GREEN FINANCE MAPPING REPORT 2019

FINDINGS IN 2018 DATA

EXECUTIVE SUMMARY

SEPTEMBER 2019

international development finance club

IDFC

supported by
Climate Policy Initiative

$134 billion in green finance in 2018

$670 billion total green finance since 2015

78% in home country of IDFC members

79% to Green energy and Mitigation of Greenhouse Gases

x1.5 growth in adaptation finance from 2017

22% of total new commitments in 2018 were green finance commitments

25% of finance to non-OECD countries were international commitments

Introduction and Context

Since 2011, IDFC has conducted a periodic mapping of member institutions' contributions to green finance.

While 2015-2017 saw strong, sustained growth in green commitments from IDFC members, findings from 2018 indicate a decrease from the record levels of 2017, in particular in the areas of mitigation and other, non-climate-related, environmental projects. Among other factors, the fall is due to cyclical macroeconomic policy evolutions in some countries impacting development banks' overall financial commitments and hence green finance levels, in particular in the areas of urban development and (to a lesser extent) hydro-power generation, which benefited from considerable support in recent years. However, many IDFC institutions show stable or increasing green finance commitments.

2018 Key Findings

- IDFC members reported total green finance commitments of $134 billion. Although this represents a 39% decrease from commitments in 2017, cumulative green finance commitments by IDFC members are over $670 billion since 2015.
- Green finance commitments represented approximately 22% of total new commitments reported by members. Green commitments have consistently been above one fifth of total IDFC investments since 2016.
- Climate finance – consisting of all activities related to mitigation of GHG emissions and adaptation to climate change – accounted for 93.3% of total green finance.
- Finance for green energy and mitigation of greenhouse gases was the largest category, representing 85% of climate finance.
- Adaptation represents 12.3% of climate finance, and commitments for adaptation to climate change increased by 57% from 2017. Following a second consecutive year of growth, commitments to adaptation projects have more than tripled since 2016.
- Projects containing elements of both mitigation and adaptation, though still a small proportion of climate finance at 2.7%, doubled in absolute terms.
- The remaining 6.7% of green finance went to other environmental finance, which includes waste and water management, biodiversity, and controlling industrial pollution. Commitments in this category fell by 63% compared to 2017.

Figure 1: IDFC Green Finance 2018 by theme (rounded)

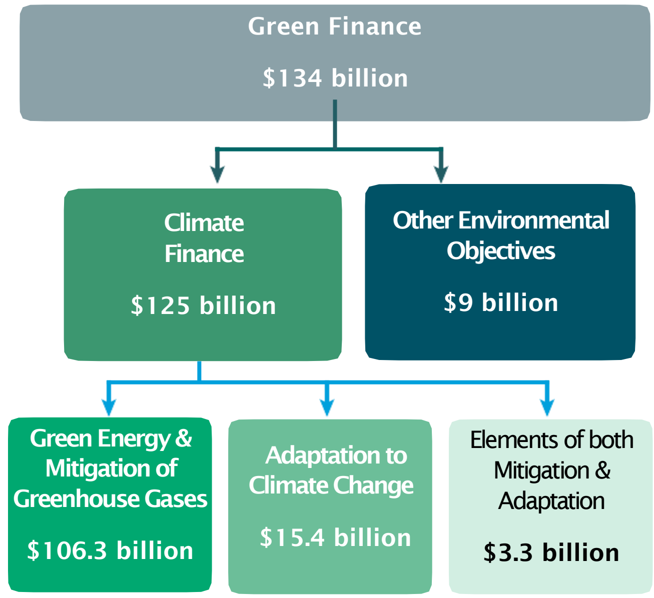


Figure 2: IDFC Green Finance 2015 -2018

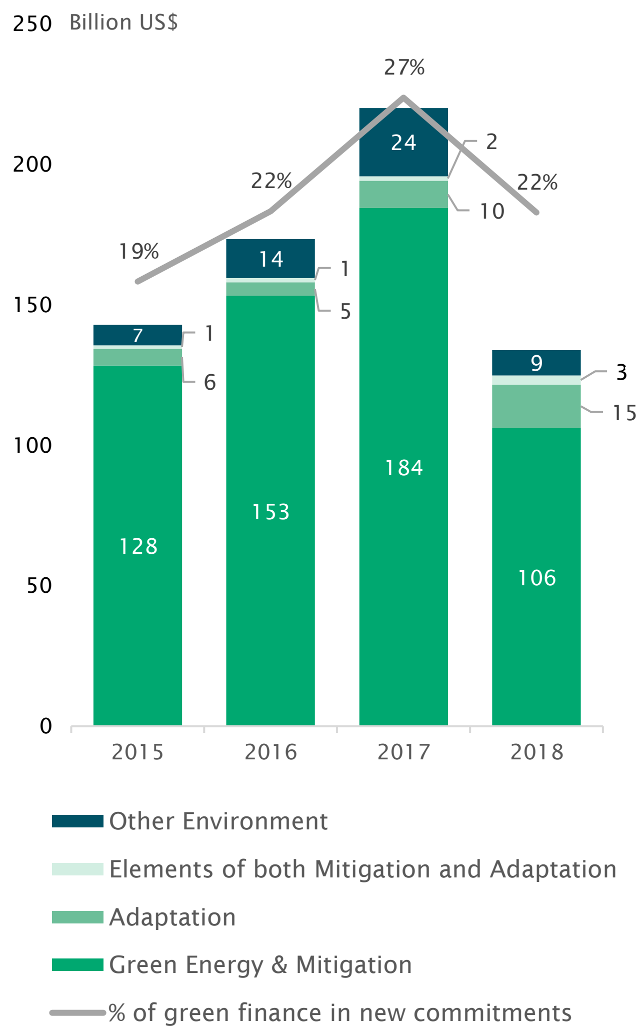
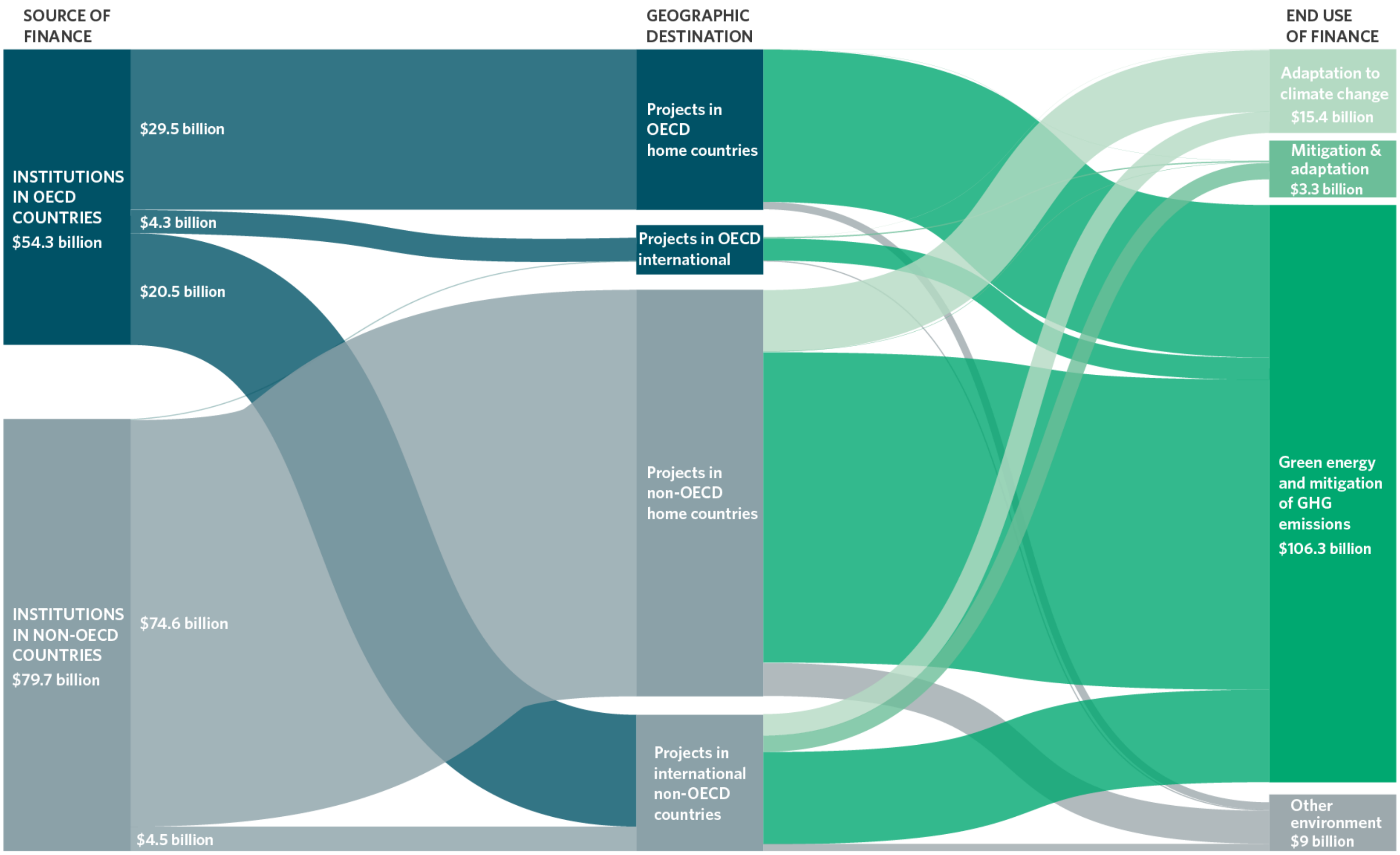


Figure 3:Green finance commitments in 2018 by origin, destination (OECD/non-OECD), and category



- IDFC institutions based in non-OECD countries committed $80 billion, a smaller proportion (59%) of the total than in previous years. This decrease reversed an upward trend in the non-OECD share of IDFC green finance, which reached 75% ($166 billion) in 2017 and 68% ($118 billion) in 2016.
- Green finance commitments have become more regionally balanced. While the East Asia and Pacific region again accounted for the largest share of commitments at 56%, this was lower than in 2017 (72%). As in 2016 and 2017, the East Asia and Pacific region was followed by the EU (22%), Latin America and the Caribbean (9%) and South Asia (6%), as the leading destinations of finance (Figure 4).
- The share of total green finance commitments made in the home country of the relevant IDFC member institution was 78% ($104 billion), while 22% ($30 billion) was spent internationally.
- Flows from institutions in OECD countries to non-OECD countries represented 69% ($21 billion) of international green finance commitments.
- Flows from institutions in non-OECD countries represented 17% ($5 billion) of international green finance commitments.
- Most commitments were provided in the form of loans, at $129 billion, or 96% of total green finance (down from 97% in 2017), while $3.4 billion, or 2.3% of commitments, were provided in the form of grants (up from 1.5% in 2017).

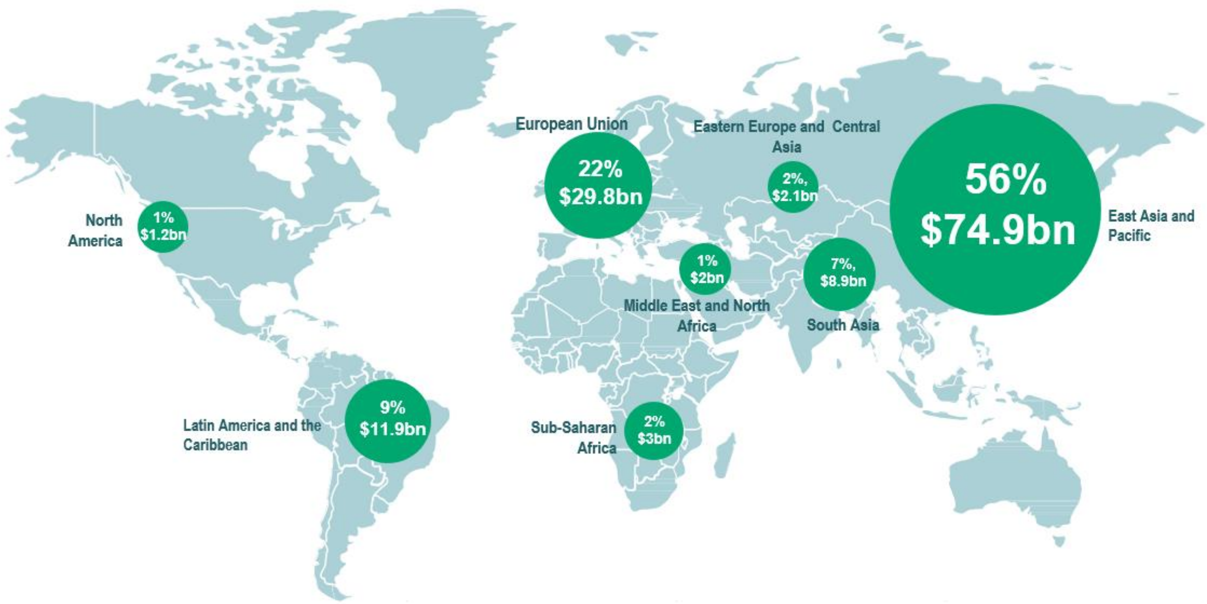
Improving Green Finance Mapping Methodology

To inform this exercise, IDFC members complete a survey template, from which the data are checked for consistency and aggregated. The number of reporting institutions for 2018 is 17 out of 24.

The IDFC survey uses the Multilateral Development Banks (MDBs) and IDFC Common Principles for Climate Mitigation and Adaptation Finance Tracking. The specific list of reporting institutions and reporting coverage across all categories vary from year to year. Following the Common Principles, uncertainty is overcome via the principle of conservativeness where climate finance is preferred to be under-reported rather than over-reported. In particular, adaptation commitments are expected to be conservative, since activities which count as adaptation are broadly context-specific and institutions are not always able to apply consistent category markers.

Another challenging area of reporting is estimating private sector co-investment mobilized by IDFC members. IDFC could consider developing and applying common methodologies to estimate, track and report on private finance mobilized in coming years, potentially via the pilot IDFC Climate Facility, launched in September 2019. The Facility will help build capacity and knowledge among member institutions to work on climate objectives. Improved reporting can help increase the effectiveness and catalytic potential of green finance committed by IDFC members.

Figure 4: Regional distribution of green finance in 2018



ABOUT IDFC

IDFC, created in 2011, is a leading group of 24 national and regional development banks from all over the world. IDFC members have the unique function of supporting domestic policies while transferring international priorities into their own constituencies. IDFC members are aligned with and work together to implement the Sustainable Development Goals (SDGs) and the Paris Climate Agreement agendas. Through IDFC, and in close partnership with other development bank networks, members join forces as a platform to promote and leverage sustainable development investment worldwide.

The green mapping report exists to illustrate the contributions that IDFC members provide to green and climate finance. The report is constantly improving the reporting methodology and hopes to further member efforts in tracking and reporting on green finance flows.

More information about the IDFC can be found at www.idfc.org. This year's green mapping report was prepared with the support of Climate Policy Initiative (www.climatepolicyinitiative.org)

IDFC Members

- Agence Française de Développement (AFD)
- Banco del Estado de Chile (BE)
- Bancóldex S.A.
- Banco Nacional de Desenvolvimento Econômicoe Social (BNDES)
- Banque Ouest Africaine de Développement (BOAD)
- Black Sea Trade and Development Bank (BSTDB)
- Development bank of Latin America (CAF)
- Caisse de Dépôt et de Gestion (CDG)
- Cassa depositi e prestiti (CDP)
- Central American Bank for Economic Integration (BCIE/CABEI)
- China Development Bank (CDB)
- Corporación Financiera de Desarrollo S.A. (COFIDE)
- Croatian Bank for Reconstruction and Development (HBOR)
- Development Bank of Southern Africa (DBSA)
- The Eastern and Southern African Trade and Development Bank (TDB)
- Industrial Development Bank of Turkey (TSKB)
- Islamic Corporation for the Development of the Private Sector (ICD)
- International Investment Bank (IIB)
- Japan International Cooperation Agency (JICA)
- KfW Bankengruppe
- Korean Development Bank (KDB)
- Nacional Financiera (NAFIN)
- Small Industries Development Bank of India (SIDBI)
- State Development Corporation (VEB)