projects as well as the operations of IsDB Group members the Islamic Corporation for the Development of the Private Sector (ICD), the International Islamic Trade Finance Corporation (ITFC) and the Islamic Corporation for Insurance of Investment and Export Credit (ICIEC). In 2017, IsDB climate finance was estimated to be US$ 644 million (approximately 22 per cent of approvals in the reported sectors), of which US$ 339 million (53 per cent) was for climate mitigation and US$ 305 million (47 per cent) was dedicated to climate adaptation. The IsDB group will report fully on the details of its climate financing (modes, regions, sectors, and so on) in future reports as it starts to apply the joint MDB methodology consistently in all departments and entities.

[2] The Common Principles for Climate Mitigation Finance Tracking are set out in Annex C : http://www.eib.org/attachments/documents/mdb_idfc_mitigation_common_principles_en.pdf

[3] The Common Principles for Climate Change Adaptation Finance Tracking are set out in Annex B: https://www.afdb.org/fileadmin/uploads/afdb/Documents/Generic-Documents/Common_Principles_for_Climate_Change_Adaptation_Finance_Tracking_-_Version_1__02_July__2015.pdf

1

OVERVIEW OF MDB METHODOLOGIES FOR TRACKING CLIMATE FINANCE

The tracking of MDB climate finance is based on the harmonised principles and jointly agreed methodologies detailed in Annexes B and C of this report. In this publication, the term "MDB climate finance" refers to the amounts committed by MDBs to finance climate change mitigation and adaptation activities in the development projects they undertake in developing economies and emerging economies in transition. See Annex G for details of the report's geographic coverage.

MDB climate finance includes commitments from the MDBs' own accounts, and from external resources channelled through and managed by the banks. Climate co-finance includes the amount of financial resources contributed by external resources alongside MDB climate finance. These may include entities from both the private (commercial) and public (non-commercial) sectors.

1.1. FINANCE FOR ADAPTATION TO CLIMATE CHANGE

Climate change adaptation aims to reduce the risks or vulnerabilities posed by climate change and to increase resilience. Identification of climate change adaptation finance is a result of a three-step process and thus, for a project to be counted either fully or partially towards MDB adaptation finance, it must:

a. set out the project's context of vulnerability to climate change

b. make an explicit statement of intent to address this vulnerability as part of the project, and

c. articulate a clear and direct link between the vulnerability and the specific project activities.

The MDB methodology for tracking climate change adaptation finance follows a context- and location-specific, conservative and granular approach. It tracks MDB financing only for those components (and/or subcomponents) or elements or proportions of projects that directly contribute to or promote adaptation. It is important to note the following:

a. The adaptation finance reported might not capture certain activities that might contribute significantly to resilience, but cannot always be tracked in quantitative terms (for example, operational procedures that support adaptation to climate change) or might not be associated with costs (such as siting assets outside flood-prone areas).

b. Climate adaptation finance, as defined by the methodology, is not intended to capture the value of an entire project or investment that may increase resilience as a result of specific adaptation activities taking place as part of the project.

1.2. FINANCE FOR THE MITIGATION OF CLIMATE CHANGE

Climate change mitigation reduces, limits, or sequesters greenhouse gas (GHG) emissions to mitigate climate change. However, not all activities that reduce GHGs are eligible to be counted towards MDB mitigation finance, which is based on a list of activities that are compatible with low-emission pathways.

The joint methodology for tracking climate change mitigation finance recognises the importance of long-term structural changes, such as the shift in energy production to renewable energy technologies, and the modal shift to low-carbon modes of transport. Consequently, the methodology includes both greenfield and brownfield renewable energy projects as well as modal-shift projects in transport. For energy efficiency projects the methodology acknowledges that drawing a boundary between increasing production and reducing emissions per unit of output is difficult. Consequently, greenfield energy efficiency investments are included only in a few cases where they help to prevent a long-term lock-in to high-carbon infrastructure. When considering brownfield energy efficiency investments as climate finance, old technologies must be replaced well before the end of their lifetimes with new technologies that are substantially more efficient. Alternatively, new technologies or processes are required to be substantially more efficient than those normally used in greenfield projects.

The methodology has some explicit exclusions in certain sectors. Examples include hydropower plants with high methane emissions from reservoirs that exceed GHG reductions associated with the plant's use of renewable energy; geothermal power plants with high carbon dioxide (CO_2) content in the geothermal fluid that cannot be reinjected; and biofuel projects that deplete carbon pools more than they reduce GHG emissions, due to high emissions during production, processing and transportation.

The joint methodology for tracking climate mitigation finance is contained in Annex C of this report.

There are fundamental differences between the tracking methodologies for climate change adaptation activities and those for mitigation activities. For mitigation activities, a one-tonne reduction of CO_2 emissions has the same impact regardless of where the activities are located. It is therefore possible to define lists of typical activities that are deemed to support the path to low-carbon development. However, adaptation activities are project- and location-specific, and they respond to specific climate vulnerabilities. Unlike mitigation activities, it is therefore not possible to produce a standalone "list of adaptation activities" that can be used under all circumstances.

When comparing climate finance data, it is important to understand the differences and similarities. Table 1 summarises the key points in this regard.

Table 1. Comparison of methodologies for tracking adaptation and mitigation finance

	Climate change activity	
Item	**Adaptation**	**Mitigation**
General scope of qualifying activity	The activity is typically a component or element of a project, and in certain circumstances an entire project, contributing to resilience (including socio-economic resilience) or adaptation to climate change.	This is typically a project (or component thereof) that avoids, reduces or sequesters GHG emissions, or promotes efforts to achieve these goals.
Basis for tracking	The basis for tracking is incremental or component based; it only takes into account those activities that specifically address vulnerability to climate change. Eligible components are usually parts of a larger project, for example, water-saving equipment that is part of a larger capital expenditure (CAPEX) investment in an area vulnerable to increased risk of drought.	The basis for tracking is project- or component-based. *Project-based:* The whole project is considered to be a mitigation activity, for example, a typical renewable energy project or a project dedicated to improving the energy efficiency of an existing facility. *Component-based:* Mitigation activity in a project, such as energy efficiency equipment that is part of a larger CAPEX investment.
Granular approach to finance tracking	The adaptation finance methodology is intended to capture only the value of those activities within the project that are aimed at addressing specific climate vulnerabilities. It is not intended to capture the value of the entire project that is made more climate resilient as a consequence of specific adaptation activities within the project.	A granular approach is used. Climate finance is intended to capture only the value of the project or its components that avoid, reduce, limit, sequester or promote the avoidance, reduction, limitation or sequestration of GHG emissions.
Scale of impact	Project or climate risk specific to local, regional, national or global levels	Global
Single indicator to quantify and compare the physical outcomes of projects	Single indicators are not used for tracking adaptation finance. Different indicators are needed; the intended physical outcomes depend on the nature of the project.	Single indicators are used for tracking mitigation finance. Ultimately, all mitigation projects can be compared on the basis of their GHG impact, either direct or indirect (for example, systems for monitoring GHG that lead to better usage of energy systems).
Qualification for climate finance	Qualification is based on a three-step assessment process, taking into account the climate change vulnerability context and the specific project intent to reduce climate vulnerabilities.	Based on a "positive list" of activities that qualify for mitigation finance and a set of specific qualification and exclusion criteria.
Climate finance tracking	Following the three-step assessment process, finance for those project components that are clearly linked to the climate vulnerability context and contribute to climate change resilience.	Following the positive-list approach, finance for qualifying projects or project components is tracked.

See Annexes B and C for a full description of the methodologies and examples of their application to MDB projects in an array of sectors.

2

MDB CLIMATE FINANCE, 2017

2.1. TOTAL MDB CLIMATE FINANCE

In 2017, MDBs committed a total of US$ 35,219 million from their own account and funding from external resources that was channelled through the MDBs to climate finance in developing and emerging economies.

Mitigation finance totalled US$ 27,868 million, or 79 per cent, of the total commitments, while adaptation finance represented 21 per cent of total commitments, or US$ 7,352 million. Table 2 shows the adaptation and mitigation finance commitments of each MDB in the economies listed in Annex G.

Table 2. Total MDB climate finance, 2017 (in US$ million)

MDB	Adaptation finance	Mitigation finance	MDB climate finance
ADB	998	4,236	5,234
AfDB	783	1,564	2,347
EBRD	497	4,105	4,601
EIB	150	5,327	5,477
IDBG	840	3,508	4,348
WBG	4,084	9,129	13,213
Total	**7,352**	**27,868**	**35,219**

Note: In certain cases, MDBs finance activities with simultaneous benefits for mitigation and adaptation. The 2017 figure of US$ 231 million of climate finance with dual benefits is best presented under the subheading of mitigation or adaptation finance (based on the most relevant elements of the project) to simplify reporting. See Annex D for more details on dual-benefit finance by MDBs.

Table 3. Total MDB climate finance, climate co-finance and MDB finance, 2017

	ADB	AfDB	EBRD	EIB	IDBG	WBG	Total
Climate change finance commitment (US$ million)							
Own account	4,538	1,943	4,338	5,332	4,070	12,773	32,994
MDB-managed external resources	695	404	263	145	278	440	2,225
MDB climate finance	**5,234**	**2,347**	**4,601**	**5,477**	**4,348**	**13,213**	**35,219**
Climate co-finance	7,159	7,976	8,325	14,680	871	16,225	55,236
Correction for multiple-MDB financing	(227)	(1,514)	(543)	(653)	–	(581)	(3,518)
Total MDB climate activity finance	**12,166**	**8,809**	**12,383**	**19,504**	**5,219**	**28,857**	**86,937**
MDB finance (US$ million)							
MDB operations from MDB own account	19,295	7,423	10,924	19,276	14,616	58,820	130,354
Total MDB operations	22,710	8,404	12,115	20,164	15,254	61,783	140,430
Climate finance ratios							
Climate finance from MDB own account, as a percentage of MDB operations from MDB own account	24%	26%	40%	28%	28%	22%	25%
MDB climate finance as a percentage of total MDB operations	23%	28%	38%	27%	29%	21%	25%

Notes:
1. MDB climate finance refers to the sum of the climate finance from the MDBs' own accounts and the MDB-managed external resources.
2. Total MDB operations refer to the sum of the MDBs' own accounts and MDB-managed external resources.
3. IFC numbers capture long-term finance own-account commitments only. Total own-account long-term finance commitments in the financial year 2017 (FY17) were US$ 11,854 million. As such, in FY17, IFC reached a 25 per cent commitment level on long-term finance.
4. The World Bank uses the term "climate co-benefits" for development finance that promotes climate mitigation and/or adaptation according to the MDB climate finance methodology.
5. WBG climate finance resources (including own-account and managed external resources) for IFC, MIGA and the World Bank were US$ 3,072 million, US$ 622 million, and US$ 9,519 million, respectively.
6. EIB figures cover developing economies and economies in transition, including the EU-12 (see Annex G), and do not include other EU countries where the EIB actively supports climate action. In 2017, EIB global climate-action own-resource financing was US$ 22 billion, representing 28 per cent of total EIB own-resource lending.
7. IDBG climate finance (including own-account and managed external resources) for IDB, IDB Invest and the Multilateral Investment Fund (MIF) were US$ 3,050 million, US$ 1,260 million and US$ 38 million, respectively.

Sources of MDB climate finance are split between the MDBs' own accounts and external resources channelled through and managed by the MDBs. External resources include trust-funded operations, such as those funded by bilateral agencies and dedicated climate finance funds such as the Climate Investment Funds (CIF), and climate-related funds under the Global Environment Facility (GEF), EU blending facilities and others. As some external resources may already be covered in bilateral reporting, external resources managed by the MDBs are presented separately from the MDBs' own accounts.

Total 2017 MDB climate finance from MDBs' own accounts was US$ 32,994 million and US$ 2,225 million from external resources channelled through the MDBs.

2.2. MDB CLIMATE FINANCE BY TYPE OF RECIPIENT OR BORROWER

MDBs report on the nature of first recipients or borrowers[4] of MDB climate finance (those to whom finance will flow directly from the MDBs), differentiating between public and private recipients or borrowers. Total commitment varies significantly between MDBs' own accounts and MDB-managed external resources, as illustrated in Table 4. Table 5 shows the split by type of recipient or borrower for the MDBs' own accounts and for MDB-managed external resources.

Table 4. MDB climate finance by source of funds and by type of recipient or borrower, 2017 (in US$ million)

	Mitigation finance			Adaptation finance		
Type of recipient or borrower	MDB own account	MDB-managed external resources	Subtotal	MDB own account	MDB-managed external resources	Subtotal
Public recipient or borrower	16,906	851	17,757	6,618	490	7,107
Private recipient or borrower	9,242	868	10,111	228	16	245
Total	**26,148**	**1,720**	**27,868**	**6,846**	**506**	**7,352**

Table 5. MDB climate finance from MDB own account and MDB-managed external resources, split by type of recipient or borrower, 2017 (in US$ million)

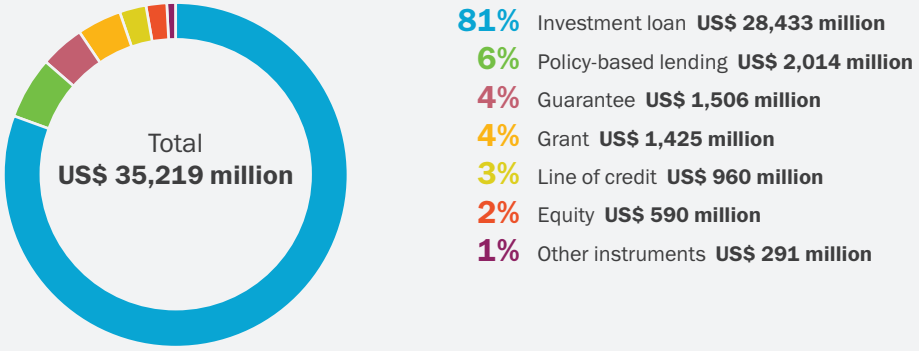
	Private		Public	
MDB	MDB own account	MDB-managed external resources	MDB own account	MDB-managed external resources
ADB	1,140	370	3,398	325
AfDB	668	57	1,274	347
EBRD	2,312	170	2,026	94
EIB	624	77	4,707	68
IDBG	1,102	196	2,967	83
WBG	3,623	15	9,150	424
Total	**9,471**	**885**	**23,524**	**1,340**

[4] See Annex A for the definitions of public and private recipients or borrowers.

2.3. MDB CLIMATE FINANCE BY TYPE OF INSTRUMENT

For the fourth consecutive year, MDBs reported climate finance by the type of financial instrument, including equity, grants, loans, guarantees and other instruments such as purchase agreements for carbon finance projects. MDBs reported that 81 per cent of total climate finance was committed through investment loans. Figure 3 shows the breakdown of total MDB climate finance by instrument type.

Figure 3. Total MDB climate finance split by type of instrument, 2017 (in US$ million)



Notes:
1. Investment loans: loans are transfers for which repayment with interest is required. Investment loans can be used for any development activity that has the overall objective of promoting sustainable social and/or economic development, in line with the MDBs' mandates.
2. Policy-based lending (PBL) provides rapidly disbursing financing to help a borrower address actual or anticipated requirements for development financing of domestic or external origins. This financing supports a programme of policy and institutional actions for a particular theme or sector of national policy, such as actions to improve the investment climate for renewable energy. While there is no direct link between lending resources and the cost of policy actions undertaken, disbursements of PBL are conditional on the borrower´s fulfilment of its policy commitments in the lending agreement.
3. Grants: transfers made in cash, goods or services for which no repayment is required. Grants are provided for investment support and/or policy-based support.
4. Guarantees: finance provided by an MDB to cover commercial and non-commercial risk.
5. Equity: ownership interest in an enterprise that represents a claim on the assets of the entity in proportion to the number and class of shares owned.
6. Lines of credit: lines of credit provide a guarantee that funds will be made available but no financial asset exists until funds have been advanced.
7. Other instruments: other, unspecified types of financial instrument including MDB advisory services that are not covered by one of the other categories, for example if these are not part of an investment loan or financed by external resources.

2.4. MDB CLIMATE FINANCE BY REGION

This report covers climate finance committed by the MDBs in developing and emerging economies only.[5] In addition to the geographical distribution of climate commitments by region as shown in Figure 4, distribution to small island states and to the least-developed economies is presented in Table 6. Table 7 shows the distribution of climate commitments by income classification, in line with the World Bank definition dated June 2017.

Figure 4. MDB climate finance by region, 2017 (in US$ million)

20% Latin America and the Caribbean **US$ 7,174 million**
16% Sub-Saharan Africa **US$ 5,712 million**
14% East Asia and the Pacific **US$ 5,101 million**
14% South Asia **US$ 4,848 million**
13% Non-EU Europe and Central Asia **US$ 4,748 million**
10% EU-12 **US$ 3,615 million**
10% Middle East and North Africa **US$ 3,521 million**
1.4% Multi-regional **US$ 500 million**

Note: EIB climate finance figures (in this and in all previous editions of the *Joint Report on MDBs' Climate Finance*) are restricted to developing economies and emerging economies in transition, including the EU-12 (EU-13 excluding the Czech Republic and Malta, and including Greece), and hence exclude a number of EU Member States where the EIB is also active.

Table 6. MDB climate finance to least-developed economies and small island states, 2017 (in US$ million)

	Mitigation finance	Adaptation finance	Total
Least-developed economies	1,855	1,239	3,094
Small island states	156	217	374
Least-developed economy and small island state	85	139	224
Total	**2,096**	**1,595**	**3,691**

Table 7. MDB climate finance by income-classified economy groups, 2017 (in US$ million)

Total MDB climate finance	High income	Upper-middle income	Lower-middle income	Low income	Multi-regional or global	Total
Mitigation	2,889	10,809	10,585	2,246	1,339	27,868
Adaptation	76	2,275	3,612	1,099	290	7,352
Total climate finance	**2,965**	**13,083**	**14,197**	**3,346**	**1,629**	**35,219**

[5] For the purposes of this report, a complete list of economies, together with the income groupings, are defined in Annex G.

3

MDB ADAPTATION FINANCE, 2017

In 2017, MDBs reported a total of US$ 7,352 million in commitments for climate change adaptation finance. Table 8 presents the 2017 adaptation figures for each MDB. The data reported corresponds to the incremental costs of project components, subcomponents, or elements, or proportions of projects, which are considered to be input to an adaptation process and are intended to reduce vulnerability to climate change and build resilience to climate change.

Total 2017 MDB adaptation finance was US$ 7,352 million, with US$ 6,846 million coming from MDBs' own accounts and US$ 506 million from MDB-managed external resources.

Table 8 provides a breakdown of climate adaptation finance committed by the MDBs from their own accounts and from MDB-managed external resources.

Figure 5 shows a breakdown by type of recipient or borrower.

Figure 6 breaks down MDB adaptation finance by the type of instrument. MDBs reported that 82 per cent of total adaptation finance was committed through investment loans.

Figure 7 shows total adaptation finance by region, with the largest proportions of adaptation finance seen in the following regions: Sub-Saharan Africa, Latin America and the Caribbean, and East Asia and the Pacific.

Figure 8 reports MDB adaptation finance by sector grouping – that is, sector groups for which some adaptation finance has been reported.

The regional breakdowns of adaptation finance in various sectors are presented in Figure 9.

Table 8. MDB adaptation finance by MDB according to source of funds, 2017 (in US$ million)

	ADB	AfDB	EBRD	EIB	IDBG	WBG	Total
MDB own account	930	607	444	133	787	3,945	6,846
MDB-managed external resources	69	176	52	17	53	139	506
Total	**998**	**783**	**497**	**150**	**840**	**4,084**	**7,352**

Figure 5. MDB adaptation finance by type of recipient or borrower and by MDB, 2017 (in US$ million)

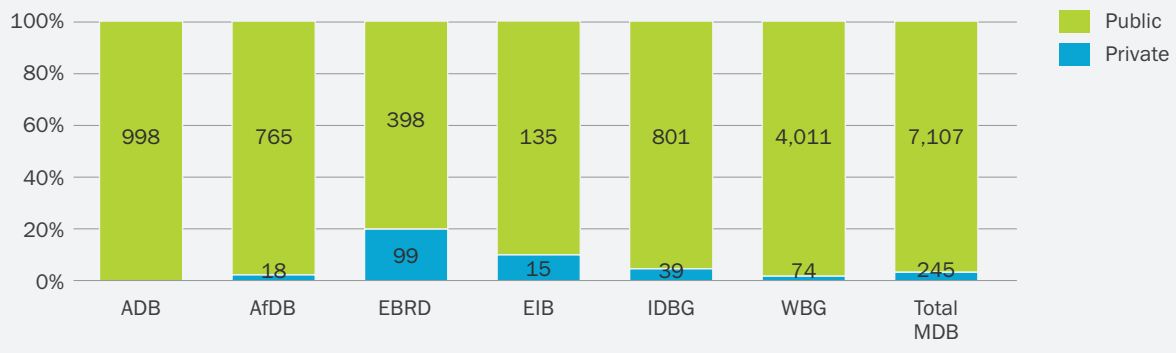
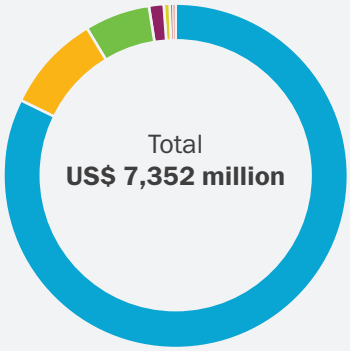
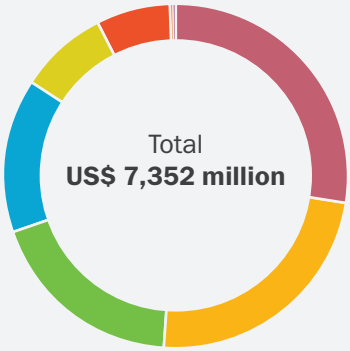


Figure 6. MDB adaptation finance by type of instrument, 2017 (in US$ million)



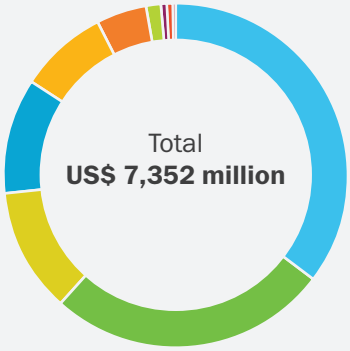
82% Investment loan **US$ 6,065 million**
9% Grant **US$ 674 million**
6% Policy-based lending **US$ 447 million**
1% Other instruments **US$ 93 million**
1% Line of credit **US$ 46 million**
0.2% Guarantee **US$ 16 million**
0.1% Equity **US$ 11 million**

Figure 7. MDB adaptation finance by region, 2017 (in US$ million)



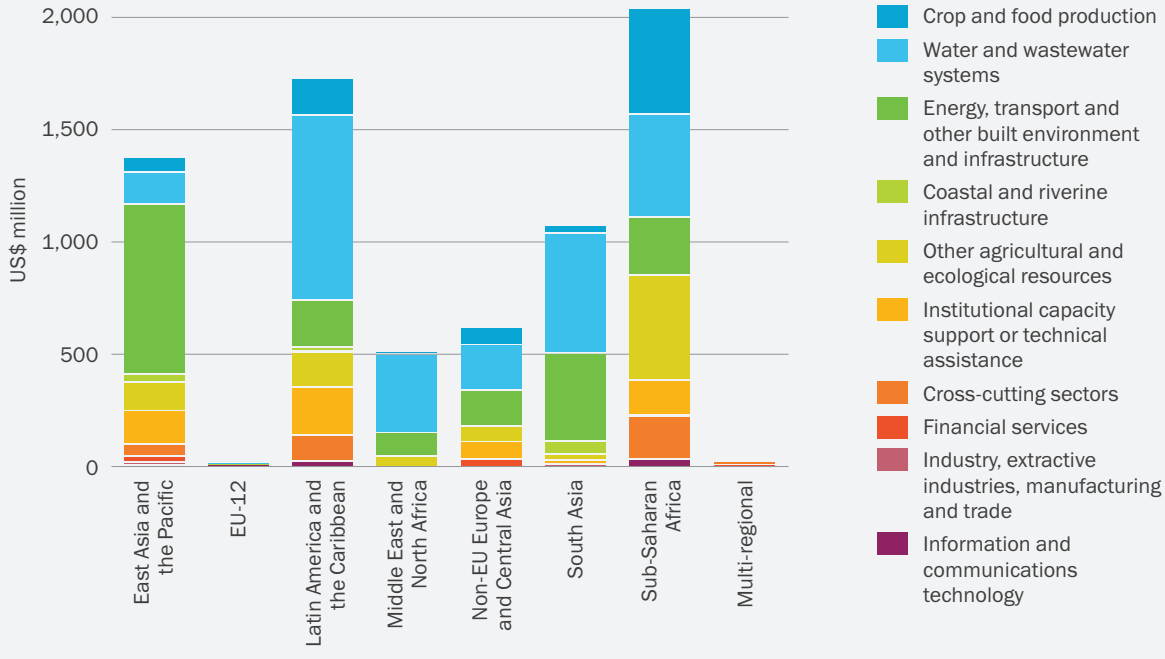
28% Sub-Saharan Africa **US$ 2,038 million**
23% Latin America and the Caribbean **US$ 1,724 million**
19% East Asia and the Pacific **US$ 1,370 million**
15% South Asia **US$ 1,070 million**
8% Non-EU Europe and Central Asia **US$ 616 million**
7% Middle East and North Africa **US$ 507 million**
0.2% EU-12 **US$ 15 million**
0.2% Multi-regional **US$ 11 million**

Figure 8. MDB adaptation finance by sector grouping, 2017 (in US$ million)



35% Water and wastewater systems **US$ 2,600 million**
26% Energy, transport and other built environment and infrastructure **US$ 1,938 million**
12% Other agricultural and ecological resources **US$ 871 million**
11% Crop and food production **US$ 798 million**
8% Institutional capacity support or technical assistance **US$ 598 million**
5% Cross-cutting sectors **US$ 357 million**
1% Coastal and riverine infrastructure **US$ 88 million**
1% Information and communications technology **US$ 53 million**
1% Financial services **US$ 43 million**
0.1% Industry, manufacturing and trade **US$ 6 million**

Figure 9. MDB adaptation finance by sector grouping and by region, 2017 (in US$ million)



4

MDB MITIGATION FINANCE, 2017

In 2017, MDBs reported a total of US$ 27,868 million in financial commitments to the mitigation of climate change mitigation. Data reported corresponds to the financing of mitigation projects or of those components, subcomponents, or elements, or proportions of projects that provide mitigation benefits (rather than reporting the entire project cost). Figure 10 shows a breakdown by type of recipient or borrower.

MDB mitigation finance was US$ 27,868 million in 2017, with US$ 26,148 million from the MDBs' own accounts and US$ 1,720 million from MDB-managed external resources. Table 9 provides a breakdown of climate mitigation finance committed by the MDBs during 2017 from own-account and from MDB-managed external resources.

MDBs reported that 80 per cent of total mitigation finance was committed through investment loans. Figure 11 breaks down MDB mitigation finance by type of instrument.

Figure 12 shows total mitigation finance by region. The largest proportions of mitigation finance were in the following regions: Latin America and the Caribbean, Non-EU Europe and Central Asia, and South Asia.

Figure 13 reports MDBs' mitigation finance by sector grouping, that is, sector groups for which some mitigation finance has been reported.

The regional breakdowns of mitigation finance in various sectors are presented in Figure 14.

Table 9. MDB mitigation finance by MDB according to source of funds, 2017 (in US$ million)

	ADB	AfDB	EBRD	EIB	IDBG	WBG	Total
MDB own account	3,609	1,336	3,894	5,199	3,283	8,828	26,148
MDB-managed external resources	627	228	211	128	225	300	1,720
Total	**4,236**	**1,564**	**4,105**	**5,327**	**3,508**	**9,129**	**27,868**

Figure 10. MDB mitigation finance by type of recipient or borrower and by MDB, 2017 (in US$ million)

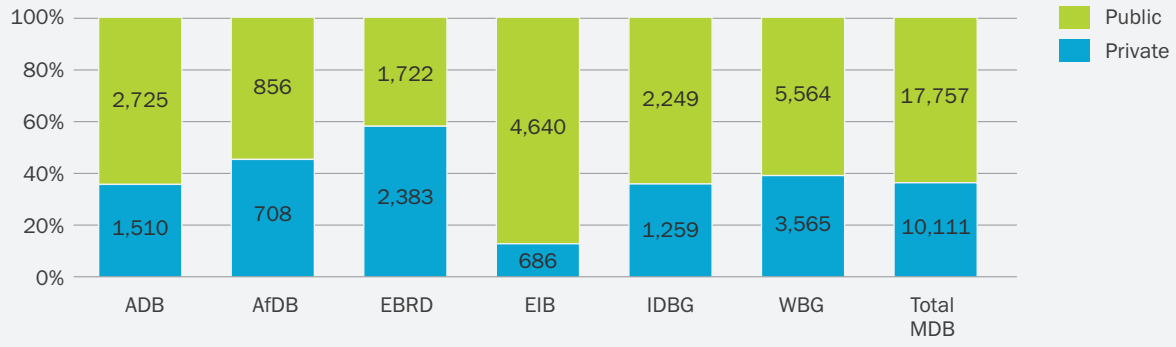
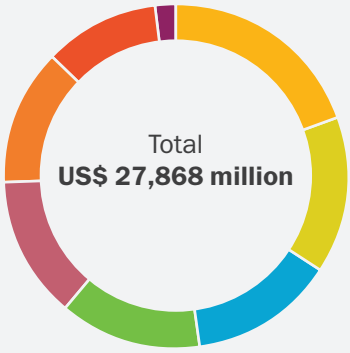


Figure 11. MDB mitigation finance by type of instrument, 2017 (in US$ million)

80% Investment loan **US$ 22,368 million**
6% Policy-based lending **US$ 1,568 million**
5% Guarantee **US$ 1,490 million**
3% Line of credit **US$ 914 million**
3% Grant **US$ 751 million**
2% Equity **US$ 578 million**
1% Other instruments **US$ 198 million**

Figure 12. MDB mitigation finance by region, 2017 (in US$ million)

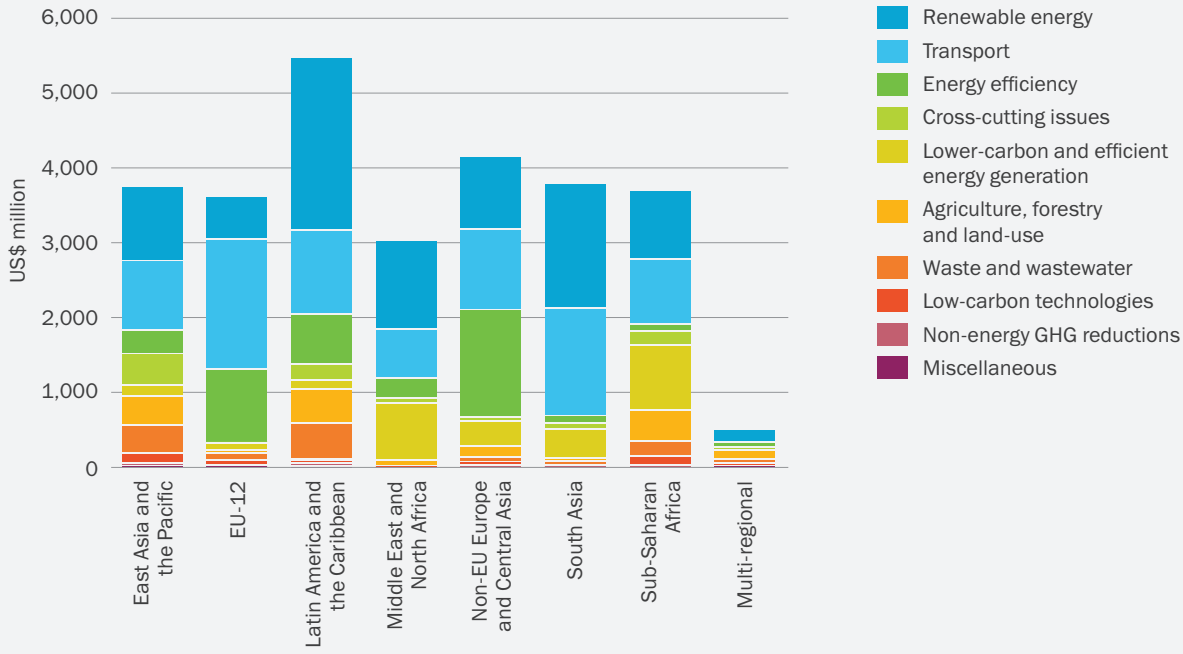


20% Latin America and the Caribbean **US$ 5,451 million**
15% Non-EU Europe and Central Asia **US$ 4,132 million**
14% South Asia **US$ 3,777 million**
13% East Asia and the Pacific **US$ 3,731 million**
13% Sub-Saharan Africa **US$ 3,674 million**
13% EU-12 **US$ 3,600 million**
11% Middle East and North Africa **US$ 3,014 million**
2% Multi-regional **US$ 489 million**

Figure 13. MDB mitigation finance by sector grouping, 2017 (in US$ million)

33% Renewable energy **US$ 9,213 million**
29% Transport **US$ 8,114 million**
14% Energy efficiency **US$ 3,943 million**
9% Lower-carbon and efficient energy generation **US$ 2,644 million**
6% Agriculture, forestry and land-use **US$ 1,557 million**
4% Waste and wastewater **US$ 1,189 million**
3% Cross-cutting issues **US$ 893 million**
1% Low-carbon technologies **US$ 288 million**
0.1% Non-energy GHG reductions **US$ 15 million**
0.04% Miscellaneous **US$ 12 million**

Figure 14. MDB mitigation finance by sector grouping and by region, 2017 (in US$ million)



5

CLIMATE CO-FINANCE, 2017

From 2015 the MDBs began reporting on climate co-financing (CCF) flows in line with the harmonised definitions and indicators that had been established to estimate CCF. Tracking of climate co-finance aims to estimate the volume of financial resources invested by public and private external parties alongside MDBs for climate mitigation and adaptation activities.

The approach categorises CCF sources of funds as: (i) other MDBs; (ii) IDFC member institutions, including bilateral and multilateral members; (iii) other international public entities such as donor governments; (iv) contributions from other domestic public entities such as recipient-country governments; and (v) all private entities (defined as those with at least 50 per cent of their shares held privately) split by private direct mobilisation and private indirect mobilisation. This level of granularity enables MDBs to present an increasingly nuanced picture of co-finance flows used for climate change interventions.

In April 2017, MDBs published a reference guide (*From Billions to Trillions: Transforming Development Finance*)[6] to explain how they calculate and jointly report private investment mobilisation beyond climate finance. The purpose of the methodology is to recognise and measure the private capital mobilised in MDB project activities. The guide outlines the MDBs' joint commitment to mobilising increased investment from the private sector and institutional investors. The *2017 Joint Report on MDBs' Climate Finance* follows the agreed terminology[7] and Table 10 includes "private direct mobilisation" and "private indirect mobilisation". Added together, these two forms of mobilisation represent the private share of climate co-finance.[8]

Table 10 shows 2017 CCF flows as reported by each institution, segmented by the source of co-financing. These CCF figures are the best estimate of resource flows based on information available at the time of board approval and/or commitment to each project. In some cases, two or more MDBs jointly finance a project, which results in some overlap between the gross co-finance figures reported by the different MDBs. Table 11 shows CCF flows by adaptation and mitigation. In order to avoid double-counting, the last column of Tables 10 and 11 nets out potentially double-counted co-financing by considering only the proportion of co-financing for every project that features co-financing from another MDB. Such CCF figures are also listed in Table 3, alongside each MDB's own climate finance flows.

In the reference guide, MDBs emphasise the differences in how various financial instruments, including guarantees, are tracked and reported. By mitigating the political and commercial risks of private and publicly owned investments, guarantees can facilitate access to capital for climate finance activities. This can enhance the mobilisation of resources for a specific project or in support of specific government policies.

For consistency with the agreed MDB methodology on tracking and reporting mobilised private capital, the tracking and reporting of guarantees as detailed in the *2017 Joint Report on MDBs' Climate Finance* assumes: (i) a distinction in tracking and reporting between "commercial guarantees" and "non-commercial guarantees";[9] and (ii) causality between the guarantee and the underlying investment covered (in other words, in the absence of the guarantee, the underlying investment would be unlikely to occur).

Table 10 reflects the 2017 CCF flows, including the direct and indirect mobilisation attributed to guarantees. The guarantee exposure of each MDB has been shown as "own account" in Table 3.

[6] http://documents.worldbank.org/curated/en/495061492543870701/pdf/114403-WP-PUBLIC-cedvp-14p-JointMDBReportingonPrivateInvestmentMobilizationMethodologyReferenceGuide.pdf

[7] See Annex A for definitions of "private direct mobilisation", "private indirect mobilisation" and "public direct mobilisation".

[8] See Annex F on additional information on co-finance.

[9] In the context of this report, non-commercial risk guarantees are defined as insurance or guarantee instruments covering investors against perceived political risks including, but not limited to, the risks of transfer restriction (including inconvertibility), expropriation, war and civil disturbance, breach of contract, and failure to honour financial obligations, and may provide credit enhancement and improve ratings for capital market transactions. Commercial or credit-risk guarantees refer to instruments covering all other risks not included above.

Table 10. Climate co-finance flows by MDB and by source, 2017 (in US$ million)

	ADB	AfDB	EBRD	EIB	IDBG	WBG	Total climate co-finance	Correction for multiple MDB financing
Public direct mobilisation	–	–	46	111	–	808	965	965
Public co-finance								
Other MDBs	875	2,371	1,279	1,102	139	1,182	6,948	6,948
IDFC members	301	1,262	109	678	166	697	3,214	2,086
Other international public	12	1,902	389	4,111	107	2,665	9,186	8,705
Other domestic public	2,313	1,680	472	5,215	25	2,226	11,931	11,210
Private mobilisation								
Private direct mobilisation	425	–	449	562	434	1,868	3,739	3,739
Private indirect mobilisation	3,232	762	5,580	2,902	–	6,779	19,254	18,066
Total	**7,159**	**7,976**	**8,325**	**14,680**	**871**	**16,225**	**55,236**	**51,718**

Note: Co-financing figures are current as of 1 April 2018. Fluctuations are expected due to changes in project financing between Board approvals, loan signatures and execution.

Table 11. Climate co-finance flows by MDB and by thematic focus, 2017 (in US$ million)

	ADB	AfDB	EBRD	EIB	IDBG	WBG	Total climate co-finance	Correction for multiple MDB financing
Adaptation finance	1,924	2,546	1,644	117	25	4,227	10,484	9,561
Mitigation finance	5,235	5,430	6,680	14,563	846	11,998	44,752	42,157
Total	**7,159**	**7,976**	**8,325**	**14,680**	**871**	**16,225**	**55,236**	**51,718**

A

ANNEX A: DEFINITIONS AND CLARIFICATIONS

Avoiding double-counting: Where the same project, sub-project or project element contributes to mitigation and adaptation, an MDB's individual processes will determine which proportion is counted as mitigation or as adaptation, so that the actual financing will not be recorded more than once. Some MDBs are reporting as a separate category any projects where the same components or elements contribute to mitigation and adaptation alike. The MDBs are working on the best method for reporting projects where the same components or elements contribute to both mitigation and adaptation.

Conservativeness: Where data is unavailable, any uncertainty must be overcome by taking a conservative approach, where under-reported rather than over-reported climate finance is preferable.

Financing instruments: This report accounts for climate finance through the largest and most relevant development-finance instruments of MDBs, including grants, loans, guarantees, equity, and performance-based instruments.

Granularity: MDBs report climate finance by taking only those components and/or subcomponents or elements or proportions of projects with activities that contribute directly to or promote climate change adaptation and/or mitigation.

Investments and technical assistance: Refers to vehicles that MDBs use to channel specific investments to finance capital and recurrent expenditures for goods and services, as well as to specialised advisory services and capacity-building initiatives.

MDB-managed external resources: Refers to the volume of operations supported by bilateral institutions through dedicated climate finance entities such as the GEF and CIF, or other donor funds such as EU blending facilities, which may also be reported to the Development Assistance Committee of the Organisation for Economic Co-operation and Development by contributor countries.

Point of reporting: Data reported in this publication reflects financial commitments at the time of Board approval or financial agreement signature and is therefore based on *ex-ante* estimations. All efforts have been made to prevent double-counting. No revisions will be issued in cases where a project's scope changes later to either increase or decrease climate financing.

Private direct mobilisation: Financing from a private entity on commercial terms due to the active and direct involvement of an MDB leading to commitment. Evidence of active and direct involvement includes mandate letters, fees linked to financial commitment or other valid or auditable evidence of an MDB's active and direct role leading to commitments by private financiers. Private direct mobilisation does not include sponsor financing.

Private indirect mobilisation: Financing from private entities supplied in connection with a specific activity for which an MDB is providing financing, where no MDB is playing an active or direct role that leads to the commitment of the private entity's finance. Private indirect mobilisation includes sponsor financing, if the sponsor qualifies as a private entity.

Public and private sector operations: This determination is based on the status of the first recipient or borrower of MDB finance. The first recipient or borrower is considered to be public when at least 50 per cent of the stakes or shares of the recipient or borrower are publicly owned.

Public direct mobilisation: Financing from a public entity due to the active and direct involvement of an MDB leading to commitment. Evidence of active and direct involvement includes mandate letters or other valid or auditable evidence of an MDB's active and direct role. The main difference between an external resource under MDB management (ERUM) and a public direct mobilisation is the disbursement which under public direct mobilisation goes directly from a public entity to the beneficiary.

Recipient/borrower: Refers to the first borrower or beneficiary to whom finance will flow directly. The MDBs acknowledge that this classification is neither simple nor straightforward and that the characteristics of the first recipient or borrower may not be the same as those of the final beneficiary or borrower. An example would be a loan to a national development bank (the first recipient) for energy efficiency in small and medium-sized enterprises (the final beneficiaries). Operations through public-private partnerships (PPPs) add another layer of complexity to this classification.

Reporting period: This report's data covers the fiscal year 2017. Even though MDBs do not follow the same reporting cycle, data remains comparable across MDBs as all reporting cycles correspond to a 12-month period.

Resources covered: MDBs' own accounts as well as a range of external resources managed by the MDBs and various sources of co-financing.

Values of zero and "—": Reporting is complete for all fields and tables. A value of 0 in a table means the value is below US$ 0.5 million while a "—" means no amount was reported. As all financial figures are rounded to the nearest US$ million, calculations contained in a table may vary slightly and may not always add up to 100 per cent or to the total shown.

B

ANNEX B: JOINT METHODOLOGY FOR TRACKING CLIMATE CHANGE ADAPTATION FINANCE

BACKGROUND AND GUIDING PRINCIPLES

Climate resilience and adaptation are intrinsically linked to development. This makes it challenging to identify clearly the adaptation finance elements in development operations. In response to this challenge, the joint MDB Working Group on Climate Finance Tracking applies a common methodology for tracking adaptation finance, identifying those specific adaptation activities within the development operations of MDBs that are carried out in response to perceived or expected impacts of climate change. The methodology uses a context-specific, location-specific and granular approach. Estimations are conservative, in order to reduce the scope for over-reporting adaptation finance.

The MDB adaptation finance tracking methodology considers the sub-project level or project-element level to be appropriate. It also seeks to identify the links between adaptation activities and a project's explicit intent to reduce vulnerability to climate change. Thus, the volume of MDB-reported adaptation finance is an estimation of total project finance for specific project activities which contribute to overall project outcomes in the process of adaptation to climate change.

It is important to note that the MDB's estimated climate finance may not express the full value of project finance that contributes to climate resilience. For instance, the granular approach would capture financing for improved drainage of a newly constructed road to withstand heavy rainfall or storm surges that in turn contributes to the overall resilience of the road and the investment. The granular approach does not capture the value of the entire project or investment that may increase resilience due to specific adaptation activities within the project. Other activities may not always be tracked in quantitative terms as they may not have associated incremental costs, such as operational procedures to ensure business continuity or the practice of siting assets outside the range of a storm surge.

MDB METHODOLOGY AND MDB-IDFC COMMON PRINCIPLES

MDBs and the International Development Finance Club are fully committed to promoting and supporting climate-resilient development as an essential part of the sustainability of their investments. With this shared commitment, they work together to improve definitions and understanding of the various approaches to and principles for tracking climate change adaptation finance.

As a result, in July 2015 these institutions agreed on a set of initial Common Principles for Climate Change Adaptation Finance Tracking and the next steps for their work. These Common Principles define the content of adaptation finance. They also lay the basis for further joint work that will include increasing the robustness and comparability of reported figures on climate change adaptation finance and of key concepts used in reporting guidelines and processes.

APPLICATION OF THE MDB METHODOLOGY FOR TRACKING ADAPTATION FINANCE

The MDB methodology for tracking adaptation finance consists of the following key steps:

- setting out the climate-change vulnerability context of the project
- making an explicit statement of a project's intent to reduce climate vulnerability
- articulating a clear and direct link between specific project activities and the project's objective of reducing vulnerability to climate change.

The identification and estimation of adaptation finance is limited solely to those project activities (that is, projects, project components, or elements or proportions of projects) that are clearly linked to the context of climate vulnerability.

Step 1. Context of vulnerability to climate change

For a project to be seen as contributing to adaptation, MDBs must first set out clearly the context of climate vulnerability, using a robust base of evidence. Project documents may refer to existing analysis and reports or to original, bespoke assessments of climate vulnerability such as those carried out as part of project preparation.

Good practice in the use of existing analyses or reports includes citing authoritative, preferably peer-reviewed sources, such as academic journals, national communications to the UNFCCC, Nationally Determined Contributions (NDCs), reports of the Intergovernmental Panel on Climate Change, or strategic programmes for climate resilience.

Good practice in conducting original, bespoke analysis entails the use of records from trusted sources which document the vulnerability of communities, physical assets or ecosystems to climate change, as well as the use of recent climate trends including any departures from historic means.

These may be combined with climate change projections drawn from a range of climate change models, with high and low greenhouse gas emission scenarios, to explore the full array of projected outcomes and uncertainties. Climate projection uncertainties should be presented and interpreted in a transparent way. The timescale of the projected climate change impacts should match the intended lifespan of the assets, systems or institutions being financed through the project (for example, a time horizon of 2030, 2050, 2080, and so on).

Step 2. Statement of purpose or intent

Once the context of vulnerability to climate change has been established, the project should detail the explicit intention to address the context- and location-specific vulnerabilities to climate change identified by the project's climate vulnerability assessment. This is an important step in distinguishing between a development project that contributes to climate change adaptation and a standard development project.

The methodology is flexible about the location and form of this statement of intent in the project document, as long as the MDB is able to record and track the rationale for each adaptation element linked to the climate-vulnerability context described. MDB projects with adaptation finance usually state – in final technical documents, documents for Board approval, internal memos or other project documents – the intention to reduce vulnerability.

Step 3. Clear and direct link between climate vulnerability and project activities

In line with the principles of the overall MDB climate finance tracking methodology, adaptation finance estimations consider only the finance allocated to specific project activities that are clearly linked to the project's climate vulnerability context.

Where climate change adaptation activities are planned in projects that also have other objectives, adaptation finance tracking takes into account the estimated incremental cost or investment associated with any discrete components of the project – or elements of the project design – that address risk and vulnerabilities under current and future conditions of climate change.

When it is not possible to estimate incremental cost or investment directly from project budgets – for example, when using policy instruments or balance-sheet lending, equity investments or credit-line lending through financial intermediaries – a proportion of the project cost or investment corresponding to adaptation activities may be used to represent the incremental amount. While the Common Principles are applied by MDBs and IDFC institutions, MDBs further disaggregate in order to estimate the more granular *incremental* cost of an adaptation measure. IDFC institutions do not necessarily apply the incremental cost approach that the MDB group uses.

The *2016 Joint Report on Multilateral Development Bank's Climate Finance*[10] provides a list of examples illustrating sector- and subsector-specific adaptation activities in which MDB adaptation finance may be identified. The list is for illustrative purposes only; it is not exhaustive, nor is it intended for application as a "positive list" (see Annex Table 1 of the 2016 edition). Any adaptation finance identified must be substantiated by applying the three-step process described above. Table A.B.1 illustrates the application of the MDB adaptation finance tracking methodology to development operations by presenting cases of projects in the agriculture, road infrastructure, water, health, and disaster risk-management sectors.

ADAPTATION FINANCE TRACKING AMONG DEVELOPMENT FINANCE INSTITUTIONS

A growing number of institutions and initiatives work together on the methodologies for tracking climate adaptation finance and strive to harmonise these approaches. The MDB-IDFC Common Principles are the result of this work. These institutions continue their efforts for greater harmonisation, comparability and transparency of their reported climate finance. In addition, the OECD, which designed and applies the OECD-DAC Rio Markers, recommends the MDB methodology's three-step approach to climate adaptation finance tracking as a "best practice". In April 2016 the OECD's efforts yielded improved guidance for tracking bilateral official development assistance that targets climate change adaptation.

[10] The *2017 Joint Report on Multilateral Development Banks' Climate Finance* does not list these illustrative examples of adaptation activities, but you can find them at: www.ebrd.com/2016-joint-report-on-mdbs-climate-finance.pdf

Table A.B.1. Case studies in tracking adaptation finance

Sector	Agricultural and ecological resources	Energy, transport and other built environment and infrastructure
Brief description of project	The project seeks to improve rural farmland infrastructure and demonstrate sustainable farming practices. It aims to reduce degradation of land and the environment and to address serious current and projected impacts from climate change. The project has three goals: (1) the establishment of productive farmland, including around 4,200 hectares of rehabilitated valley-floor cropland and more than 13,000 hectares of sloping land; (2) the adoption of sustainable farming technology and practices, including support for farmers and cooperatives to improve access to resources and technology through cooperation with state-owned enterprises and private enterprises, and to demonstrate improved and climate-resilient cropping practices; and (3) the strengthening of institutional, technical and management capacity, including training for farmers, farmers' cooperatives and project implementation units, and the establishment and capacity-development of associations for the management and maintenance of farmland infrastructure. The project plans to demonstrate sustainable farming systems and practices that could be replicated throughout the country to combat land and soil degradation. Climate-resilient agriculture is one of the four sustainable features that the project aims to demonstrate. Specifically, the project supports: (1) water-management practices that capture and store water for irrigation, offer potential for savings in energy, water and money, and boost crop yields by reducing drought impacts, maintaining soil health, and reducing runoff in order to minimise soil erosion and the transfer of pollutants; (2) the selection of crops and varieties that are well adapted to a changing climate, high-yielding and resistant to biotic and abiotic stresses; and (3) the provision of good-quality seeds and seedlings to ensure the availability of high-quality varieties.	The project aims to rehabilitate three main sections of the national road network that span a total distance of approximately 52 km, in order to improve climate resilience. The operation is part of an overall investment programme to rehabilitate and upgrade approximately 216 km of the country's main road network. The operation will also support ongoing reforms aimed at helping the road sector to improve service quality and cost recovery.
Climate vulnerability context	Climate risk and vulnerability assessments conducted for the project highlighted that climate change is a significant threat to the project viability. Irrigated crops, which are the main focus of the project, were found to be the component that is most vulnerable to higher temperatures and decreased rainfall. The assessment identified key vulnerabilities including: (1) increasing water stress and higher demand for water to irrigate crops, due to higher temperatures; and (2) declining availability of water for rain-fed crops and irrigation from site catchments and local waterbodies, due to lower levels of rainfall. In addition, on average, warming conditions will increase the incidence of crop diseases and/or pests.	The country is projected to experience temperature rises and greater variability in precipitation levels, including an increased frequency of heavy precipitation events. More variable precipitation may alter river hydrology and result in more frequent extreme weather events such as flash floods, increasing the risk of erosion and landslides.
Statement of purpose or intent to reduce climate vulnerability	Based on the climate risk and vulnerability assessment, the project intends to address the identified vulnerabilities through a range of adaptation measures.	The project aims to increase the climate resilience of the road network by incorporating climate change adaptation measures into the road rehabilitation and upgrade.

(Continued overleaf)

Table A.B.1. Case studies in tracking adaptation finance *(continued)*

Sector	Agricultural and ecological resources	Energy, transport and other built environment and Infrastructure
Project activities linked to reducing climate vulnerability	The project design includes the following adaptation measures: (1) the use of improved strains and varieties of crops, which are adapted to the local soil and climate conditions; (2) significant on-farm water-storage capacity as a buffer against the effects of seasonal drought for all sub-projects, including covered water storage to minimise evaporation; (3) the use of water-efficient irrigation technologies, including sprinkle and drip irrigation, which allow real-time control of irrigation; (4) mulching with cover crops (green manure), such as forage grass and leguminous forage, in tea and tea-oil plantations to conserve soil moisture, control soil erosion, and increase carbon sequestration on farms; and (5) the establishment of "shelterbelts" of trees around tea and tea-oil plantations that will protect crops from drying out and save water.	The activities include structural measures – such as increased drainage capacities, reinforced road embankments and altered bridge designs – to avoid worsening erosion and increased frequency and severity of landslides. Non-structural measures such as the adoption of a climate-change adaptation strategy will underpin ongoing maintenance activities and systematic integration of climate resilience measures across the road network.
Type of financial instrument	Loan	Non-concessional loan plus technical cooperation grant
Estimation of adaptation finance	The total project cost is US$ 191.42 million. The MDB provided a loan of US$ 100 million. Adaptation measures are estimated to cost US$ 31 million. A proportional approach was used to estimate the incremental finance related to climate change adaptation.	The total MDB finance for this project is €40 million, split into three investment tranches over the period 2017-19. Of the first €10 million tranche, 66 per cent qualifies as adaptation finance, because these measures include the rehabilitation and strengthening of highly climate-vulnerable road sections (including upward and downward slopes and drainage) and supporting walls, as well as the rehabilitation and strengthening of vulnerable bridges by improving protection against scouring, for example. The second and third investment tranches will be provided in 2018 and 2019, respectively. Adaptation finance will be assessed and attributed as each tranche is provided.

Sector	Cross-cutting sector: disaster risk management	Cross-cutting sector: health, nutrition and population
Brief description of project	This particular project supports improved disaster response capacity and enhanced resilience of critical transport infrastructure. Such additional finance is provided to scale up activities under all components of a larger programme, which supports post-hurricane recovery and reconstruction.	The development objectives of the project are to: (1) strengthen national and regional cross-sectoral capacity in the region for collaborative disease surveillance and epidemic preparedness, to take account of changing disease vectors due to climate change; and (2) in the event of an "eligible emergency", provide immediate and effective response to the emergency.
Climate vulnerability context	The project identifies the risk to this island country from hydrometeorological hazards (hurricanes, high winds, excess rainfall, landslides and flooding). Climate change is likely to increase the frequency and severity of these hazards, reinforcing the need for stronger policies to reduce the risks of climate change and disasters, in order to ensure sustainable development. The project notes that in recent years an increase in maximum temperatures has prompted extreme rainfall events and increased the risk of flash floods. It also notes that this pattern is expected to worsen under the effects of climate change. In addition to claiming lives, climate-related hazards are likely to take an increasing toll on all sectors of the economy and could reverse hard-won development gains. Roads remain the primary mode of transport for people and goods alike, with about 80 per cent of traffic on land. The country has a limited road network that suffers from a lack of maintenance, and from the impacts of climate change and variability. Entire regions remain isolated during the rainy season, and this isolation becomes worse in the wake of extreme weather events such as hurricanes.	The project documentation recognises changes in the epidemiology of infectious diseases associated with climate variability and change in the region over the past 40 years. It mentions growing evidence of the impact of climate change on the transmission patterns of infectious disease, and on nutritional status, reproduction and geographic range. The project notes that the risk of malaria and other mosquito-borne disease outbreaks increases approximately fivefold in the year following an El Niño event. It also notes that in some regions climate impacts could increase the burden of diarrhoea by up to 10 percent by 2030. Furthermore, three countries in the region have explicitly included health considerations in their Nationally Determined Contributions.

(Continued overleaf)

Table A.B.1. Case studies in tracking adaptation finance *(continued)*

Sector	Cross-cutting sector: disaster risk management	Cross-cutting sector: health, nutrition and population
Statement of purpose or intent to reduce climate vulnerability	The project contributes to strategic objectives of promoting resilience by strengthening preparedness for natural disasters and by improving disaster prevention. The project document notes that all activities are designed to contribute directly to building resilience to the risks of climate change and disasters. All project activities are geared directly towards responding to a disaster triggered by a climate-related event. They aim to build resilience to climate and disaster risks, and this will directly enhance the country's capacity to adapt to climate change.	The project explicitly aims to contribute to climate change adaptation by improving disaster education, deploying early-warning systems that include community mobilisation, planning for relocation efforts should the need arise, and increasing the connectivity of health facilities in high-risk areas. It mentions that adaptation considerations are present throughout the project and are not limited to early-warning systems. The project documentation notes that the countries covered are actively encouraged to enhance their climate-change adaptation strategies for improved health outcomes.
Project activities linked to reducing climate vulnerability	The project consists of five components: 1) increasing knowledge and the dissemination of information about climate risks; 2) project finance for preparedness and awareness of climate and disaster risk; 3) introduction of climate-resilient design and maintenance standards for roads and bridges; 4) emergency response and recovery; and 5) project management.	This project's components and subcomponents that address surveillance and information systems, preparedness and emergency response, and human resource capacity, factor in climate change considerations. They gauge how to effectively integrate these considerations into each country's efforts, as well as ensuring that other climate change planning, programming and funding can complement and be coordinated with the programme, including the aspects provided through external partner support. Enhanced surveillance and information systems ensure that threats can be monitored and identified before they turn into epidemics, and these systems also show how climate change is impacting the transmission patterns and range of disease. Developing epidemic preparedness and emergency responses, and strengthening human resources and technical capacities, ensure that the system has the capacity to deal with the epidemics that are worsening due to climate change.
Type of financial instrument	Grant	Combination of grant and concessional lending
Estimation of adaptation finance	Of the project's total budget, 55 per cent is considered to be adaptation finance. Components 1 and 2 are considered to be 100 per cent adaptation finance. Components 3 and 4 account for 50 per cent of the adaptation finance as their activities will provide climate-resilience standards for rebuilding infrastructure damaged by a climate-related disaster. The resilience standards incorporate climate change projections, thus enabling the rebuilt structures to withstand more frequent and intense climate events. Component 5 is pro-rated.	The MDB used a proportional approach to estimate that 50 per cent of the project finance is adaptation finance, given that climate change is a main – but not the only – driver of the investment. Climate change is considered throughout the project and is a factor that influences the tasks of disease surveillance and epidemic preparedness.

C

ANNEX C: JOINT METHODOLOGY FOR TRACKING CLIMATE CHANGE MITIGATION FINANCE

The 2017 tracking of mitigation finance is based on the Common Principles for Climate Change Mitigation Finance Tracking,[11] referred to in this report as the Common Principles. The Common Principles were developed by the joint climate finance group of MDBs and by the IDFC, based on their experience of the topic and with the intention of sharing them with other institutions that are seeking common approaches to tracking and reporting.

The Principles consist of a set of common definitions and guidelines, including a list of activities. However, they do not cover aspects of their implementation, including quality control procedures, which remain the sole responsibility of each institution and/or group. The Common Principles reflect the approach that both groups (MDBs and IDFC) have been following for tracking climate change mitigation activities for the past seven years, and are based on the application of harmonised terms. While the MDBs and the IDFC continue to report through their respective group-based efforts, the joint MDB approach for mitigation finance reporting aligns closely with the Common Principles, and is based on the following attributes:

1. **Additionality:** Like the Common Principles, this approach is activity-based. It focuses on the type of activity to be executed, and not on its purpose, the origin of the financial resources or the results.

2. **Timeline:** Project reporting is *ex-ante* project implementation at Board approval or at the time of financial commitment.

3. **Conservativeness:** Where data is unavailable, any uncertainty must be overcome taking a conservative approach, where under-reported rather than over-reported climate finance is preferable.

4. **Granularity:** The tracking only covers mitigation activities that are to be disaggregated from non-mitigation activities as far as reasonably possible. If such disaggregation is needed and not possible using project-specific data, a more qualitative or experience-based assessment can be used to identify the proportion of the project that covers climate mitigation activities, consistent with the principle of conservativeness. This applies to all categories, but is of particular significance for energy efficiency projects.

5. **Scope:** Mitigation activities or projects can consist of a standalone project, multiple standalone projects under a larger programme, a component of a standalone project or a programme financed through a financial intermediary. For example, a project with a total cost of US$ 100 million may have a US$ 10 million documented component for energy efficiency improvement; in this case, only the US$ 10 million would be reported. Another example may be a US$ 100 million credit line to a financial intermediary for renewable energy and pollution control investments, where it is foreseen that at least 60 per cent of the resources would flow into renewable energy investments; in such a case, only US$ 60 million would be reported.

6. **Mitigation results:** Reporting according to this methodology and the Common Principles does not imply evidence of climate change impacts. Moreover, any inclusion of climate change impacts is not a substitute for project-specific theoretical and/or quantitative evidence of GHG emission mitigation. Projects seeking to demonstrate climate change impacts should do so through project-specific data.

7. **Eligibility:** Climate mitigation promotes efforts to reduce, limit or sequester GHG emissions to reduce the risk of climate change. Mitigation finance is based on a list of activities that are compatible with low-emission pathways.[12] As a consequence, not all activities that reduce GHGs in the short term are eligible to be counted towards MDB mitigation finance.

   The joint methodology for tracking climate change mitigation finance recognises the importance of long-term structural changes such as the shift in energy production to renewable energy technologies, and the modal shift to low-carbon modes of transport. Consequently, both greenfield and brownfield renewable energy and transport modal-shift projects are included. For projects that improve the energy and resource efficiency of technologies and processes, the methodology acknowledges that their impacts in terms of reducing GHG emissions may be considered upstream and/or downstream. However, it also acknowledges that drawing the boundary between increasing production and reducing emissions per unit of output is difficult.

[11] http://www.worldbank.org/content/dam/Worldbank/document/Climate/common-principles-for-climate-mitigation-finance-tracking.pdf
[12] Paris Agreement, December 2015 (FCCC/CP/2-15/L9/Rev.1, Article 2c).

Therefore, investments in greenfield energy and resource efficiency are included only in a few cases when they help prevent a long-term lock-in to high-carbon infrastructure.

When considering brownfield energy and resource efficiency investments as climate finance, old technologies must be replaced well before the end of their lifetimes with new technologies that are substantially more efficient. Alternatively, new technologies or processes must enable substantially higher system efficiency compared to those normally used in greenfield projects.

8. **Exclusions:** The methodology assumes that care will be taken to identify projects that are included in the typology list but do not mitigate emissions due to their specific circumstances (for example, hydropower plants with high methane emissions from reservoirs exceeding GHG reductions associated with the plant's use of renewable energy; geothermal power plants with high CO_2 content in the geothermal fluid that cannot be reinjected; or biofuel projects with net high emissions taking into account production, processing and transportation).

9. **Avoiding double-counting:** Where the same project, sub-project or project element contributes to mitigation and adaptation, an MDB's individual processes will determine what proportion is counted as mitigation or as adaptation, so that the actual financing will not be recorded more than once. Some MDBs are reporting projects where the same components or elements contribute to both mitigation and adaptation as a separate category. The MDBs are working on the best reporting method for projects where the same components or elements contribute to both mitigation and adaptation.

Table A.C.1 lists the activities that MDBs have agreed are eligible to be classified as climate mitigation finance. The table is based on a previous list that the MDBs and IDFC developed in the Common Principles for Climate Change Mitigation Finance Tracking, with a number of additional clarifications. MDBs apply the list of eligible activities to financing through all types of financial instruments. Table A.C.2 provides project case studies to illustrate how MDBs have applied the mitigation tracking approach recently.

Table A.C.1. List of activities eligible for classification as climate mitigation finance

Category	Sub-category	Eligible activities
1. Renewable energy	1.1. Electricity generation	Wind power
		Geothermal power (only if net emission reductions can be demonstrated)
		Solar power (concentrated solar power, photovoltaic power)
		Biomass or biogas power (only if they result in net reductions in emissions, taking into account production, processing and transportation)
		Ocean power (wave, tidal, ocean currents, salt gradient, and so on)
		Hydropower plants (only if net emission reductions can be demonstrated)
		Renewable energy power plant retrofits
	1.2. Heat production or other renewable energy application	Solar water heating and other thermal applications of solar power in all sectors
		Thermal applications of geothermal power in all sectors
		Wind-driven pumping systems or similar applications
		Thermal applications of sustainably produced bioenergy in all sectors
	1.3. Measures to facilitate integration of renewable energy into grids	New, expanded and improved transmission systems (lines, substations)
		Storage systems (battery, mechanical, pumped storage) that facilitate integration of renewables, or increase renewable energy production
		New information and communication technology, smart grid and mini grid
2. Lower-carbon and efficient energy generation	2.1. Transmission and distribution systems	Retrofit of transmission lines or substations and/or distribution systems to reduce energy use and/or technical losses including improving grid stability or reliability (in the case of capacity expansion, only the portion of the investment that is reducing existing losses is included)
	2.2. Power plants	Thermal power plant retrofit to switch from a more GHG-intensive fuel to a different and less GHG-intensive fuel type[13]
		Conversion of existing fossil-fuel-based power plant to co-generation[14] technologies that generate electricity in addition to providing heating or cooling
		Energy efficiency improvement in existing thermal power plant

(Continued overleaf)

[13] Excluding replacement of coal by coal.
[14] In all co-generation projects energy efficiency is required to be substantially higher than separate production of electricity and heat.

Table A.C.1. List of activities eligible for classification as climate mitigation finance *(continued)*

Category	Sub-category	Eligible activities
3. Energy efficiency[15]	3.1. Energy efficiency in industry in existing facilities	Industrial energy efficiency improvements though the installation of more efficient equipment, changes in processes, reduction of heat losses and/or increased waste-heat recovery and/or resource efficiency[16]
		Installation of co-generation plants that generate electricity in addition to providing heating or cooling
		Replacement of an older facility (old facility retired) with a more efficient facility
	3.2. Energy efficiency improvements in existing commercial, public and residential buildings	Energy efficiency improvement in lighting, appliances and equipment, including energy-management systems.
		Substitution of existing heating or cooling systems for buildings by co-generation plants that generate electricity in addition to providing heating or cooling[17]
		Retrofit of existing buildings: architectural or building changes that enable reduction of energy consumption
	3.3. Energy efficiency improvements in the utility sector and public services	Energy efficiency improvement in utilities and public services through the installation of more efficient lighting or equipment
		Rehabilitation of district heating and cooling systems
		Reduction of heat loss in utilities and/or increased recovery of waste heat
		Improvement in utility-scale energy efficiency through efficient energy use and loss reduction, or resource efficiency[18] improvements
	3.4. Vehicle fleet energy efficiency and low-carbon fuels	Existing vehicle, rail or boat fleet retrofit or replacement (including the use of lower-carbon fuels, electric or hydrogen technologies), or new vehicle, rail or boat fleets with ultra-low carbon emissions, exceeding available standards.
	3.5. Energy efficiency in new commercial, public and residential buildings	Use of highly efficient architectural designs, energy-efficient appliances and equipment, and building techniques that reduce the energy consumption of buildings, exceeding available standards and complying with high energy efficiency certification or rating schemes
	3.6. Energy audits	Energy audits of energy end-users, including industries, buildings and transport systems
4. Agriculture, aquaculture, forestry and land-use	4.1. Agriculture	Reduction in energy use in traction (such as efficient tillage), irrigation and other agricultural processes
		Agricultural projects that improve existing carbon pools (such as rangeland management, collection and use of bagasse, rice husks or other agricultural waste, reduced tillage techniques that increase carbon content of soil, rehabilitation of degraded lands, peatland restoration, and so on)
		Reduction of non-CO_2 GHG emissions from agricultural practices and technologies (for example, paddy rice production, reduction in fertiliser use)
		Resource efficiency[19] in agricultural processes and supply chains
	4.2. Afforestation and reforestation and biosphere conservation	Afforestation (plantations) and agroforestry on non-forested land
		Reforestation on previously forested land
		Sustainable forest management activities that increase carbon stocks or reduce the impact of forestry activities
		Biosphere conservation and restoration projects (including payments for ecosystem services) seeking to reduce emissions from the deforestation or degradation of ecosystems
	4.3. Livestock	Livestock projects that reduce methane or other GHG emissions (for example, manure management with biodigesters, and improved feeding practices to reduce methane emissions)
	4.4. Biofuels	Production of biofuels, including biodiesel and bioethanol (only if net emission reductions can be demonstrated)
	4.5. Aquaculture	Reduction in energy use or resource efficiency in aquaculture[20]

(Continued overleaf)

[15] The general principle for brownfield energy efficiency activities involving the substitution of technologies or processes is that: (i) the old technologies are replaced well before the end of their lifetime and the new technologies are substantially more efficient; or (ii) new technologies or processes are substantially more efficient than those normally used in greenfield projects.
[16] The general principle for resource efficiency activities is that activities are substantially more efficient than replaced technologies or processes, noting that efficiencies and avoided emissions may occur upstream or downstream of the project.
[17] Refer to footnote 15.
[18] Refer to footnote 16.
[19] Refer to footnote 16.
[20] Refer to footnote 16.

Table A.C.1. List of activities eligible for classification as climate mitigation finance *(continued)*

Category	Sub-category	Eligible activities
5. Non-energy GHG reductions	5.1. Fugitive emissions	Reduction of gas flaring or methane fugitive emissions in the oil and gas industry
		Coal-mine methane capture
	5.2. Carbon capture and storage	Projects for carbon capture and storage technology that prevent the release of large quantities of CO_2 into the atmosphere from fossil fuel use in power generation, and process emissions in other industries
	5.3. Air conditioning and refrigeration	Retrofit of existing industrial, commercial and residential infrastructure to switch to cooling agent with lower potential for global warming
	5.4. Industrial processes	Reduction in GHG emissions resulting from industrial process improvements and cleaner production (for example, of cement or chemicals), excluding carbon capture and storage
6. Waste and wastewater	6.1. Wastewater	Treatment of wastewater, including wastewater collection networks, that reduces GHG emissions (only if substantial net GHG emission reductions can be demonstrated)
	6.2. Solid waste management	Waste management projects that capture or combust methane emissions
		Waste-to-energy projects
		Waste collection, recycling and management projects that recover or reuse materials and waste as inputs into new products or as a resource (only if net emission reductions can be demonstrated)
7. Transport[21]	7.1. Urban transport modal change	Urban mass transit
		Non-motorised transport (bicycles and pedestrian mobility)
	7.2. Transport-oriented urban development	Integration of transport and urban development planning (dense development, multiple land-use, walking communities, transit connectivity, and so on), leading to a reduction in the use of passenger cars
		Transport and travel demand-management measures dedicated to reducing pollutant emissions, including GHG emissions (such as high-occupancy vehicle lanes, congestion charging or road pricing, parking management, restriction or auctioning of licence plates, car-free city areas, low-emission zones)[22]
	7.3. Inter-urban transport	Railway transport ensuring a modal shift of freight and/or passenger transport from road or air to rail (improvement of existing lines or construction of new lines)
		Waterway transport ensuring a modal shift of freight and/or passenger transport from road or air to waterways (improvement of existing infrastructure or construction of new infrastructure)
		Bus passenger public transport ensuring a modal shift from a higher-carbon mode of transport
	7.4. Infrastructure for low-carbon and efficient transport	Charging stations and other infrastructure for electric vehicles, hydrogen or dedicated biofuel fuelling
		Digital solutions and programmes dedicated to reducing GHG emissions[23]
8. Low-carbon technologies	8.1. Products or equipment	Projects producing components, equipment or infrastructure dedicated to the renewable and energy efficiency sectors, or low-carbon technologies
	8.2. Research and development	Research and development of renewable-energy or energy-efficiency technologies, or low-carbon technologies

(Continued overleaf)

[21] Modal shift includes prevention of future shifts to high-carbon modes.
[22] General traffic management is not included. This category is for demand management to reduce GHG emissions, assessed on a case-by-case basis.
[23] Dedicated measures can mean that a proportional approach may be used to take account of the fact that reduction of GHG emissions may be one of several project objectives.

Table A.C.1. List of activities eligible for classification as climate mitigation finance *(continued)*

Category	Sub-category	Eligible activities
9. Cross-cutting issues	9.1. Support for national, regional or local policy, through technical assistance or policy lending	National, sectoral or territorial policies/planning/action plans/planning/ institutions dedicated to mitigation such as NDCs, NAMAs and plans for scaling up renewable energy
		Energy sector policies and regulations leading to climate change mitigation or the mainstreaming of climate action, such as energy efficiency standards or certification schemes; energy efficiency procurement schemes; renewable energy policies, power market reforms to enable renewable energy
		Systems for monitoring the emission of greenhouse gases
		Efficient pricing of fuels and electricity (such as subsidy rationalisation, efficient end-user tariffs, and efficient regulations on electricity generation, transmission or distribution, and on carbon pricing)
		Education, training, capacity-building and awareness-raising on climate change mitigation or sustainable energy or sustainable transport; mitigation research
		Other policy and regulatory activities, including those in non-energy sectors, leading to climate change mitigation or mainstreaming of climate action, such as fiscal incentives for low-carbon vehicles, sustainable afforestation standards
	9.2. Carbon finance	Carbon markets and finance (purchase, sale, trading, financing and other technical assistance); includes all activities related to compliance-grade carbon assets and mechanisms
	9.3. Supply chain	Measures in existing supply chains dedicated to improvements in energy efficiency or resource efficiency[24] upstream or downstream, leading to an overall reduction in GHG emissions
10. Miscellaneous	10.1. Other activities with net greenhouse-gas reduction	Any other activity if agreed by MDBs may be counted as climate mitigation finance when the results of *ex-ante* GHG accounting (undertaken according to commonly agreed methodologies) show emission reductions that are higher than a commonly agreed threshold, and the project consistent with a pathway towards development characterised by low GHG emissions.

[24] The general principle for resource efficiency activities is that activities are substantially more efficient than substituted technologies or processes, noting that efficiencies and avoided emissions may occur upstream or downstream of the project.

Table A.C.2. Case studies in tracking mitigation finance

Project focus	Energy efficiency	Programmatic support for structural reforms in the electricity sector
Sector	**New hospital buildings**	**Renewable energy and energy efficiency**
Brief description of project	This project financed a healthcare infrastructure public-private partnership (PPP) project which involved the design, construction, equipping, financing and maintenance of an integrated laboratory campus. The bank has been involved in establishing energy efficiency requirements with the relevant ministry.	The general objective of this operation is to support the government in implementing sector reforms and policies that are needed to enhance financial sustainability, operational efficiency, and security of supply in the electricity sector. The specific objectives are to: (i) strengthen the sector's institutional capacity and regulatory framework; (ii) enhance financial sustainability and operational efficiency; and (iii) adopt energy policies aimed at ensuring a secure supply of electricity.
Classification (as in Annex C, Table A.C.1.): (1) Category (2) Sub-Category and (3) Eligible Activity	(1) 3. Energy efficiency (2) 3.5. Energy efficiency in new commercial, public and residential buildings (3) Use of highly efficient architectural designs, energy-efficient appliances and equipment, and building techniques that reduce the energy consumption of buildings, exceeding available standards and complying with high energy efficiency certification or rating schemes.	(1) 9. Cross-cutting issues (2) 9.1. Support for national, regional or local policy through technical assistance or policy lending (3) Energy sector policies and regulations that lead to climate change mitigation or to the mainstreaming of climate action, such as: energy efficiency standards or certification schemes; energy efficiency procurement schemes; renewable energy policies and power market reforms to enable renewable energy.
Type of financial instrument	Investment loan	Policy-based lending
Calculation of mitigation finance, including basis (for example, eligible components)	The MDB provided a €75 million loan to fund the project for the following measures, which exceed national standards: • advanced thermal protection, low-emissive glazing • building integrated solar thermal and solar photovoltaic installations • highly efficient boilers and chillers and waste-heat recovery • on-site combined cooling, heating and power generation • water-saving techniques: water-saving sensor-control taps, rainwater harvesting. Based on specific project components, 71.4 per cent of the loan was counted as mitigation finance.	Eighteen per cent of the project, or US$ 9 million, was classified as mitigation finance, because 2 of the programme's 11 policy commitments were related to energy efficiency and renewable energy.
Type of mitigation finance (own resources, co-finance)	MDB's own resources	MDB's own resources

Table A.C.2. Case studies in tracking mitigation finance *(continued)*

Project focus	Supporting energy and water efficiency investments in private households	Integrated forest and landscape management
Sector	**Utilities**	**Agriculture, forestry and land-use**
Brief description of project	This operation is the provision of a credit line to a financial intermediary dedicated mainly to residential energy efficiency and small renewables investments. The programme aims to provide financing to private individuals or small and medium-sized enterprises (SMEs) to invest chiefly in energy efficiency and in renewables improvements and installations for their own use.	The project aims to improve the practices and enabling environment for forest and land management in targeted landscapes. The integrated approach to landscape management promoted by this project ensures that practices are environmentally sustainable and provide sufficient economic incentives for local communities in the long term. The project finances activities at two levels: (i) landscape-level activities focused on promoting integrated management of two landscapes (ii) national-level activities focused on strengthening the enabling conditions for sustainable forest management.
Classification (as in Annex C, Table A.C.1.): (1) Category (2) Sub-category and (3) Eligible activity	(1) 1. Renewable energy (2) 1.1. Electricity generation (3) Solar power (concentrated solar power, photovoltaic power) or solar water-heating and other thermal applications of solar power in all sectors. (1) 3. Energy efficiency (2) 3.1. Energy efficiency improvements in existing commercial, public and residential buildings (3) Retrofit of existing buildings: architectural or building changes that substantially reduce energy consumption.	(1) 4. Agriculture, forestry and land-use (2) 4.1. Agriculture and 4.2. Afforestation and reforestation and biosphere conservation (3) Improvement of existing carbon pools; afforestation; and sustainable forest-management activities that increase carbon stocks or reduce the impact of forestry activities.
Type of financial instrument	Credit line	Investment loan
Calculation of mitigation finance, including basis (for example, eligible components)	As per the requirements of the financial contract, the intermediary agreed to a minimum allocation of 85 per cent of the credit line to activities eligible for classification as climate action (as defined per contractual conditions). Of the entire credit line's volume of €30 million, this equates to €26 million allocated to climate action.	The MDB will provide a US$ 15 million loan to address multiple drivers of deforestation in local communities and improve both the local and national capacity for sustainable management of forests and land. Of this US$ 15 million, US$ 6.1 million finances activities in two target landscapes, such as the regularisation of land tenure, promotion of multipurpose planted forests, and sustainable production of charcoal. Meanwhile, US$ 6.45 million finances the national-level activities to strengthen the country's capacity for forest governance and management, such as the land-use plan development and forest information system. Including the project-management component, 100 per cent of the MDB financing is counted as mitigation finance.
Type of mitigation finance (own resources, co-finance)	MDB's own resources	MDB's own resources and external sources
Specific features	Through this credit line the MDB was able to support energy efficiency improvements and renewable installations in private households and SMEs.	The project endorses an integrated landscape management approach to address the interlinked drivers of deforestation in different sectors (forestry, agriculture, and energy) and to facilitate coordination between the national and local activities. The project ensures multi-stakeholder engagement in planning land use to foster a common vision of managing forests and land within communities.

D

ANNEX D: FINANCE THAT BENEFITS BOTH ADAPTATION AND MITIGATION

The MDBs identify some components and/or subcomponents, or elements or proportions of projects, which help to reduce GHG emissions while also reducing climate vulnerability, thereby delivering dual benefits of mitigation and adaptation. Where the same project, sub-project or project element contributes to both mitigation and adaptation, the MDB's individual processes will determine which proportion is counted as mitigation or as adaptation so that the actual financing will not be double-counted. Some MDBs report projects where the same components or elements or proportions contribute to both mitigation and adaptation as a separate category (see Table A.D.1). The MDBs continue to work on the best reporting method for such projects.

For 2017, the EBRD and IDBG have tracked dual-benefit figures separately according to their internal systems. The other MDBs have split the financed amount between mitigation and adaptation. In both cases, there is no double counting. Table A.D.2 includes more detail on the instrument types used in adaptation, mitigation and dual-benefit finance.

Table A.D.1. MDB adaptation, mitigation and dual-benefit climate finance (in US$ million)

MDB	Adaptation finance	Mitigation finance	Dual-benefit finance	Total
ADB	998	4,236	–	5,234
AfDB	783	1,564	–	2,347
EBRD	423	4,105	73	4,601
EIB	150	5,327	–	5,477
IDBG	761	3,429	158	4,348
WBG	4,084	9,129	–	13,213
Total	**7,200**	**27,789**	**231**	**35,219**

Note: Numbers may not add up due to rounding.

Table A.D.2. MDB adaptation, mitigation and dual-benefit climate finance (in US$ million)

Instrument type	Adaptation finance	Mitigation finance	Dual-benefit finance	Total
Investment loan	5,979	22,336	118	28,433
Policy-based lending	407	1,528	79	2,014
Grant	673	751	1	1,425
Guarantee	16	1,490	–	1,506
Equity	8	577	5	590
Line of credit	27	914	19	960
Other	88	193	9	291
Total	**7,200**	**27,789**	**231**	**35,219**

Note: Numbers may not add up due to rounding.

E

ANNEX E: TYPES OF INSTRUMENT

The types of financial instrument containing climate finance as reported for 2017 include the following:

a) **Advisory services:** MDB advisory services include advising national and local governments on a variety of topics, for instance how to improve their investment climate and strengthen basic infrastructure. The MDB tracks and reports the costs of managing advisory programmes, which may consist of staff time, studies, and training with clients. Similar to investments, some programmes are 100 per cent climate-related and some have a climate component tracked in the overall programme budget. In the case of IFC,[25] for the sake of simplicity, the Joint Report records all climate finance flows through IFC's advisory services as "external resources managed by IFC" and because of the difficulties in collecting data and defining the boundary of IFC's impact, advisory services are not included in the IFC climate co-finance analysis.

b) Equity: Ownership interest in an enterprise that represents a claim on the assets of the entity in proportion to the number and class of shares owned.

c) Grants: Transfers made in cash, goods or services for which no repayment is required. Grants are provided for investment support, policy-based support and/or technical assistance and advice.

d) Guarantees: In this report, non-commercial risk guarantees are defined as insurance or guarantee instruments that cover investors against perceived political risks including, but not limited to, the risks of transfer restriction (including inconvertibility), expropriation, war and civil disturbance, breach of contract, and failure to honour financial obligations, and may provide credit enhancement and improve ratings for capital market transactions. Commercial or credit-risk guarantees refer to instruments covering all other risks not described above.

e) Investment loans: Loans are transfers for which repayment with interest is required. Investment loans can be used for any development activity with the overall objective of promoting sustainable social and/or economic development, in line with the MDBs' mandate.

f) Lines of credit: Lines of credit provide a guarantee that funds will be made available but no financial asset exists until funds are actually advanced.

g) Policy-based lending (PBL): PBL provides rapidly disbursing financing to help a borrower address actual or anticipated requirements for development finance of domestic or external origins. This financing supports a programme of policy and institutional actions in a particular theme or sector of national policy, for instance, actions to improve the investment climate for renewable energy. While there is no direct link between lending resources and the cost of policy actions undertaken, the disbursements of PBLs are conditional on the borrower's fulfilment of its policy commitments in the lending agreement.

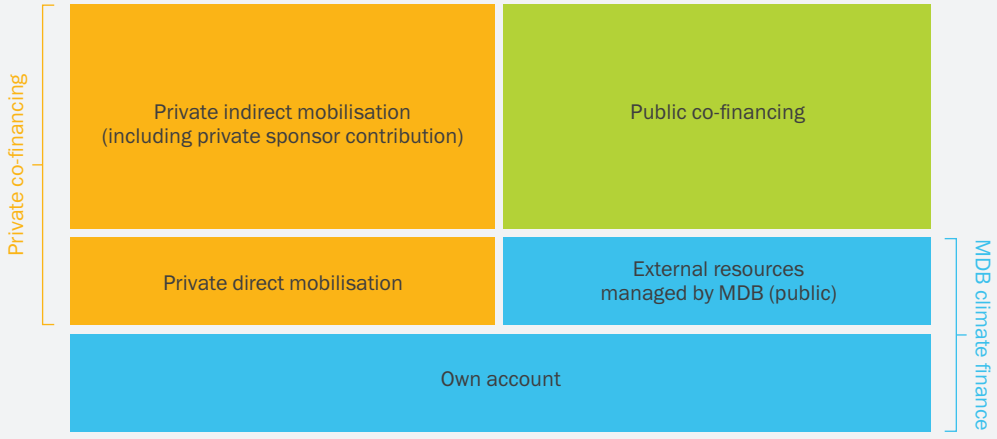
[25] IFC climate finance is included in the climate finance reported by WBG.

F

ANNEX F: CLIMATE CO-FINANCE

Total financing of climate activity includes climate co-finance, that is, the amount of financial resources that external entities contribute. The MDBs are implementing the definitions and recommendations of the MDB Taskforce on Private Investment Mobilisation for tracking the private share of climate co-finance. This methodology focuses on assessing the private finance mobilised by an MDB, on a project-by-project basis, such as private direct mobilisation and private indirect mobilisation.[26]

Figure A.F.1: Total activity financing, by type of finance



[26] http://documents.worldbank.org/curated/en/495061492543870701/pdf/114403-WP-PUBLIC-cedvp-14p-JointMDBReportingonPrivateInvestmentMobilizationMethodologyReferenceGuide.pdf

G

ANNEX G: GEOGRAPHICAL COVERAGE OF THE REPORT

Inclusion of economies in Annex G, and terms and names used in this report to refer to geographical or other territories, political and economic groupings and units, do not constitute and should not be construed as constituting an express or implied position, endorsement, acceptance or expression of opinion by the MDBs or their members concerning the status of any country, territory, grouping and unit, or delimitation of its borders, or sovereignty.

Economy-level information on MDB climate finance for 2015-17 is presented in Table A.G.4.

Table A.G.1. List of economies covered by at least one of the MDBs and taken into account for climate finance data presented in this report[27]

East Asia and the Pacific			
Cambodia	Kiribati	Nauru	Thailand
China	Laos	Palau	Timor-Leste
Cook Islands	Malaysia	Papua New Guinea	Tonga
Federated States of Micronesia	Marshall Islands	Philippines	Tuvalu
Fiji	Mongolia	Samoa	Vanuatu
Indonesia	Myanmar	Solomon Islands	Vietnam

EU-12			
Bulgaria	Estonia	Latvia	Romania
Croatia	Greece	Lithuania	Slovak Republic
Cyprus	Hungary	Poland	Slovenia

Latin America and the Caribbean			
Anguilla	Colombia	Haiti	Saint Kitts and Nevis
Antigua and Barbuda	Costa Rica	Honduras	Saint Lucia
Argentina	Dominica	Jamaica	Saint Vincent and the Grenadines
Bahamas	Dominican Republic	Mexico	Suriname
Barbados	Ecuador	Montserrat	Trinidad and Tobago
Belize	El Salvador	Nicaragua	Uruguay
Bolivia	Grenada	Panama	Venezuela
Bonaire, Saint Eustatius and Saba	Guadeloupe	Paraguay	
Brazil	Guatemala	Peru	
Chile	Guyana	Saint-Barthélemy	

Middle East and North Africa			
Algeria	Israel	Morocco	Tunisia
Bahrain	Jordan	Oman	United Arab Emirates
Egypt	Kuwait	Qatar	Western Sahara
Iran	Lebanon	Saudi Arabia	Yemen
Iraq	Libya	Syria	West Bank and Gaza

(Continued overleaf)

[27] The list of EU countries shown here for which data is presented in this report excludes other EU countries where the EIB supports climate action.

Table A.G.1. List of economies covered by at least one of the MDBs and taken into account for climate finance data presented in this report[27] *(continued)*

South Asia

Afghanistan	Bhutan	Maldives	Pakistan
Bangladesh	India	Nepal	Sri Lanka

Non-EU Europe and Central Asia[28]

Albania	FYR Macedonia	Moldova	Turkey
Armenia	Georgia	Montenegro	Turkmenistan
Azerbaijan	Kazakhstan	Russia	Ukraine
Belarus	Kyrgyz Republic	Serbia	Uzbekistan
Bosnia and Herzegovina	Kosovo	Tajikistan	

Sub-Saharan Africa

Angola	Djibouti	Malawi	Senegal
Benin	Equatorial Guinea	Mali	Seychelles
Botswana	Eritrea	Mauritania	Sierra Leone
Burkina Faso	Ethiopia	Mauritius	South Africa
Burundi	Gabon	Mayotte	Somalia
Cameroon	Gambia	Mozambique	South Sudan
Cape Verde	Ghana	Namibia	Sudan
Central African Republic	Guinea	Niger	Swaziland
Chad	Guinea-Bissau	Nigeria	Tanzania
Comoros	Kenya	Réunion	Togo
Congo	Lesotho	Rwanda	Uganda
Côte d'Ivoire	Liberia	São Tomé and Príncipe	Zambia
Democratic Republic of the Congo	Madagascar	Saint Helena	Zimbabwe

Multi-regional refers to MDB operations implemented across two or more of the regions above, including activities with a global scope.

[28] Reported as "(OTHER) Europe and Central Asia" in the 2011 and 2012 reports.

Table A.G.2. Economies categorised as least-developed economies, or small island states, or both

Least-developed economy			
Afghanistan	Democratic Republic of the Congo	Madagascar	Sierra Leone
Angola	Djibouti	Malawi	Somalia
Bangladesh	Equatorial Guinea	Mali	South Sudan
Benin	Eritrea	Mauritania	Sudan
Bhutan	Ethiopia	Mozambique	Tanzania
Burkina Faso	Gambia	Myanmar	Togo
Burundi	Guinea	Nepal	Uganda
Cambodia	Laos	Niger	Yemen
Central African Republic	Lesotho	Rwanda	Zambia
Chad	Liberia	Senegal	

Both least-developed economy and small island state			
Comoros	Kiribati	Timor-Leste	
Guinea Bissau	São Tomé and Príncipe	Tuvalu	
Haiti	Solomon Islands	Vanuatu	

Small island state			
American Samoa	Cuba	Martinique	Saint Lucia
Anguilia	Dominica	Mauritius	Saint Vincent and the Grenadines
Antigua and Berbuda	Dominican Republic	Montserrat	Samoa
Aruba	Federated States of Micronesia	Nauru	Seychelles
Bahamas	Fiji	New Caledonia	Suriname
Barbados	Grenada	Niue	Tonga
Belize	Guyana	Palau	Trinidad and Tobago
Cape Verde	Jamaica	Papua New Guinea	
Cayman Islands	Maldives	Puerto Rico	
Cook Islands	Marshall Islands	Saint Kitts and Nevis	

Least-developed economies are defined according to the UNFCCC list and small island states are defined according to the Alliance of Small Island States (AOSIS) list,[29] excluding developed economies. Note that some least-developed economies are also small island states, as shown in Table A.G.2.

[29] http://unfccc.int/cooperation_and_support/ldc/items/3097.php

Table A.G.3. Economies categorised in accordance with World Bank groupings

High income

Andorra	Estonia	Liechtenstein	Saudi Arabia
Antigua and Barbuda	Faroe Islands	Lithuania	Seychelles
Aruba	Finland	Luxembourg	Singapore
Australia	France	Macao China	Sint Maarten (Dutch part)
Austria	French Polynesia	Malta	Slovak Republic
Bahamas	Germany	Monaco	Slovenia
Bahrain	Gibraltar	Netherlands	South Korea
Barbados	Greece	New Caledonia	Spain
Belgium	Greenland	New Zealand	Sweden
Bermuda	Guam	Northern Mariana Islands	Switzerland
British Virgin Islands	Hong Kong China	Norway	Taipei China
Brunei	Hungary	Oman	Trinidad and Tobago
Canada	Iceland	Palau	Turks and Caicos Islands
Cayman Islands	Ireland	Poland	United Arab Emirates
Channel Islands	Isle of Man	Portugal	United Kingdom
Chile	Israel	Puerto Rico	United States of America
Curaçao	Italy	Qatar	United States Virgin Islands
Cyprus	Japan	Saint Kitts and Nevis	Uruguay
Czech Republic	Kuwait	Saint Martin (French part)	
Denmark	Latvia	San Marino	

Upper-middle income

Albania	Croatia	Kazakhstan	Romania
Algeria	Cuba	Lebanon	Russia
American Samoa	Dominica	Libya	Saint Lucia
Argentina	Dominican Republic	Malaysia	Saint Vincent and the Grenadines
Azerbaijan	Ecuador	Maldives	Samoa
Belarus	Equatorial Guinea	Marshall Islands	Serbia
Belize	Fiji	Mauritius	South Africa
Bosnia and Herzegovina	FYR Macedonia	Mexico	Suriname
Botswana	Gabon	Montenegro	Thailand
Brazil	Grenada	Namibia	Tonga
Bulgaria	Guyana	Nauru	Turkey
China	Iran	Panama	Turkmenistan
Colombia	Iraq	Paraguay	Tuvalu
Costa Rica	Jamaica	Peru	Venezuela

(Continued overleaf)

Table A.G.3. Economies categorised in accordance with World Bank groupings *(continued)*

Lower-middle income

Angola	Georgia	Moldova	Syria
Armenia	Ghana	Mongolia	Tajikistan
Bangladesh	Guatemala	Morocco	Timor-Leste
Bhutan	Honduras	Myanmar	Tunisia
Bolivia	India	Nicaragua	Ukraine
Cape Verde	Indonesia	Nigeria	Uzbekistan
Cambodia	Jordan	Pakistan	Vanuatu
Cameroon	Kenya	Papua New Guinea	Vietnam
Congo	Kiribati	Philippines	West Bank and Gaza
Côte d'Ivoire	Kosovo	São Tomé and Príncipe	Yemen
Djibouti	Kyrgyz Republic	Solomon Islands	Zambia
Egypt	Laos	Sri Lanka	
El Salvador	Lesotho	Sudan	
Federated States of Micronesia	Mauritania	Swaziland	

Low income

Afghanistan	Eritrea	Malawi	Sierra Leone
Benin	Ethiopia	Mali	Somalia
Burkina Faso	Gambia	Mozambique	South Sudan
Burundi	Guinea	Nepal	Tanzania
Central African Republic	Guinea-Bissau	Niger	Togo
Chad	Haiti	North Korea	Uganda
Comoros	Liberia	Rwanda	Zimbabwe
Democratic Republic of the Congo	Madagascar	Senegal	

Table A.G.4. Climate finance by economy, for 2015, 2016 and 2017 (in US$ million)
The list below includes economies that received climate finance in 2015, 2016 and 2017.
Some economies may not appear on this list even though they are covered by one or more of the MDBs.

Economy	2015	2016	2017	Total
Afghanistan	–	173	147	320
Albania	110	174	15	298
Algeria	1	–	–	1
Angola	–	15	72	87
Argentina	314	508	2,276	3,099
Armenia	108	45	132	285
Azerbaijan	16	171	250	438
Bahamas	1	1	44	46
Bangladesh	899	1,315	200	2,414
Barbados	1	5	0	7
Belarus	43	49	7	100
Belize	51	4	20	75
Benin	21	3	44	69
Bhutan	2	17	7	25
Bolivia	405	373	321	1,098
Bosnia and Herzegovina	27	95	101	223
Botswana	–	–	143	143
Brazil	548	914	766	2,228
Bulgaria	58	156	112	326
Burkina Faso	9	7	166	181
Burundi	25	22	28	75
Cambodia	46	85	86	218
Cameroon	2	17	329	349
Cape Verde	1	–	15	17
Central African Republic	7	–	10	18
Chad	6	–	–	6
Chile	119	153	208	480
China	1,091	2,349	2,305	5,745
Colombia	182	904	747	1,834
Comoros	5	–	4	9
Congo	–	25	2	27
Cook Islands	–	4	12	16
Costa Rica	200	0	5	206
Côte d'Ivoire	5	73	296	374
Croatia	174	16	68	258
Cyprus	22	27	46	95
Czech Republic	91	–	–	91
Democratic Republic of the Congo	10	153	128	291
Djibouti	–	2	0	2
Dominican Republic	1	137	3	141
Ecuador	582	325	27	934
Egypt	511	693	1,585	2,789
El Salvador	–	0	29	29
Eritrea	–	–	7	7
Estonia	47	89	5	141

Economy	2015	2016	2017	Total
Ethiopia	79	206	192	476
FYR Macedonia	27	14	8	49
Fiji	53	31	15	98
Gabon	–	43	24	67
Gambia	–	5	9	13
Georgia	109	187	88	383
Ghana	32	72	81	184
Global	169	77	–	247
Greece	–	91	673	765
Grenada	–	–	1	1
Guatemala	0	3	22	25
Guinea	–	7	17	24
Guinea-Bissau	10	–	3	13
Guyana	1	7	2	10
Haiti	41	4	143	188
Honduras	253	44	46	343
Hungary	497	155	31	683
India	1,948	3,017	2,678	7,642
Indonesia	674	578	873	2,124
Iraq	8	610	321	939
Israel	160	–	–	160
Jamaica	21	57	52	129
Jordan	238	412	517	1,168
Kazakhstan	438	521	389	1,348
Kenya	260	159	581	1,000
Kiribati	–	11	–	11
Kosovo	74	56	31	162
Kyrgyz Republic	73	179	55	307
Laos	106	13	40	159
Latvia	247	2	86	336
Lebanon	303	27	82	412
Lesotho	–	11	5	16
Liberia	3	68	26	97
Lithuania	183	215	95	494
Madagascar	–	37	131	168
Malawi	58	1	210	268
Maldives	5	35	19	59
Mali	0	9	104	114
Marshall Islands	2	1	21	23
Mauritania	–	6	–	6
Mauritius	9	–	–	9
Mexico	330	277	1,211	1,818
Moldova	45	106	110	262
Mongolia	13	44	150	206
Montenegro	62	1	68	131
Morocco	914	729	668	2,310
Mozambique	111	51	55	216

Table A.G.4: Climate finance by economy, for 2015, 2016 and 2017 (in US$ million) *(continued)*
The list below includes economies that received climate finance in 2015, 2016 and 2017.
Some economies may not appear on this list even though they are covered by one or more of the MDBs.

Economy	2015	2016	2017	Total
Multi-regional	147	52	193	391
Myanmar	81	107	212	400
Namibia	–	–	58	58
Nauru	–	–	3	3
Nepal	567	111	204	882
Nicaragua	207	49	235	491
Niger	12	163	47	222
Nigeria	1	102	34	137
Pakistan	1,161	673	1,018	2,851
Panama	112	25	350	488
Papua New Guinea	36	6	127	170
Paraguay	4	4	51	59
Peru	85	309	306	700
Philippines	657	638	167	1,461
Poland	1,189	1,806	1,562	4,557
Regional	1,427	409	1,436	3,272
Romania	249	196	887	1,332
Russia	55	0	0	56
Rwanda	63	57	203	322
Saint Lucia	–	–	2	2
Saint Vincent and the Grenadines	–	–	9	9
Samoa	22	–	4	25
São Tomé and Príncipe	4	6	11	20
Senegal	41	16	679	736
Serbia	100	143	290	534
Seychelles	25	–	–	25
Sierra Leone	0	10	2	13
Slovak Republic	302	87	53	442
Slovenia	154	18	47	219
Solomon Islands	–	10	36	45
Somalia	–	8	–	8
South Africa	55	59	103	217
South Sudan	–	1	39	41
Sri Lanka	84	212	574	870
Sudan	5	–	13	18
Suriname	1	8	26	34
Swaziland	3	31	–	34
Tajikistan	149	34	232	415
Tanzania	243	138	549	930
Thailand	176	91	130	396
Timor-Leste	–	5	9	14
Togo	–	–	6	6
Tonga	15	8	1	24
Trinidad and Tobago	1	1	–	2
Tunisia	19	96	387	502
Turkey	2,582	2,135	1,790	6,507
Turkmenistan	1	1	6	8
Tuvalu	7	3	1	11
Uganda	124	15	166	305
Ukraine	940	865	833	2,638
Uruguay	139	100	113	352
Uzbekistan	61	55	270	386
Vanuatu	23	51	17	91
Venezuela	0	–	–	0
Vietnam	385	1,211	862	2,458
West Bank and Gaza	5	1	2	8
Zambia	68	20	140	228
Zimbabwe	12	18	24	54
Total	**25,096**	**27,441**	**35,219**	**87,756**

Note: The list of EU countries shown here for which data is presented in this report excludes other EU countries where the EIB supports climate action.

NOTES

European Bank for Reconstruction and Development
One Exchange Square
London
EC2A 2JN
United Kingdom

www.ebrd.com