Role of MDBs in Financing Climate Resilience Technologies

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Who We Are and What We Do

We are a multilateral development bank with a mission to finance the Infrastructure for Tomorrow (i4t). We enable clients to build i4t—green infrastructure with sustainability, innovation and connectivity at its core. We do this by unlocking finance that brings this vision to fruition. As our clients succeed in building i4t, society shares in that success.

How We Do It

We adapt and innovate constantly to deliver customized investment solutions that overcome the challenges our clients face. Clients count on our responsiveness and resilience to help them meet their objective even during the most difficult times.

Why We Do It

Prosperity and economic development for Asia is our goal. To realize this, we facilitate the i4t that empowers regions and their people with access to physical, digital and social services. This in turn contributes to local, regional and global sustainability.
AIIB Invests in i4t

Merely seven years old, AIIB’s mission financing Infrastructure for Tomorrow (i4t) reflects the bank’s firm commitment to build technologically-enabled sustainable solutions. i4t unlocks new capital, new technologies and new ways to address climate change and to connect Asia, and the world.
AIIB’s Four Thematic Priorities

AIIB’s investment across infrastructure and other productive sectors should ordinarily add value through one or more of the four cross-cutting themes of i4t:

**Green Infrastructure**
- Climate mitigation and/or climate adaptation potential, based on eligibility criteria set out under the joint MDB principles and methodology for tracking climate mitigation and adaptation finance
- Other environment benefits, such as activities based on the International Development Finance Club’s (IDFC) eligibility list (e.g. industrial pollution control, waste management, etc.)

**Connectivity and Regional Cooperation**
- Domestic Connectivity – projects that increase capacity or remove bottlenecks between major urban centers or key economic areas
- Cross-Border Connectivity – projects involving physical connections across borders and node infrastructure; projects enhancing regional integration through direct facilitation of cross-border flows of goods, services, people, capital and data.

**Technology-enabled Infrastructure**
- Investments in technologies for infrastructure
- Application of technology to infrastructure
  Technology is expected to dramatically change the way infrastructure is designed, constructed and operated by delivering better value, productivity, efficiency, resilience, sustainability, inclusion, transparency or better governance along the entire project lifecycle. Technologies need to be new or recent for the country and sector and should clearly improve infrastructure quality.

**Private Capital Mobilization**
- Direct Mobilization: financing from a private entity is committed due to the active and direct involvement of AIIB.
- Indirect Mobilization: financing from a private entity is committed to a project for which AIIB is providing financing but did not play an active or direct role that leads to the commitment.
Infrastructure needs and climate change impacts in Asia

• Physical assets and infrastructure in Asia are expected to bear the brunt of losses under a changing climate: by 2050, 75% of the USD1.6 trillion global annual damage to capital stock from riverine flooding alone will occur in Asia.

• To maintain its growth momentum and tackle remaining poverty in the region, developing Asia will need to invest USD1.5 trillion annually in infrastructure until 2030.

• In 2020, overall disaster loss in Asia amounted to USD67 billion, and it is estimated that the growth in average annual disaster losses will outpace gross domestic product growth in the region.
COP27 Adaptation Agenda

Through initiatives such as the Sharm-El-Sheikh Adaptation Agenda, MDBs could help in mobilizing its own financing and private capital for technological development that builds resilience and achieves the following targets/objectives

**IRRIGATION**
Sustainable irrigation systems implemented across 20% of global croplands to preserve water availability and support yield growth

**SMART WARNING**
Smart and early warning systems to reach 3 billion people

**ENERGY GENERATION**
A diverse set of energy generation sources to enable affordable access to electricity for 679 million unconnected and higher quality access for 1 billion underserved

**TRANSPORT**
Transport infrastructure to be made resilient to climate hazards through adoption of new technology, design and materials
Adaptation technologies - key solution

• There’s a clear link between mitigation and adaptation technologies
• The feasibility of implementing adaptation options in the near-term differs across sectors and regions
• Effectiveness of adaptation will decrease with increasing warming
• Urban and infrastructure sectors, adaptation technological solutions include green infrastructure and ecosystem services; sustainable urban water management;
• Energy sector options include resilient power systems and energy reliability

Source: IPCC report
MDBs and Climate Finance

- Each year, MDBs issue a joint climate finance report, providing an overview on the nine multilateral development banks’ contribution to climate finance, including mitigation and adaptation, low- and middle-income and middle- and high-income economies.

- In 2021, MDBs provided around $51 billion (62% of overall MDB climate finance) in climate finance to low- and middle-income economies.

- Of this total, $33 billion (65%) was for mitigation and $17 billion (35%) for adaptation.

- Central, South and East Asia and the Pacific receives largest amount of adaptation finance, totaling $5.83 billion.

Figure 5. MDB adaptation finance by region in low- and middle-income economies, 2021 (in $ million)

- Central Asia $485 million
- East Asia and the Pacific $2,308 million
- Europe: EU $98 million
- Europe: Non-EU $542 million
- Latin America and the Caribbean $2,984 million
- Middle East and North Africa $1,100 million
- South Asia $3,034 million
- Sub-Saharan Africa $6,847 million
- Multi-regional $214 million

Source: 2021 Joint MDB report
AIIB CLIMATE FINANCE IN 2022

In 2022, AIIB's climate finance amounted to 56% of total approved regular financing, up from 48% in the previous year.

- AIIB climate finance is estimated using the joint MDB climate mitigation and adaptation finance tracking methodologies. 5% of climate adaptation finance had dual benefits of mitigation and adaptation.
- AIIB climate finance for 2022 excludes financing approval through the COVID-19 Crisis Recovery Facility.

CLIMATE FINANCE TARGET: 50% OF TOTAL APPROVED REGULAR FINANCING BY 2025

ALIGNMENT OF NEW INVESTMENT OPERATIONS WITH THE GOALS OF THE PARIS AGREEMENT BY JULY 1, 2023
Lightsmith Climate Resilience Partners is a specialist growth private equity fund with a strategy focusing on global climate resilience solutions. The Fund plans to make growth equity investments in companies that build resilience to the physical damage and disruption, risk and volatility, and resource scarcity that are being increased by climate change. The Fund is the first dedicated private equity investment strategy focused on climate resilience and adaptation solutions.

The Fund will target the following three types of companies for efficient, sustainable, and resilient infrastructure: (i) software, data and analytics; (ii) technology-enabled products; and (iii) technology-enabled services.

AIIB approved the project in August 2020.
AIIB’s VC Investment Program invests in innovative and transformative technologies and new business models that would contribute to climate mitigation efforts and lead to improving traditional infrastructure's resilience and adaptation to climate change. The Program aims to develop innovation and greater VC investment in AIIB members by primarily investing in early-stage (Pre–Series A and Series A–B) technologies and new business models through small-scale VC funds that focus on Energy Access, ClimateTech, CleanTech, Carbon accounting-related tech, Resource Efficiency and Sustainable Cities.

AIIB approved the program in August 2022.

Multicountry VC Investment Program

AIIB Funding
USD 130 Million

Eligible Investment
Climate technologies

Review
Regular monitoring of the Fund’s activities

AIIB approved the program in August 2022.
Technological solutions to support adaptation

Some of the solutions that help in addressing resilience

AI driven intelligent fleet and vessels management

Smart Grid

Smart Meters and Analytics

Climate Information modelling and data collection

Source: IIoT World

Source: Adobe stock
Infratech Platform – Public Web Portal

Infratech Platform promotes and facilitates increased development and adoption of Infratech through knowledge sharing on solutions, use cases, and vendors.

Focus sectors
Technologies for all AIIB’s infrastructure sectors are included

- Climate
- Energy
- Transport
- Sustainable Cities
- Water
- Digital Infrastructure
- Social Infrastructure

Functionality
- Browse solutions through various filters: e.g. (sub-) sectors, type of technology, lifecycle / value chain
- Upload new solutions and relevant content
- Contact authors, vendors, and other users

Content per solution
- Solution description and key benefits
- Technology components (sensors, analytics, AI, etc.)
- Market overview (size, growth, in which geographies the solution is widely used)
- Vendors (companies that sell the solution)
- Case studies (stories of successful adoption)
Thank you!

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