CLIMATE FINANCE FORUM 2015
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Sharing solutions in developing countries

Common principles for tracking climate mitigation finance
Collaboration on climate adaptation finance

The international community recognizes the need to join forces to avert dangerous climate change. This requires mobilizing financial resources from a wide range of sources, public and private, bilateral and multilateral, including alternative sources. Tracking and reporting financial flows that support climate change mitigation and adaptation is therefore becoming increasingly important, not only to build trust and accountability with regard to climate finance commitments, but also to monitor trends and progress in climate-related investment.

In this context, ahead of the Addis Ababa conference on Financing for Development and COP 21 in Paris, the group of Multilateral Development Banks (MDBs) Jointly Reporting on climate finance – comprising 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 (IDB), and the International Finance Corporation (IFC) and World Bank (IDA/IBRD) from the World Bank Group (WBG) – and the International Development Finance Club (IDFC) – group of 22 leading national, regional and international development finance institutions from across the world, 19 of which are from developing countries and regions – have been supporting ongoing efforts of the international community to transparently track and disclose global climate adaptation and mitigation finance commitments. Both groups have independently published climate finance figures for the past three years.

MDBs have been gradually mainstreaming climate into their operations and dedicate a significant share of overall lending to climate action, having collectively financed, in developing and emerging economies, nearly USD 75 billion in climate action between 2011, when they began jointly tracking climate finance, and 2013, as shown in their Joint Reports.

Similar to the MDBs, IDFC produces yearly reports mapping the club’s green and climate finance activities. IDFC’s climate financing has grown rapidly over the past three years, with total flows reaching USD 87 billion in 2013. This includes USD 55 billion of climate financing in developing countries, of which USD 15 billion correspond to North-South flows.

Existing analytical work aiming to map public and private climate finance flows, like the yearly Landscape of Climate Finance reports coordinated by the Climate Policy Initiative (CPI), highlights the pivotal role that development banks have played in the landscape of climate finance tracking. These reports emphasize that transparent, credible and comparable climate finance is essential to ensure effective and immediate climate action. They also strengthen the demand for greater transparency and consistency within climate finance across the broader international community. The first biennial report on climate finance from the Standing Committee of the United Nations Framework Convention on Climate Change (UNFCCC) underlines similar findings, making references to similar efforts seeking climate finance accuracy undertaken by the OECD-DAC review or DFIs' regular reporting.

With this background, the MDBs and IDFC have worked together over the past year to bring their approaches on climate mitigation finance tracking closer. Both groups present today a set of common principles, guidelines and definitions through the *Common Principles for Climate Mitigation Finance Tracking* – in annex. Such principles form the basis by which both groups will continue to report their climate mitigation activities. MDBs and IDFC will continue their collaborative effort to constantly improve the quality, robustness and consistency of mitigation finance accounting. This includes further refining and/or providing minor amendments to some descriptive elements of the Common Principles and its related activity list, in order to facilitate their implementation, by the end of July. More generally, both groups will continuously work on improving data transparency, collection processes, and comparability of reporting.

Regarding climate adaptation finance, acknowledging the greater difference in its tracking approaches, MDBs and IDFC have agreed to work jointly to improve understanding on definitions of the different approaches and principles. Considering adaptation as a development crosscutting issue, both groups will also collaborate on methods to define such principles. MDBs and IDFC shall aim for reaching reasonable progress on this process by June 2015.

The MDBs and IDFC hope that these concrete efforts, which are voluntary and do not preclude international mandatory standards under the UNFCCC, will contribute to a better harmonization and transparency of reporting standards with other financial institutions that are in the process of tracking climate finance. Both groups invite all interested financial stakeholders to join this effort and refer to these *Common Principles for Climate Mitigation Finance Tracking*. Further alignment of climate finance tracking modalities within the financial community will be crucial to reach an ambitious agreement in Paris in December.

Annex : Common Principles for Climate Mitigation Finance Tracking