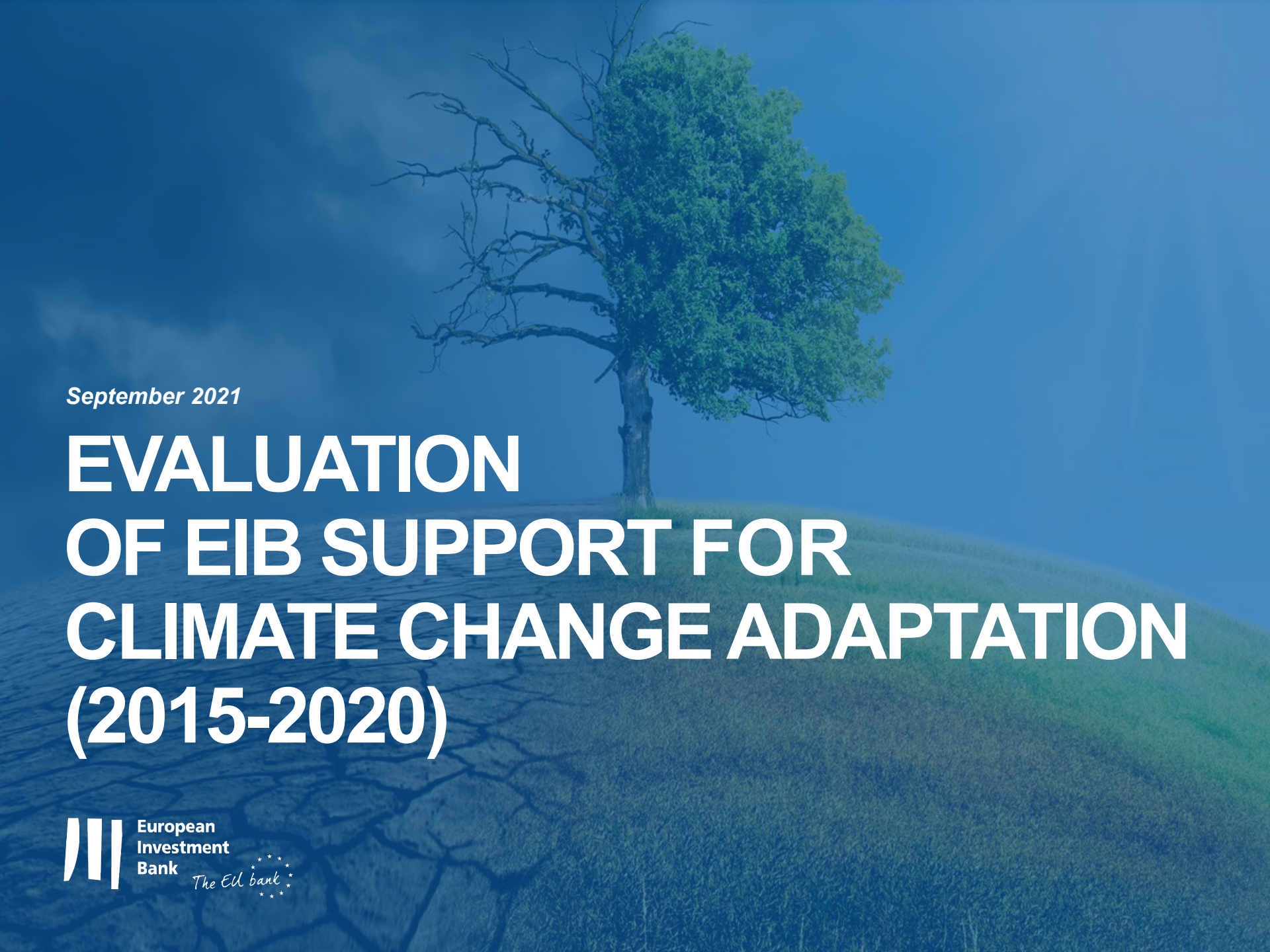


September 2021

EVALUATION OF EIB SUPPORT FOR CLIMATE CHANGE ADAPTATION (2015-2020)

European Investment Bank

The EU bank

Team members

This evaluation was carried out by the EIB's Evaluation Division, under the supervision of Sabine Bernabè, Head of Evaluation.

Team Leader	Eric Buhl Nielsen (external consultant — PEM)
Evaluators	Milena Reinfeld (EIB Evaluation Division)
	Mónica Lledó Moreno (EIB Evaluation Division)
	Pierre Froidure (EIB Evaluation Division)
	Sus Ulbaek (PEM consult)
	Stephanie Robert Oksen (PEM consult)
	Xianfu Lu (independent consultant)
Assistant	Marcela Verónica Bordon (EIB Evaluation Division)

The team would like to thank the management and staff of the European Investment Bank for their insights and information, and also for providing extensive interactions and feedback. The team is moreover grateful to staff in the Asian Development Bank, Council of Europe Development Bank, European Bank for Reconstruction and Development, Caisse des Dépôts et Consignations, Kreditanstalt Für Wiederaufbau, the World Bank, the European Commission and EIB clients for making themselves available for interviews.

The EIB's Evaluation Division remains fully responsible for the content of this evaluation report.

Acronyms

ADB	Asian Development Bank	**FIA**	**Financial Instrument Advisory**
AFS	Approval Fact Sheet	**GDP**	Gross domestic product
AIM	Additionality and Impact Measurement framework	**IFC**	International Finance Corporation
AS	Advisory service	**IFA**	Innovation finance advisory
BoD	Board of Directors	**JASPERS**	Joint Assistance to Support Projects in European Regions
CA	Climate action	**KfW**	Kreditanstalt Für Wiederaufbau
CBR	Climate Bank Roadmap	**MBIL**	Multi-beneficiary intermediated loan
CC-A	Climate change adaptation	**MC**	Management Committee
CC-M	Climate change mitigation	**MDB**	Multilateral development bank
CDC	Caisse des Dépôts et Consignations	**OPS**	EIB Operations Directorate
CEB	Council of Europe Development Bank	**PIN**	Preliminary Information Note
CRA	Climate Risk Assessment	**PJ**	EIB Projects Directorate
EBRD	European Bank for Reconstruction and Development	**PPG**	Public policy goals
ECSO	Environment, Climate and Social Office	**RDI**	Research, development and innovation
EIA	PJ environmental impact assessment	**RSS**	Resilience rating system
EIAH	European Investment Advisory Hub	**TA**	Technical assistance
ERI	Economic Resilience Initiative	**UNEP**	United Nations Environment Programme
EU	European Union	**WB**	World Bank

Contents

Executive summary

The main objective of the evaluation was to provide an independent assessment of the internal and external barriers and opportunities for increasing EIB support for climate change adaptation to feed into the EIB Adaptation Plan that is being developed.

The evaluation began by recognising that despite commitments in the 2015 EIB Climate Strategy to increase the adaptation portfolio, EIB financing support for climate change adaptation has remained low.

During the 2015-2020 period, the volume of climate change adaptation recorded by the Bank remained at 1-2% of total annual lending (€ 6.9 billion in total), reaching a peak in 2020 (3.7% of EIB lending).

The evaluation built on various methods :

- A portfolio review
- Review of policies and strategies
- Review of the EIB mode of operation, product offer, procedures and tools
- Stakeholder interviews
- Case studies - countries, sectors/projects
- Staff survey

More than 60 interviews were held with internal and external stakeholders as well as three focus group discussions to test early findings. The evaluation drew on a sample of 22 projects from three countries in the European Union and three non-EU countries. Over 60% of the Bank staff involved in climate change adaptation responded to a staff survey.

The overarching conclusion of the evaluation is that **the current level of adaptation financing does not meet the Climate Bank Roadmap vision of the EIB as the EU climate bank.**

The evaluation drew conclusions that reflect on i) the current situation, ii) explanatory factors and iii) implications for the Bank.

Despite a policy environment that provides a positive starting point, EIB lending for climate change adaptation has remained low. While EIB investments are on track to be 'climate-proofed', the Bank has not yet operationalised how to contribute to projects that enable climate change adaptation and build climate resilience.

Key factors that can explain the current low contribution to climate change adaptation include the following:

- Despite the urgency and increasing scale of investment needs, there are significant data and knowledge related constraints that are affecting client demand and the identification and preparation of bankable climate change adaptation projects.
- The EIB has developed its adaptation skills but does not yet have the critical mass (in terms of both staff skills and numbers) necessary to be considered an 'adaptation go-to bank'.
- The EIB business model limits how far it can provide upstream support to clients that are not able or ready to develop bankable climate change adaptation projects.
- The use of financial investment volumes, although relevant, is problematic as the sole metric for adaptation, as it does not fully capture the Bank's contribution to climate change adaptation.

For the EIB, increasing support for climate change adaptation implies significant and difficult trade-offs involving greater investment in staff, greater upstream engagement and use of advisory services, and access to concessional finance or grants. This will add costs and require changes in the business model.

Executive summary

The evaluation also noted that some multilateral development banks have a large share of climate change adaptation projects in their portfolio.

Based on desk research and interviews with multilateral development bank staff, the evaluation found that the higher shares of climate adaptation are mainly linked to:

- Business models that enable upstream engagement, product offers conducive to adaptation and greater access to grant resources.
- Strengthening of technical and human resources (skills and numbers).
- Recognition of the intricate link between climate change adaptation and development which opened up opportunities for contributing to, and mainstreaming, climate change adaptation across a wide range of interventions.

The other multilateral development banks operate mainly in developing or emerging economies, where climate change adaptation needs, entry points, reliance on external funding and the economic development context are different, making a direct comparison with the EIB as a whole difficult.

Recommendations

The evaluation issues five recommendations, with the first recommendation focused on a strategic decision, that is supported by the recommendations that follow.

1) To meet the vision set out in the Climate Bank Roadmap, the Bank should take a decision on how to address the implications on its business model.

2) Enhance EIB capacity to engage in climate change adaptation, especially with regards to staff skills and numbers.

3) Further develop a means of measurement beyond volume that reflects the adaptation outcomes to which the EIB contributes.

4) Engage proactively and work upstream to support informed client demand and the development of bankable projects.

5) Develop an internal and external communication strategy with high-level support to prioritise climate change adaptation.

In support of these recommendations, the evaluation presents two scenarios that would allow the Bank to meet its climate ambition as spelled out in the Climate Bank Roadmap covering inside and outside the European Union: "adjust and intensify" and "change radically".

Management Response

The Management Committee welcomes the valuable conclusions of the evaluation of EIB support for climate change adaptation. The Management Committee agrees with the recommendations proposed in the Evaluation Report, and recognises that the EIB's current contribution to support adaptation investment needs to be strengthened in line with the vision of the EIB as the EU Climate Bank.

The implementation of the evaluation recommendations will be coordinated with the development and implementation of the EIB Adaptation Plan, currently under development and planned for release towards the end of 2021. The EIB Adaptation Plan and its Action Plans will identify next steps and actions for implementing the evaluation recommendations, with Action Plans formulated to respond to the recommendations.

The Management Committee would like to thank the Inspectorate General for the evaluation and its actionable recommendations for shaping future EIB support to climate change adaptation.

Management Response

Recommendation 1

To meet the vision set out in the Climate Bank Roadmap, the Bank should take a decision on how to address the implications on its business model.

Management Response: Agreed

The Management Committee recognises the finding that the current EIB contribution to support adaptation investment needs to be strengthened in line with the vision of the EIB as the EU Climate Bank, as described in the Climate Bank Roadmap (CBR).

This recommendation will be taken forward through the implementation of the EIB's first dedicated plan on climate change adaptation (the EIB Adaptation Plan). As described in the CBR, this detailed plan will set out how the Bank will enhance its support for adaptation, with specific action plans, prioritisation and initiatives identified.

Recommendation 2

Enhance EIB capacity to engage in climate change adaptation, especially concerning staff skills and numbers.

Management Response: Agreed

Recommendation 2 – detailed Management Response

The Management Committee agrees with the recommendation to enhance EIB's capacity to engage in climate change adaptation with a focus on staff skills and numbers. This recommendation echoes the CBR 'Focus area for green investment # 1: Building greater resilience to climate change', which highlighted the need to further develop EIB capacity on adaptation, including by enhancing tools such as project-level assessment of physical climate risk, alongside strengthened internal training.

While the EIB Adaptation Plan will address the Bank's capacity to support climate change adaptation, a number of ongoing efforts will be strengthened to address the recommendation:

- The Bank will enhance its Climate Risk Assessment (CRA) tool to further boost the resilience of the Bank's investment projects, reduce climate-related losses and identify low cost adaptation options following an initial piloting phase since its introduction in 2019.
- Consideration will be given to ways to reinforce EIB knowledge, skills, guidance material and tools required to make projects more resilient to climate change and to identify a larger portfolio of adaptation opportunities in support of the Climate Bank Roadmap.
- The EIB will continue to seek partnerships with external centres of excellence specialised on adaptation for example with the Global Center on Adaptation and Copernicus Climate Services to enhance the EIB skillset and support clients build their own adaptive capacity.
- Dedicated adaptation questions will be added to the annual EIB Investment Survey in 2022-2023 to gain a deeper insight to our clients' adaptation readiness.

The EIB Adaptation Plan and its Action Plans will consider ways to strengthen advisory services where relevant, and other activities to support clients in making climate informed decisions, recognising the limits posed by EIB's dependence on external mandates.

Management Response

Recommendation 3

Further develop a means of measurement beyond volume that reflects the adaptation outcomes that the EIB contributes to.

Management Response: Agreed

The Management Committee agrees with this recommendation. The Bank will assess the extent to which it can adopt measurement approaches that go beyond volume and reflect the outcomes of EIB adaptation finance.

Recommendation 4

Engage proactively and work upstream to support informed client demand and development of bankable projects.

Management Response: Agreed

The Management Committee agrees with the recommendation to engage proactively and work upstream to support informed client demand and development of bankable projects.

The EIB Adaptation Plan will address this recommendation by proposing a number of activities to strengthen EIB provision of technical assistance and advisory services to clients within and outside the EU. This assistance will aim to support the identification, preparation, development, implementation and financing of adaptation projects. Furthermore, the EIB will explore options for dedicated concessional financing for adaptation.

Recommendation 5

Develop an internal and external communication strategy with high level support to prioritise climate change adaptation.

Management Response: Agreed

The Management Committee agrees with the recommendation to develop an internal and external communication strategy with high-level support to prioritise climate change adaptation once a decision has been taken on recommendation 1.

It is proposed that the development of this communication strategy is aligned with the development, launch and implementation of the EIB Adaptation Plan and its associated Action Plans.

The current EIB communication plan for climate action and environmental sustainability already envisages communication activities around the EIB Adaptation Plan. Once the EIB Adaptation Plan is launched, the Bank will step up its external and internal communication efforts in order to spread the main messages.

Evaluation context and approach

Adaptation is context-specific, difficult to measure and more dependent on advisory and technical assistance inputs than mitigation

***Adaptation** deals with the consequences of climate change by reducing vulnerability and exposure to the risks associated with climate change, variability and extreme climate events, such as floods, storms, droughts and heatwaves.*

Examples of adaptation investments are water distribution systems to improve efficiency, flood defence infrastructure and climate research.

***Mitigation** addresses the causes of climate change by reducing greenhouse gas emissions.*

Examples of mitigation investments are windfarms, solar panels, and, low-carbon modes of transport.

Comparison of key features underpinning investment between mitigation and adaptation

Adaptation
Location, hazard-specific (high demand for information at local and granular level)

Data

Mitigation
Characteristics of mitigation technologies under consideration (high level of replicability across geographies)

Mitigation
Often involving infrastructure, capital intense (leading to high finance volume)

Adaptation
Often involving "soft", no/ low-capital measures (not leading to high finance volume)

Interventions

Mitigation
- Global public good (high level of political visibility)
- Easy reduction in greenhouse gas emissions (relatively easy to measure)
- Near-term and direct cash flow (more conducive to investment)

Outcomes

Adaptation
- Local public good (not leading to political visibility)
- Reduction in vulnerability or increase in resilience (lack of universal metrics and hard to measure)
- Economic and financial benefits taking longer to realise (lack of near-term revenue stream)

Source: Adapted from Figure 2 of OECD (2021)

Climate change adaptation involves two types of projects: i) climate proofing and ii) projects that build resilience

Adaptation: The process of adjustment to actual or expected climate and its effects. In human systems, adaptation seeks to moderate or avoid harm or exploit beneficial opportunities. In some natural systems, human intervention may facilitate adjustment to expected climate and its effects.

(Source: AR5 Synthesis Report - Climate Change 2014 (ipcc.ch) - *Glossary on page 117)*

The EIB recognises two main types of climate change adaptation projects:

- Investments that are adapted to climate change
- Projects that enable adaptation to climate change and build resilience to climate change

Examples of adapting investments to climate change

The EIB supported the construction and modernisation of roads where the design of the infrastructure was adapted to consider heavy rainfall and avoid flooding.

Examples of investments enabling climate change adaptation

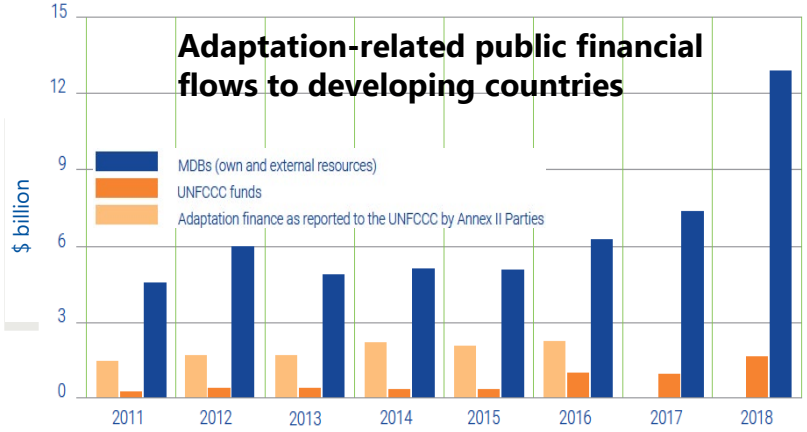
The EIB supported leading companies in the agricultural sector with research to create new seeds more resilient to climate change.

The need for adaptation is compelling, both inside and outside the European Union

''Meeting the goals of the Paris Agreement requires massive investments across all sectors of the economy to adapt and build greater resilience to climate shocks.'' (Climate Bank Roadmap, 2020)

Outside the European Union:

Climate adaptation finance flows have increased over the last decade (see graph on the right), **but the investment gap compared to needs is large and growing. The annual adaptation investment needs in developing countries are currently in the range of $ 70 billion,** will reach $ 140-300 billion per year by 2030, and $ 280-500 billion in 2050[1]. In addition, an estimated $57–95 trillion worth of infrastructure is expected to be built by 2030 and needs to be made resilient to climate change[2].



(Source: Figure 4.3 of UNEP Adaptation Gap Report 2020)

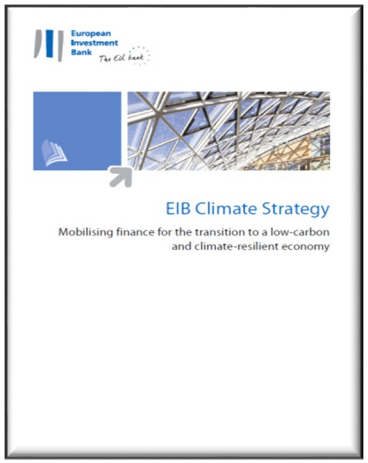
Inside the European Union:

The adaptation investment need in the European Union is estimated at $ 27-40 billion per year by 2030; and is focused on water (water supply infrastructure and flood management — $ 22 billion per year) and resilient infrastructure in all sectors ($ 4-17 billion per year). **The adaptation investment gap in Europe is difficult to estimate, but experience suggests the gap is sizeable relative to the total investment need[3].**

The cost of inaction is high: In the European Union, losses from extreme weather events already average over € 12 billion per year. Conservative, lower bound estimates show that exposing today's EU economy to global warming of 3°C above pre-industrial levels would result in an annual loss of at least € 170 billion (1.36% of EU gross domestic product)[4], much of which will be felt in the private sector.

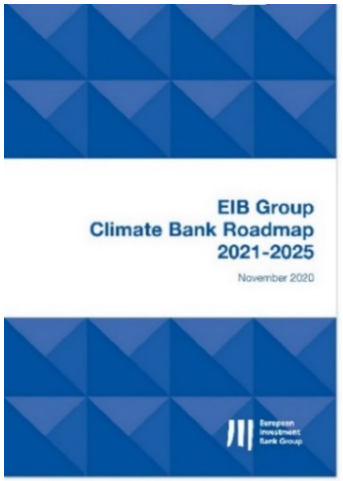
[1] United Nations Environment Programme (UNEP) 2018. "The Adaptation Gap Report 2018." Nairobi. https://www.unenvironment.org/resources/adaptation-gap-report
[2] World Bank Group (WBG) 2021. "Enabling Private Investment in Climate Adaptation & Resilience." Washington DC. http://hdl.handle.net/10986/35203
[3] Internal EIB analysis, June 2019
[4] *https://ec.europa.eu/jrc/en/peseta-iv/economic-impacts*

On paper, the EIB framework for adaptation is strong



The 2015 EIB Climate Strategy includes a commitment to assess physical climate risks of EIB investments and to increase the portfolio of adaptation projects financed.

- Reinforcing the **impact** of EIB climate financing
- Building **resilience** to climate change
- Further **mainstreaming climate change considerations** across EIB standards, methods and processes



The Climate Bank Roadmap sets out an increased level of ambition for the EIB Group, transforming it from a bank supporting climate to the EU climate bank. An increase in adaptation financing is a central component of this vision and includes commitments to i) strengthen efforts to adapt operations to climate change; ii) pursue investments in climate-resilient technologies, products and services and iii) work with clients to develop their approaches to climate resilience.

- **Increase finance for climate action** and environmental sustainability to at least 50% by 2025
- **Align** all new finance with the principles and goals of the Paris Agreement
- **Support € 1 trillion of investment in climate action and environmental sustainability** from 2021 to 2030

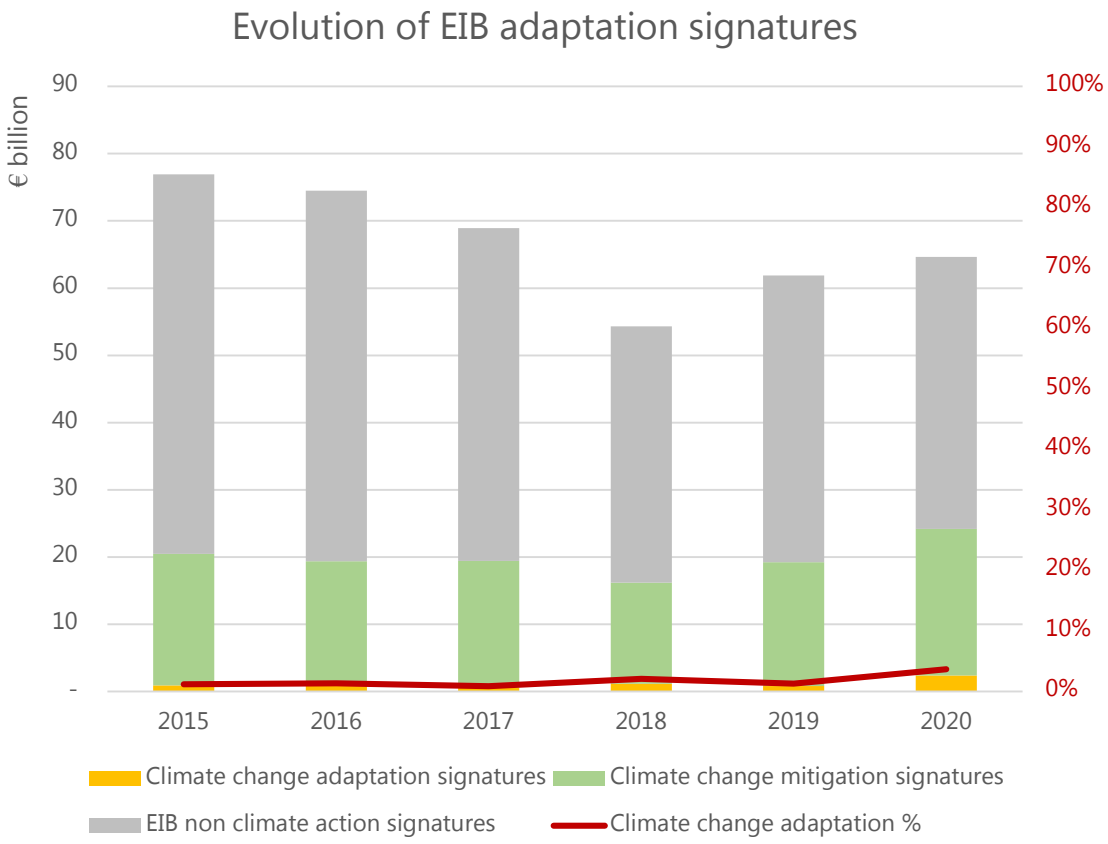
Despite commitments made in the EIB Climate Strategy, financing for climate change adaptation has remained low

Adaptation financing is an area where the EIB Group "needs to substantially increase its efforts" (Climate Bank Roadmap, 2020)

The EIB Climate Strategy (2015) included a commitment to increase the portfolio of adaptation projects financed. The evaluation looked at the period 2015-2020 (covering the initial EIB Climate Strategy).

Despite the commitments made in the 2015 Climate Strategy, EIB financing support for climate change adaptation has remained at around € 1 billion a year (1-2% of EIB annual lending), with the exception of 2020, where there was an increase in support for adaptation to close to 4% (or € 2.4 billion)[5].

This low level of financing for climate change adaptation is not compatible with the vision of the EIB as the EU climate bank set out in the Climate Bank Roadmap, which makes reference to the development of an EIB plan to enhance support for adaptation.



Source: Portfolio review

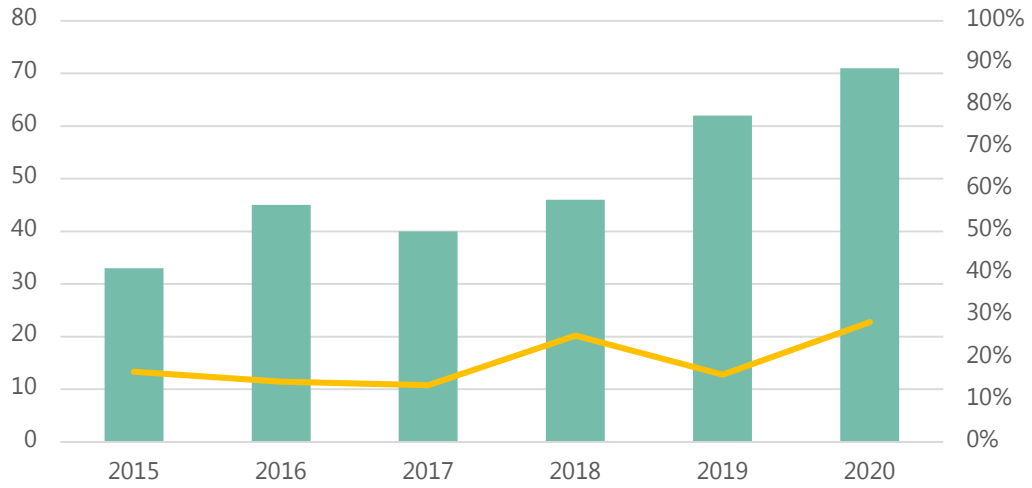
[5] The introduction and implementation of the Climate Risk Assessment system in 2019 is likely to be one of the factors that has contributed to the increase. It has raised awareness and understanding among EIB staff and (to a lesser extent) with promoters.

10% of EIB operations included an element of climate change adaptation[6]

For the 2015-2020 period around 10% (259 out 2600+) of EIB operations included an element of support for climate change adaptation. In total, the adaptation components of these 259 operations amounted to € 6.9 billion of EIB adaptation financing. For these operations, the support dedicated to climate change adaptation represented an average of 20% of the EIB financing.

In comparison, in the same period almost 70% of EIB operations included mitigation components, with the mitigation share in projects amounting to an average of 30% of EIB financing.

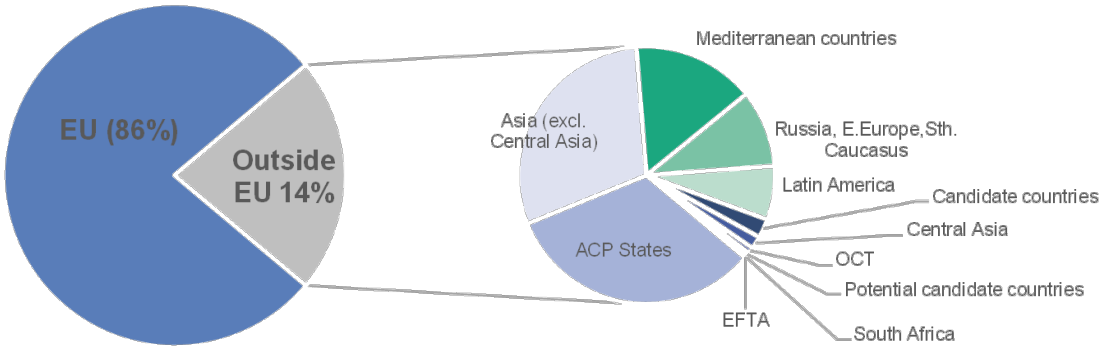
Evolution of the number of operations **that include support for adaptation**



Source: Portfolio review

Most EIB adaptation finance is in the European Union, reflecting the Bank's overall portfolio.

Geographical split

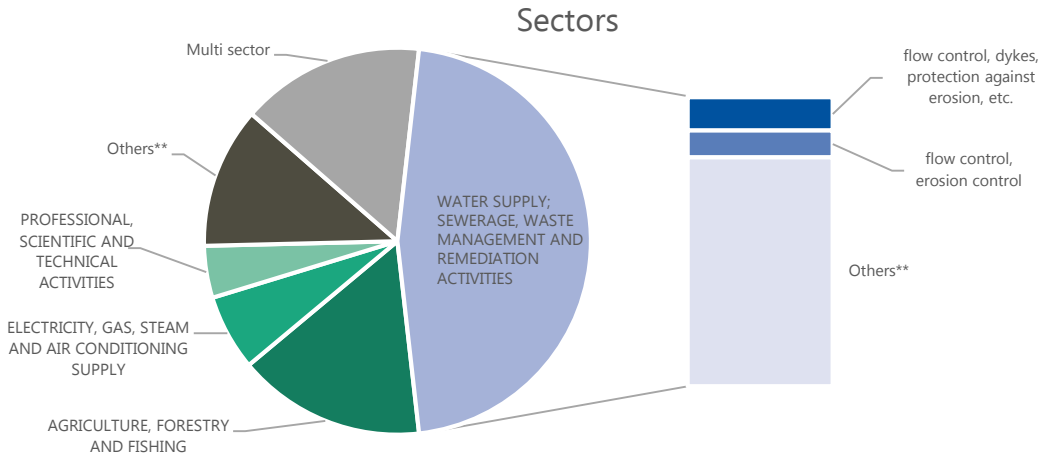


Source: Portfolio review

[6] Advisory support is not included in this slide

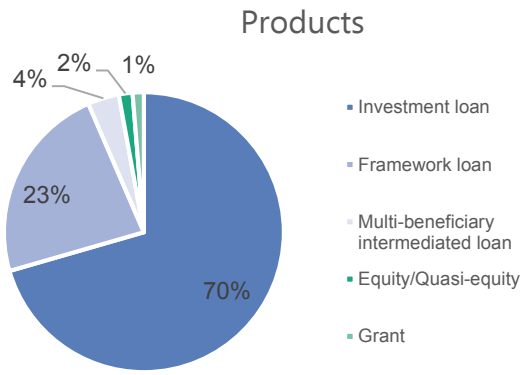
Water dominates the EIB adaptation portfolio and most finance is delivered through investment loans in the public sector

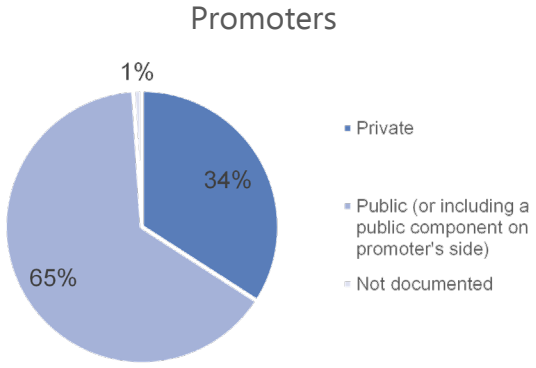
Water dominates as the sector contributing the most to support adaptation



Source: Portfolio review

Most of the Bank's adaptation support is provided through investment loans and with public promoters





Source: Portfolio review

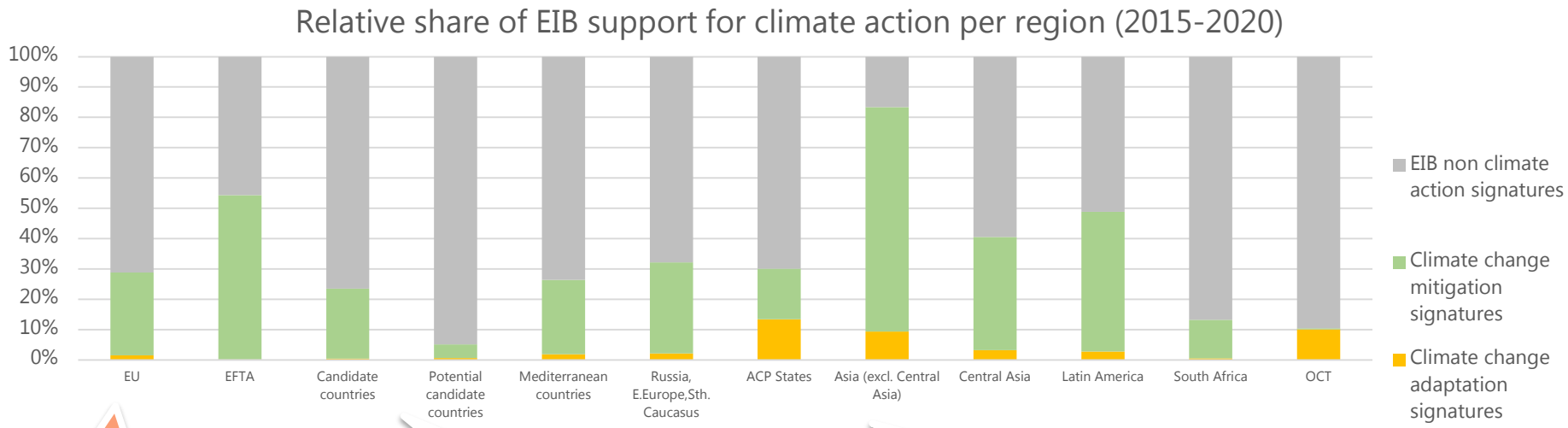
**Other sectors are: global loans, loans for small and medium-sized enterprises (SMEs), loans for SMEs and mid-caps, loans for mid-caps (4%), transportation and storage (3%), construction (3%), education (2%), financial and insurance activities (0.3%) and manufacturing (0.3%).*

***The category "Others" include economic activities that are not deemed to be purely climate change adaptation enabling such as water collection, treatment and supply, sewerage, supply and sewerage, wastewater collection, drinking water supply, wastewater treatment and , wastewater treatment and storage, …*

EIB support for adaptation varies from zero to over 10% depending on the region

EIB support for adaptation varies between regions

Most of the EIB adaptation financing volume is inside the EU (despite relative low adaptation activity, most of the EIB's adaptation operations are inside EU), regions outside the EU show a mixed picture

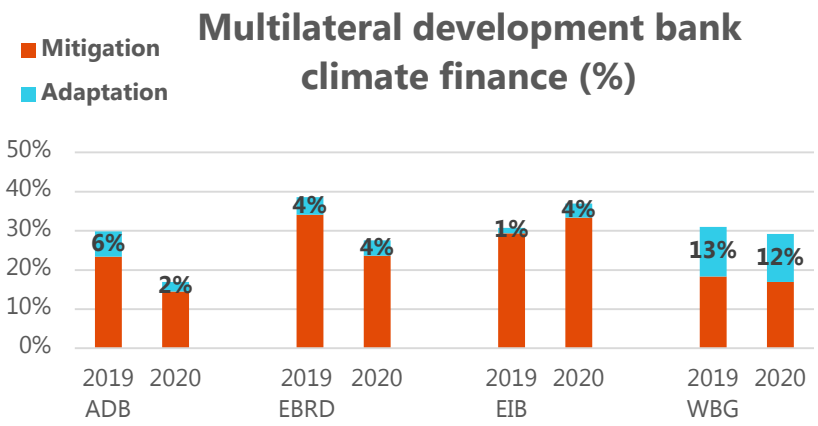


In relative terms, support for climate change adaptation in the European Union is low and represents 1.5% of EIB lending. As most EIB activity is inside the European Union (>85%), it is the region where (in absolute terms) most support for adaptation is provided.

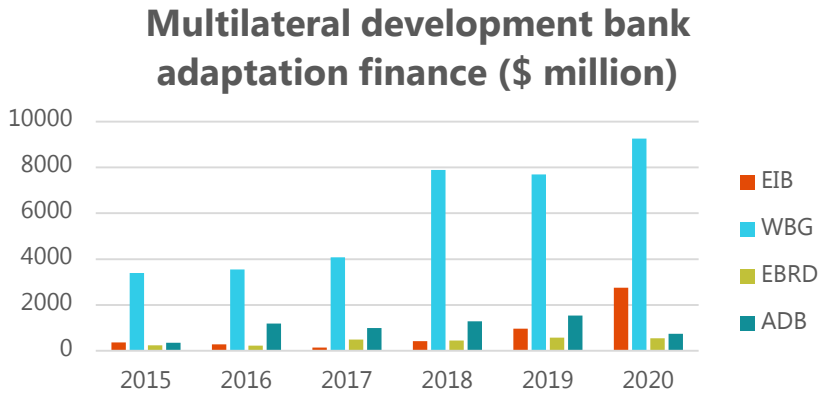
Support for climate change adaptation in the neighbourhood/ candidates countries is relatively low and ranges from 0.5% to 2%. These are the regions where the EIB conducts two-thirds of its activities outside the European Union.

Africa, Caribbean, Pacific (13%), Asia excl. Central Asia (9.5%) and Overseas Countries & Territories (10%) are the regions with the highest relative support for adaptation. However, these regions only account for 2% of EIB activities.

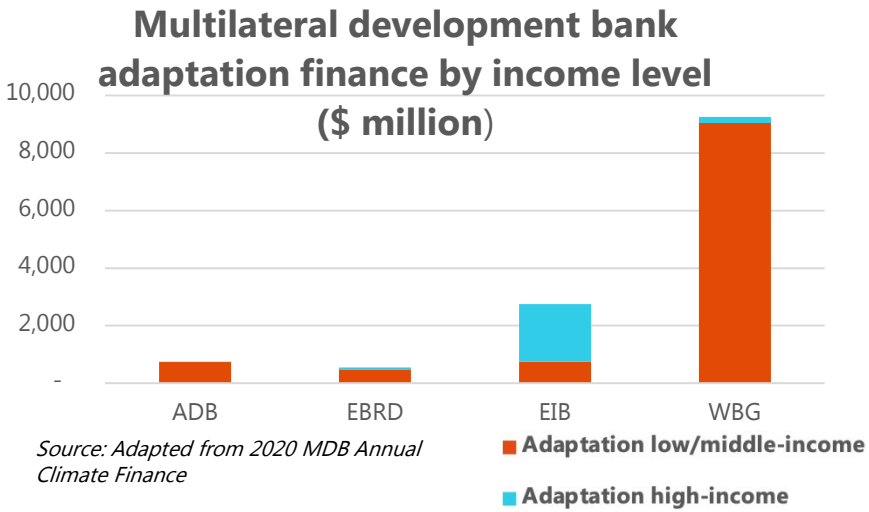
The EIB lags behind the leading multilateral development banks in climate change adaptation financing – although the different geographies make direct comparison difficult



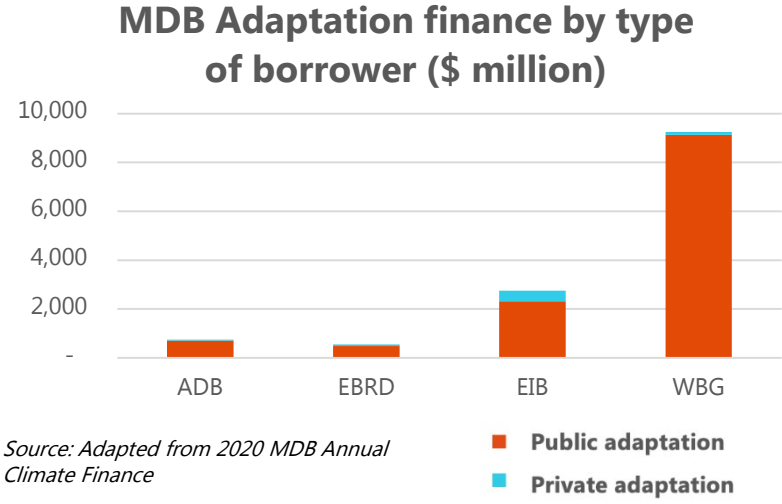
Source: Adapted from 2019 and 2020 MDB Annual Climate Finance



Source: Adapted from MDB Annual Climate Finance Reports 2015-2020. The increase in EIB numbers in 2019 and 2020 is due to the inclusion of adaptation finance for high-income countries in the reports from 2019.



Source: Adapted from 2020 MDB Annual Climate Finance

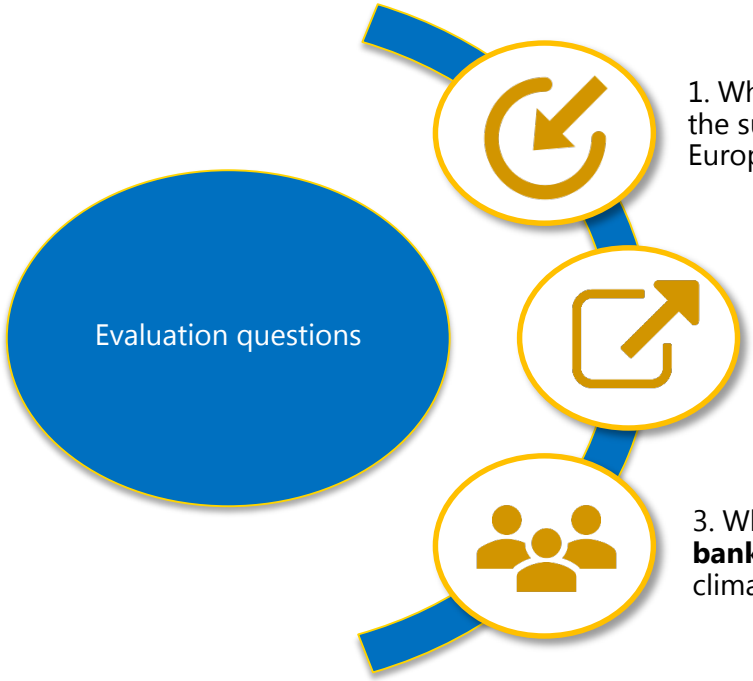


Source: Adapted from 2020 MDB Annual Climate Finance

Peer institutions considered in this evaluation include the World Bank Group, the Asian Development Bank, and the European Bank for Reconstruction and Development. Contacts were made with the African Development Bank (AfDB) but no response has been received - for this reason lessons from the AfDB are not referenced in this report.

The evaluation answers three main questions

The main objective of the evaluation was to provide an independent assessment of the internal and external barriers and opportunities for increasing EIB support for climate change adaptation, coupled with proposed solutions in the form of recommendations, to feed into the EIB Adaptation Plan that is being developed by the EIB. This led to three questions:



1. What are the opportunities and challenges **internally** for increasing the support for climate change adaptation inside and outside the European Union?

2. What are the opportunities and challenges **externally** for increasing the support for climate change adaptation inside and outside the European Union?

3. What are the lessons learned by **other multilateral development banks/national promotional banks** for increasing support for climate change adaptation?

The need to feed into the EIB Adaptation Plan meant that the evaluation had a condensed timeframe. To ensure that insights from the evaluation were timely and useful, the evaluation team had a continuous exchange with EIB staff working on the EIB Adaptation Plan to allow results from the evaluation to be considered in the drafting of the plan as they became available.

The evaluation had three levels of enquiry working from institutional, country and project levels

Institutional level — Strategies, policies and guidelines, business model and operational practices, tools, and incentive structures. The evaluation covers activities both inside and outside the European Union, and where there are differences, they are analysed and reported on. The evaluation also includes research into lessons learned by other relevant multilateral development banks/national promotional banks.

Country level — Based on a portfolio analysis, a purposeful sample of six countries was taken to provide an insight into EIB support for adaptation in these locations. The purpose is to illustrate how the EIB operates and assesses opportunities and challenges for increasing support for adaptation.

Sector/Project level — Within each of the six countries, a purposeful sample of projects in one or two sectors was taken based on the portfolio analysis and discussion with the reference group. The projects were signed (but not necessarily completed) as the evaluation is predominantly concerned with adaptation volumes. Specific projects have also been selected given their innovative approach, high level of support for adaptation, or the opposite.

A combination of six methods was used to capture and analyse data

Portfolio review
A comprehensive analysis of adaptation interventions looking at i) the geographic distribution of climate action and climate change adaptation, including country risk and readiness considerations; and ii) sector analysis; product analysis; client analysis.

Review of policies, strategies, intervention logic
A review of the policies in the EU and the EIB framework relevant for climate action and climate change adaptation. An intervention logic was reconstructed based on the (2015) EIB Climate Strategy.

Review of the EIB mode of operation, product offer, procedures and tools
Including a review of the Climate Risk Assessment ("CRA") system.

Stakeholder interviews
Interviews with EIB Group services (56 interviews), EIB focus group discussions (three groups), EIB clients (three interviews), and multilateral development banks/ national promotional banks (inside the European Union – KfW, CDC and COE development bank; outside the European Union – European Bank for Reconstruction and Development, World Bank Group and Asian Development Bank) and the European Commission

Case studies - countries, sector/projects
Six country case studies, encompassing a sample of 22 projects.

At both country (inside and outside European Union) and project level, a purposeful sample was taken to cover different geographies, sectors, products, and promoters.

Staff survey
Survey of EIB Operations and Projects staff, with 183 survey responses representing 32% of those invited to participate and 60% of those with involvement in climate change adaptation.

These icons are referenced on the findings slides to indicate the sources of evidence.

Findings, conclusions and recommendations

Six conclusions and 18 findings about the current situation, the explanatory factors and implications for the Bank

The current situation

1 The current level of climate change adaptation financing does not live up to the vision of the EIB as the EU climate bank as described in the Climate Bank Roadmap. Despite a policy environment that provides a positive basis, EIB lending for adaptation has remained low. Whilst EIB investments are on track to be adapted to climate change, the Bank has not yet operationalised how to contribute to projects that enable adaptation and build climate resilience.

Explanatory factors

2 Despite the urgency and increasing scale of investment needs, there are significant data and knowledge related constraints that are affecting client demand and the identification and preparation of bankable climate change adaptation projects.

3 The EIB has developed its adaptation skills but does not yet have a critical mass (in terms of both staff skills and numbers) necessary to be considered an 'adaptation go-to bank'. The EIB business model limits how far it can provide upstream support to clients that are not able or ready to develop bankable climate change adaptation projects.

4 The use of financial investment volumes, although relevant, is problematic as the sole metric for adaptation, as it does not fully capture the Bank's contribution to climate change adaptation.

5 Some multilateral development banks operating in developing and emerging economies have a large share of climate change adaptation in their portfolio. This is mostly related to a recognition of the intricate links between adaptation and development, business models that enable upstream engagement, product offers conducive to adaptation, and strengthening of technical and human resources.

The implications for the EIB as the EU climate bank

6 Increasing support for climate change adaptation implies significant and difficult trade-offs, involving greater investment in staff, greater upstream engagement and use of advisory services, and access to grants or concessional finance. This will increase costs and require changes to the EIB's business model.

Conclusion 1

The current level of adaptation financing does not live up to the vision of the EIB as the EU climate bank as described in the Climate Bank Roadmap. Despite a policy environment that provides a positive basis for adaptation, EIB lending for adaptation has remained low. Whilst EIB investments are on track to being adapted to climate change, the Bank has not yet operationalised how to contribute to projects that enable adaptation and build climate resilience.

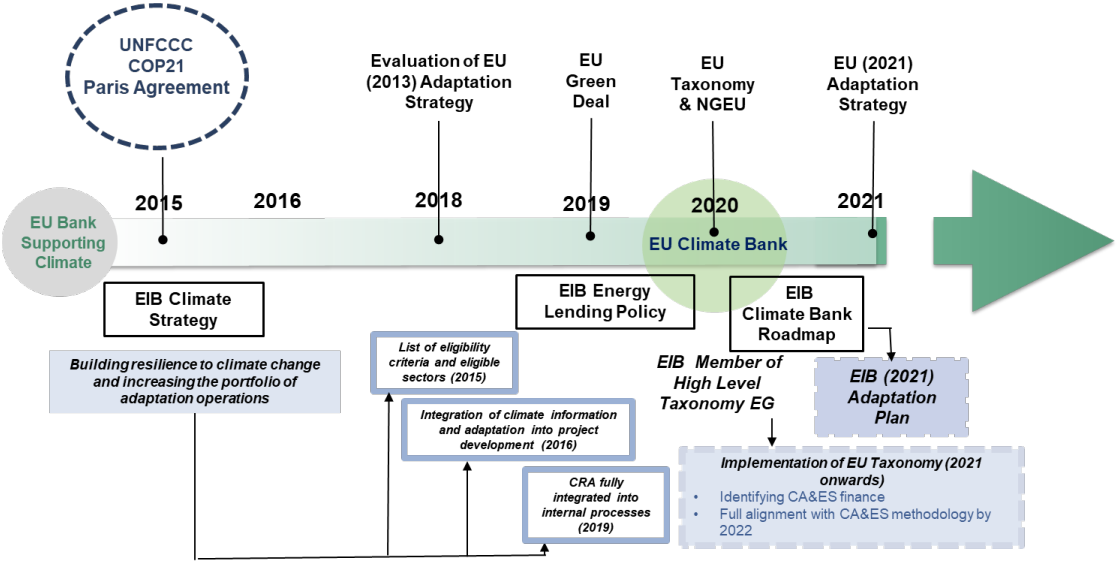
Although the policy environment is positive, it has not been operationalised to the extent of delivering climate change adaptation business

Policy environment

Despite a positive policy environment, and the EIB response through its 2015 Climate Strategy and Climate Bank Roadmap providing a solid basis for increasing support for climate change adaptation, EIB adaptation financing has remained low.

The EU policy environment is increasingly supportive of climate change adaptation both within the European Union and for cooperation outside Europe. The EU Green Deal (2019), the Taxonomy, Next Generation EU (2020) and the EU Adaptation Strategy (2021) are increasing the prioritisation and urgency for building greater resilience.

The EIB response at policy and strategy level through the Climate Strategy and the Climate Bank Roadmap provide a solid basis for increasing support for climate change adaptation. The main issue is how to operationalise the strategy and move from paper to practice. The EIB has not responded sufficiently to the implications of the changes that would be needed to achieve the objectives, leaving a gap between the strategic direction and its operationalisation.



Source: EIB internal analysis

Despite this positive environment, EIB financing support for adaptation has remained low at around € 1 billion a year, amounting to little more than 1-2% of the EIB's annual lending and only a fraction of the needs. The operational framework at the ''how to'' is not yet in place. Neither the Climate Strategy, nor the Climate Bank Roadmap directly tackle resource implications that increasing EIB support for climate change adaptation would bring with it, such as the impact on time staff would need to spend on (often relatively small) projects, with long gestation periods, including upstream engagement with promoters, the skill set required, and the importance of access to advisory services, technical assistance and concessional finance.

The EIB's investments are on track to be adapted to climate change

Adapting EIB investments

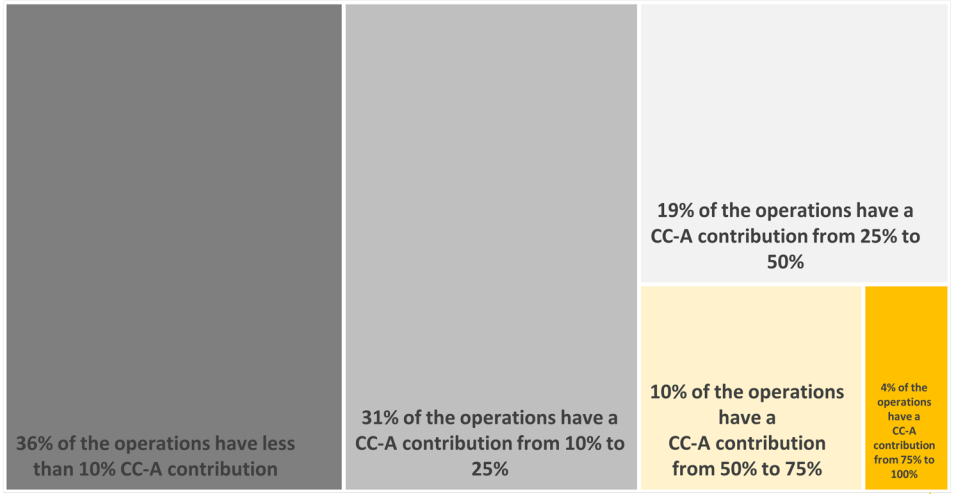
Projects financed by EIB are screened for climate risks and the Bank is on track to ensure that projects will be adapted to climate change. But by itself this will not contribute significantly to adaptation finance volumes.

The Climate Risk Assessment procedures being put in place will lead to an increasingly large proportion of the EIB's investments being adapted to climate change. All direct lending operations approved since February 2019 have already been screened (multi-beneficiary intermediated loans, equity and guarantee operations – representing roughly a third of EIB's operations – are not subject to the screening). The screening responds to a range of climate scenarios taking into account sector and geographic factors. It is a necessary and important step to ensuring EIB investments are resilient to climate change.

Ultimately, the aim will be to reach a goal where 100% of the projects financed by the EIB are resilient to climate change. However, based on current estimates by EIB services, even when this takes place by itself it is unlikely to lead to climate change adaptation financing exceeding 10% of EIB lending volume, as adapting investments to climate change only makes up a small part of the overall project cost.

The diagram displays the split of *EIB operations that include support for climate change adaptation*, based on their relative contribution. The vast majority include a small share of adaptation financing (36% have a contribution below 10% and 31% have a contribution between 10% and 25%); only relatively few projects have a contribution to adaptation exceeding 50% (10% have a contribution ranging from 50% to 75%, and 4% from 75% to 100%).

Proportion of operations by level of contribution to climate change adaptation (CC-A %)



The EIB has failed to contribute to projects that enable adaptation and build resilience as envisaged by the Climate Strategy

Building resilience

Projects that enable adaptation and build resilience are needed to achieve the ambition of the Climate Bank Roadmap and increase climate change adaptation volumes but so far the EIB has failed to contribute to building climate resilience as envisaged by the Climate Strategy.

The policy goal of the EIB as the EU climate bank requires all investments to be climate resilient. As stated in the Climate Bank Roadmap, this also implies that the Bank should make investments that enable adaptation and build climate change resilience. However, although the need for building climate resilience is high, it is not yet readily being converted into bankable projects.

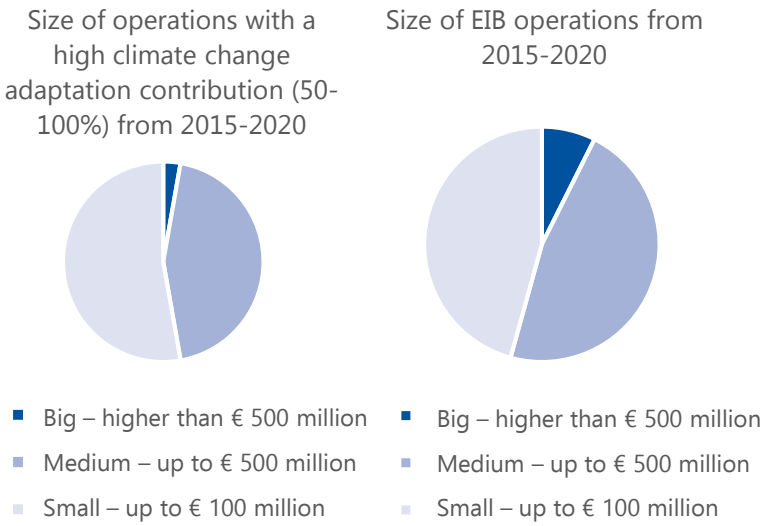
Projects that enable climate change adaptation and build resilience do not currently get presented to the EIB for financing in the same way as standard EIB business, such as large scale infrastructure investments. This type of project is not easy to develop because it is institutionally complex, go beyond sector boundaries and often involve multiple-stakeholders. The EIB has not been sufficiently proactive and engaged in upstream processes and discussions with potential clients about adaptation opportunities that could build climate resilience.

Examples of investments that enable adaptation and build resilience

- Investments that promote technology, products or governance processes, such as flood forecasting systems, drought resistant crop varieties and updated planning regulation to prevent development in flood prone areas.
- Investments that remove information or technological barriers to adaptation by others, such as marine weather forecasts for commercial fishing vessel operators, capital for agribusiness to adopt climate-resilient food storage facilities, sensor technology for soil monitoring and drought early warning.

Source: CBR, Table A2

Projects that enable adaptation[7], tend to be smaller in volume (with an average operation size of € 147 million) when compared to the average EIB operation (€ 172 million). This has an effect on lending volume and it increases costs since many more projects would be needed to significantly increase the volume of climate adaptation lending.



[7] The EIB reporting system does not differentiate between projects adapted to climate change, and projects that enable adaptation and build resilience. Here it is therefore assumed that those projects with an adaptation share of 50% or higher are projects that enable adaptation.

Conclusion 2

Despite the urgency and increasing scale of investment needs, there are significant data and knowledge related constraints that are affecting client demand and the identification and preparation of bankable climate change adaptation projects.

Without upstream support, clients are not preparing climate change adaptation projects

Client demand

Although the investment need is high and demand is increasing, the current client demand and prioritisation of projects that enable adaptation and build climate resilience is still low and varies between sectors and countries - with the greatest volume within sectors such as water.

Despite a high and growing need, promoters are not identifying and prioritising sizeable projects that aim to build climate resilience. They often have other priorities. Even where adaptation policies and plans are in place, they do not necessarily translate into significant adaptation financing opportunities.

The European Union is considered a pioneer in integrating climate risk considerations into decision-making. However, so far, this has only resulted in relatively low adaptation volumes.

Outside the European Union there is a growing client awareness and readiness but significant capacity constraints and a limited budget to respond to the adaptation challenges.

Many promoters find adaptation difficult to identify outside of sectors such as water. Outdated standards and codes of practice do not take account of climate change. And, it is difficult to persuade promoters to exceed the standards, particularly in the absence of concessional finance to this effect.

Projects that enable adaptation and build climate resilience do not currently get presented to the EIB for financing in the same way as standard EIB business, such as large scale infrastructure investments.

To convert the need for building climate resilience into bankable projects, a higher degree of promoter expertise - or alternatively, technical assistance to enhance that expertise - as well as identifying new clients, is required. In many cases, this implies proactive upstream engagement from the EIB, discussing adaptation opportunities with potential clients to support the preparation of pipeline development. This is particularly important outside the European Union. These elements mean that the gestation period for adaptation projects is often longer than for others.

Although data and planning are improving, they continue to hold back the development of a project pipeline

Data and planning

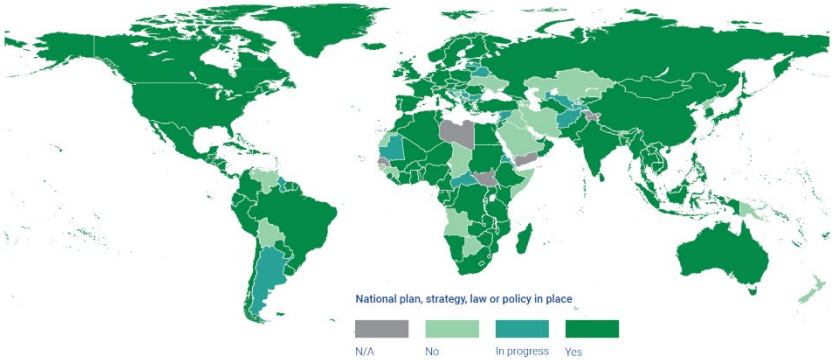
While public awareness of the consequences of climate change has increased and government willingness has been reflected in national, regional and local adaptation plans, this has not yet led to well developed projects and investments.

The underlying data and the planning on adaptation have improved over time and most countries where the EIB operates now have, or are developing, national climate adaptation strategies and/or plans.

However, in many cases the current level of data gives rise to uncertainties in the modelling of the future impact of climate change. For some sectors the level of granularity of data needed at project level and across promoters' business operations is often beyond what can be delivered.

In other cases the data are available but have not been accessed and developed into scenarios and used to develop adaptation investment planning. Uncertainty in data, modelling and scenarios and how to interpret and use them creates doubt and undermines the basis for sound and confident investment decisions.

Although all EU member states, and most countries outside the European Union, have national strategies and plans for climate change adaptation, this has not led to significant EIB adaptation financing volumes.



Source: Adaptation Gap Report 2020 | UNEP - UN Environment Programme.

Conclusion 3

The EIB has developed its adaptation skills but does not yet have a critical mass (in terms of both staff skills and numbers) necessary to be considered an 'adaptation go-to bank'. The EIB's business model limits how far it can provide upstream support to clients that are not able or ready to develop bankable climate change adaptation projects - although good progress has been made in systematically screening EIB investments for physical climate risks, and promising opportunities to stimulate increasing client demand for adaptation have been piloted.

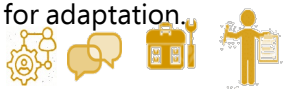
The means for engaging upstream with clients are too limited and constrain the EIBs contribution to climate change adaptation

Limited means for engaging with clients without bankable projects

Adaptation is complex and new to many clients. A barrier to higher adaptation finance volumes - at least in the short term and for clients with low readiness - has been insufficiently proactive upstream engagement and deployment of advisory services or technical assistance. In many cases, this is also constrained by the Bank's limited ability to offer its clients access to grant resources or concessional finance.

The EIB is project focused and in many cases tends to get involved once a project has already been developed, at least at the concept level. This leaves limited scope to influence the project design, which is when climate change adaptation considerations tend to be most effective. The Bank's operational model depends on clients with bankable projects or others, such as EU Delegations outside Europe, engaging in upstream support for the development of a project pipeline. As needs differ, a differentiated approach across countries and sectors and especially between projects inside and outside the European Union is required.

As noted elsewhere, there are several reasons why the Bank's business model has worked better for mitigation than adaptation. Mitigation projects tend to be investment heavy and well suited to the Bank's capacity, and focus on large new infrastructure. In addition, climate change adaptation is a late comer and ten to 15 years behind mitigation. The upstream support and concessional finance available for mitigation projects through national governments in the European Union and through external financiers outside the EU is not yet in place for adaptation.



Advisory services and technical assistance have shown that they can play a positive role in supporting the development of climate change adaptation projects, and in building clients' adaptive capacity. There are positive examples of advisory services supporting adaptation - such as JASPERS, and the European Investment Advisory Hub- that are enabling engagement on adaptation with promoters, but the EIB is not currently making the most of the synergies between operations and advisory services.

Outside the European Union, awareness of climate change risks and the need for adaptation is often higher due to the fact that adverse impacts of extreme climate events have been more present, and also because other development players are actively working in this field. At the same time, the capacity of promoters tends to be lower.

Whilst the EIB has access to mandates in specific sectors and regions, they do not fully allow the Bank to overcome the limitations of its business model. Even with mandates it is difficult for the Bank to actively support upstream work and design interventions; as technical assistance from mandates in most instances is only able to provide support once a project has been identified. This makes the EIB largely reliant on the inputs of others when it comes to pipeline development.

In Jordan, the EIB is active in the water sector. The upstream analytics that helped prepare for a water sector framework loan were provided to a large extent by grant funded technical assistance projects from Germany and the United States. For a large and environmentally complex Red Sea project, upstream studies, including environmental and social assessments were developed by the World Bank and funded by EU donors, among others.

Source: Case study

The Bank has developed tools for adapting investments to climate change

Tools: Climate Risk Assessment

The Climate Risk Assessment system has been helpful to raise awareness about climate risks and adaptation, and facilitate the due diligence process with relation to climate risk.

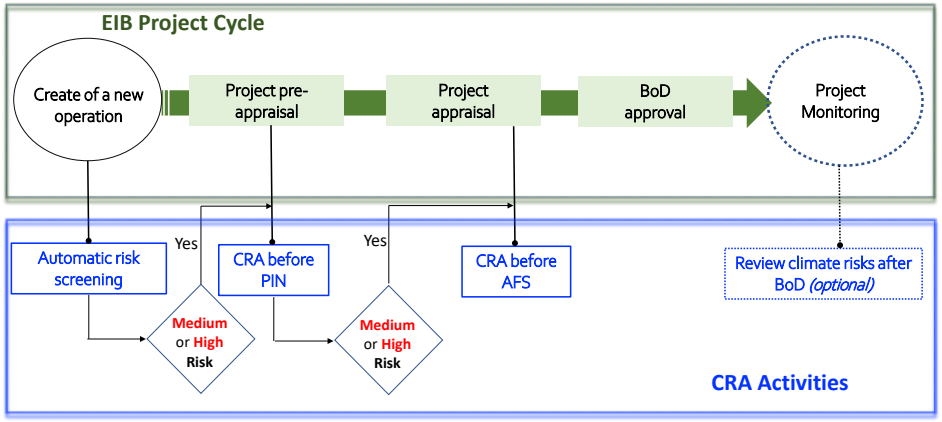
The introduction and implementation of the Climate Risk Assessment system in 2019 has raised awareness and understanding among EIB staff and (to a lesser extent) with promoters, and is most likely one of the factors contributing to the increase, at least in some sectors, in adaptation volumes in 2020.

The Climate Risk Assessment system and the screening tool have been helpful to facilitate project due diligence for climate change adaptation considerations in a systematic manner within the EIB.

Whilst the screening tool provides a qualitative risk rating for projects, it is not a replacement for a detailed climate risk and vulnerability assessment, as it does not provide practical insights into sector-specific climate risks and adaptation solutions to reduce the risks.

For example, for a roads project, the tool may be able to point out rainfall increases as a climate hazard and the project would be at a medium or high level of climate risk, but it does not provide information on what this would mean for key engineering design features such as the intensity-duration-frequency curves for a given location, or what adaptation measures that project needs to consider to manage the potential risk.

Climate Risk Assessment within EIB project cycle



Source: adapted from EIB internal analysis

The Climate Risk Assessment system is designed to screen investments to make sure that they are adapted to climate change. It is not intended to facilitate the identification of activities that enable adaptation; but it facilitates the assessment and reporting of physical climate risks for EIB projects.

A critical mass of adaptation skills to make the EIB a go-to climate bank is not yet in place

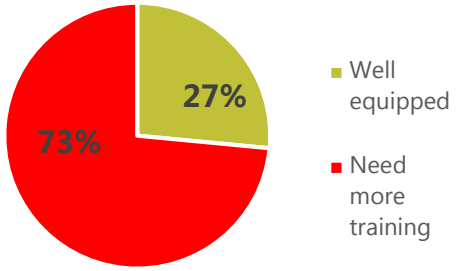
Skill set and resources

The EIB skill set for climate change adaptation is improving, but a critical mass of knowledge and dedicated staff resources that would characterise the EIB as a go-to bank for climate change adaptation is not yet in place.

One of the EIB's comparative advantages lies in its technical capacity. Adaptation is putting more demand on staff (numbers and specialisation). Technical back-up has been improving but there are still gaps. Until 2020 there was only a very limited number of full time staff exclusively working on climate change adaptation. Specialised skills for adaptation are still limited across operational staff in the Bank.

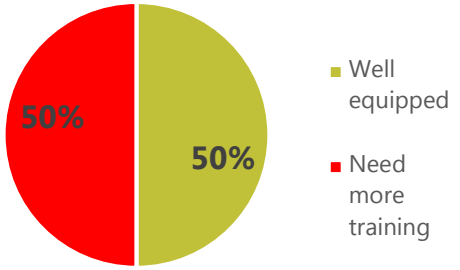
The level of engagement, knowledge and confidence in adaptation varies among staff. More access to knowledge and guidance material is needed. The staff survey (approximately 200 responses from across the EIB Projects (PJ) and Operations (OPS) Directorates amounting to 60% of those with involvement in climate change adaptation projects) shows that staff members are not yet fully confident in their knowledge on adaptation. Internal EIB communication on adaptation has improved but more is needed to ensure greater awareness and consistent approaches.

EIB Operations Directorate opinion on their readiness to engage with adaptation



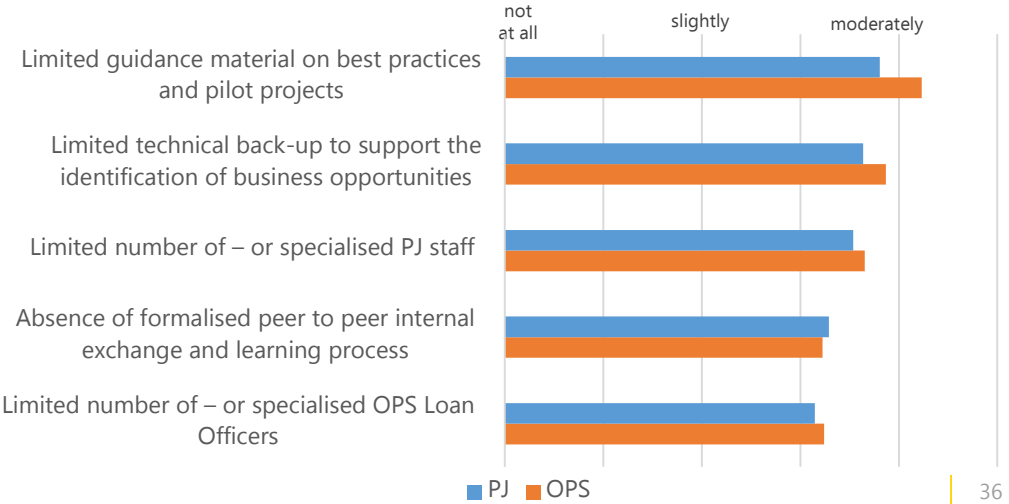
Source: EIB internal survey

EIB Projects Directorate opinion on their readiness to engage with adaptation



Source: EIB internal survey

To what extent did the following factors explain the EIB's low volume of climate change adaptation financing?



Source: EIB internal survey

Despite challenges, the EIB has piloted many innovative approaches within adaptation that are scalable

Promising opportunities

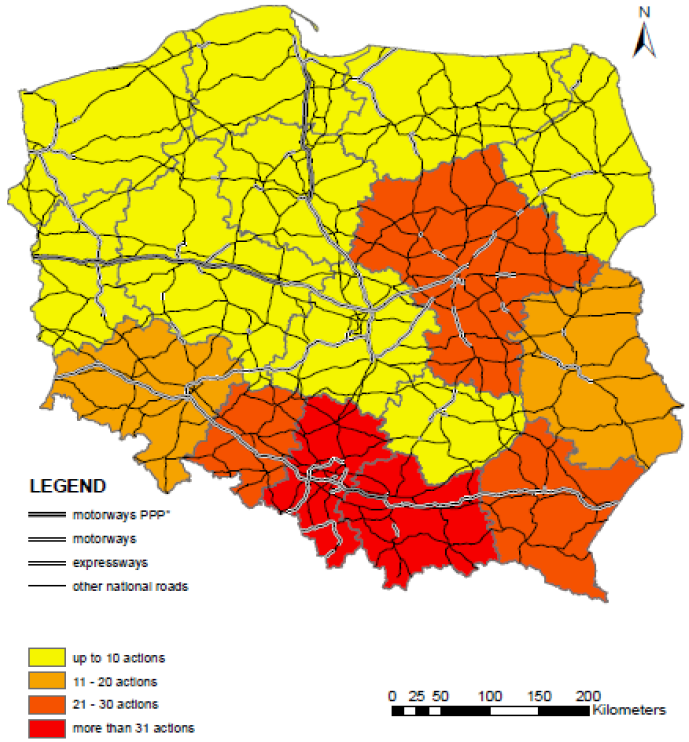
Opportunities and outcomes have arisen through the piloting of promising approaches, albeit at a small scale, that stimulate and proactively support and respond to demand for adaptation both within the public and to a more limited extent the private sector.

Examples include:

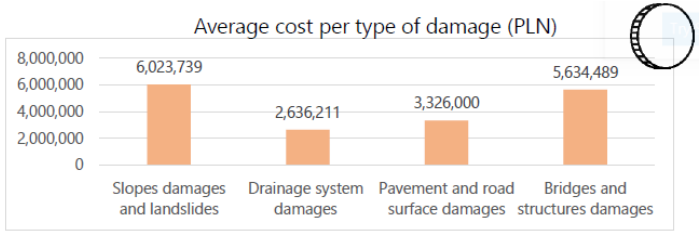
- Innovative approaches by JASPERS in working upstream in several countries, including awareness raising and capacity building. An example is JASPERS support for the Polish national road authority in mapping extreme climate incidents (namely road closures and/or infrastructures damage) and conducting an impact analysis. This provides a basis for the authorities to: i) develop investment programmes aiming at climate change resilience, and ii) identify network management measures to increase climate resilience.
- Nature based solutions as implemented under the Natural Capital Finance Facility pilot programme.
- Financing a Spanish company to purchase and deploy light aircraft that can be quickly and efficiently called on to put out incipient wildfires before they spread widely.

These and other projects are potentially scalable and replicable - and to some extent this is already happening. The impact on climate resilience is far higher than that implied by the volume of potential loans. Generally speaking experience has shown that opportunities for a programmatic and upstream approach exist especially for loans with repeat clients.

Number of actions undertaken to repair dameges caused by flood in 2010



Analysis of the costs and impact assessment from a case study of the 2010 flooding event, Poland



Source: Mapping of climate vulnerabilities on existing national road network in Poland (jaspersnetwork.org)

Conclusion 4

The use of financial investment volumes, although relevant, is problematic as the sole metric for adaptation, because it does not fully capture the Bank's contribution to climate change adaptation.

The CA composite volume target has incentivised mitigation but not adaptation

Composite target[8]

The composite target for climate action has incentivised mitigation but not led to increasing support for adaptation, partly because it is easier to achieve through mitigation, and also because of the EIB's limited internal EIB skill set for adaptation.

With a composite climate action target covering both adaptation and mitigation finance, there is no clear incentive for adaptation, because it has been found that it is much easier to fulfil the target with mitigation projects. There is strong client demand for mitigation and mitigation projects tend to be larger. It is furthermore easier to calculate the mitigation contribution towards the climate action target, as a clear list of activities, broken down by sector, that contribute to climate action has been established (see slide 79); and, these projects more often count 100% towards the target.

There are more EIB staff members that are familiar with, and knowledgeable about mitigation than adaptation, the guidance for mitigation is more complete and the often longer gestation periods for adaptation projects, due to their complexity, mean that they do not get prioritised.

In 2021, a new transversal volume indicator was introduced to track climate action and environmental sustainability activities across all four Public Policy Goals (PPGs).

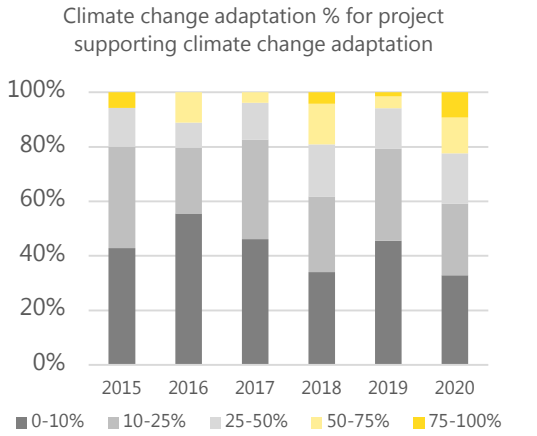
The EIB has committed to gradually increase the share of its annual financing dedicated to climate action and environmental sustainability to 50% by 2025 and beyond.

It is too early to say what the effect of the introduction of this new key performance indicator will be on support for climate change adaptation, although it is possible that without further incentives, adaptation could end up being (further) diluted in the overall volume target set by the Bank.

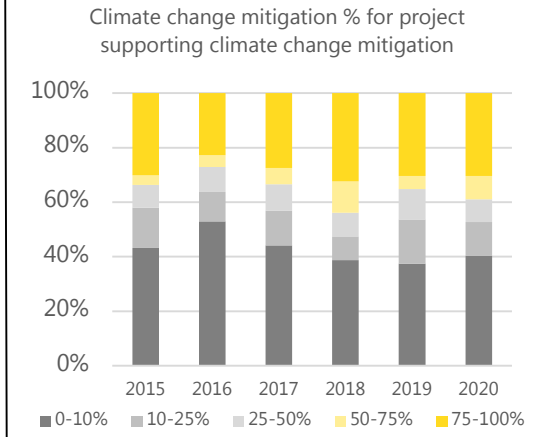
"Given the technical complexity and time consuming nature of climate change adaptation, the climate action target favours mitigation action. Adaptation is too much effort for small numbers. Adapting infrastructure projects is unlikely to bring more than 10% climate action."

Source: EIB staff interview

Most adaptation financing is a by-product of other projects; adaptation usually only makes up a small part of a project.



Mitigation projects tend to have a higher relative contribution to climate action and deliver a large volume of climate action financing



Source: Portfolio review

[8] The composite target refers to the EIB's climate action target, which covers both climate change adaptation and mitigation.

Tracking adaptation finance is complex, simpler approaches are being piloted with success

Tracking of adaptation finance

The incremental cost approach to tracking adaptation finance is proving complex and challenging to apply in practice - where proxy and pragmatic measurement approaches have been developed they are welcomed by most.

Applying the three-step process as outlined in the joint multilateral development bank methodology for tracking adaptation finance has been a learning process at the EIB.

The incremental cost approach (see box on right) has proven challenging: Whilst it is relatively easy to develop a general vulnerability narrative, it is time consuming to source granular, project level data to undertake the impact and vulnerability assessment, identify adaptation interventions and estimate the associated incremental cost. Establishing a baseline or counterfactual (comparing with the cost of the project assuming there is no climate change) is particularly challenging, given that most government infrastructure design standards factor in allowance for the impact of extreme weather events.

For some sectors, the EIB has developed specific operational guidance for adaptation to streamline the tracking of adaptation finance and help staff identify adaptation components within projects.

Importantly, there are some adaptation interventions (such as spatial planning to move assets away from harm's way), that do not require additional capital investment, or could even reduce the cost (for example, nature-based solutions to coastal floods and erosion management as an alternative to hard infrastructure). There is therefore a strong argument for additional metrics to measure climate resilience outcomes (of adaptation activities).

Tracking climate change adaptation finance

The EIB applies the multilateral development bank methodology for tracking and reporting on adaptation finance. In line with the methodology, any project reporting adaptation finance must:

i) Set out a project-specific context of climate vulnerability;
ii) Make an explicit statement of intent to address that climate vulnerability; and
iii) Articulate a clear and direct link between the context of climate vulnerability and the specific project activities.

Finance allocated to specific project activities that are clearly linked to the project's climate vulnerability context is counted as adaptation finance.

In addition, where climate change adaptation activities are planned in projects that have additional objectives, adaptation finance tracking takes into account the estimated *incremental cost* or investment associated with such discrete project components — or elements of project design—that address risks and vulnerabilities under conditions of current and future climate change, and compares these with a project design that does not consider such conditions.

Source: Annex B of the Joint MDB Report on Climate Finance 2019

Volume alone does not fully reflect the EIB's contribution to adaptation

Measuring the contribution to policy goals

Although volume is important as the only metric for adaptation, it does not fully reflect what the EIB does to ensure investments are adapted to climate change and enable adaptation that builds resilience.

Adaptation intervention outputs are not as closely linked to inputs as in the case for mitigation; they are often more of a policy and planning nature, which does not necessarily translate into additional capital investments.

Volume alone also fails to reflect the non-financial interventions, including advisory support, integrated into EIB investments that support adaptation. Looking to the future, one of the EIB's potential comparative advantages will be advising clients on low cost options for adapting to climate change - this works against a volume only target.

Relying on the financial volume as the only measure is also problematic due to limitations of the common multilateral development bank methodology[9]:

- It underestimates adaptation co-benefits - only the incremental costs (see previous slide) of adaptation measures are counted (whilst 100% of the cost of mitigation components are counted as mitigation co-benefits).
- It does not capture activities that may have low, zero, or even negative costs (for example, climate resilient designs that cost less than the alternatives).
- By focusing solely on incremental cost, it fails to fully capture the climate resilience benefits of (traditional but) adapted development investments.

For these reasons, there has been a call for more attention to results and impacts of financial contributions to adaptation[10]. Other multilateral development banks are engaged in processes to develop indicators such as number of adaptation projects, people with more climate-resilient livelihood or climate-related economic losses averted.

The EIB results framework (AIM) and sector indicators provide a starting point for the development of adaptation specific metrics that could be introduced to complement the volume measure.

"Adaptation is not just how much more you spend, but rather how prepared the project is; and preparedness does not necessarily translate into investments because it is already built into the project design."

Source: EIB staff interview.

9 Source: World Bank Action Plan on Climate Change Adaptation and Resilience

10 UNFCCC Standing Committee on Finance in its 2018 biennial assessment

Conclusion 5

Some multilateral development banks operating in developing and emerging economies have a large share of climate change adaptation in their portfolio. This is mostly related to a recognition of the intricate links between adaptation and development, business models that enable upstream engagement, product offers conducive to adaptation, and strengthening of technical and human resources.

Note: This conclusion and the underlying findings provide some useful insights based on an analysis of other multilateral development banks' practices but it is not intended to imply that the EIB should necessarily follow their approaches.

Business models that enable upstream engagement, with strong technical and staff resources to support clients, have been important factors for other multilateral development banks in increasing adaptation

Multilateral development bank action

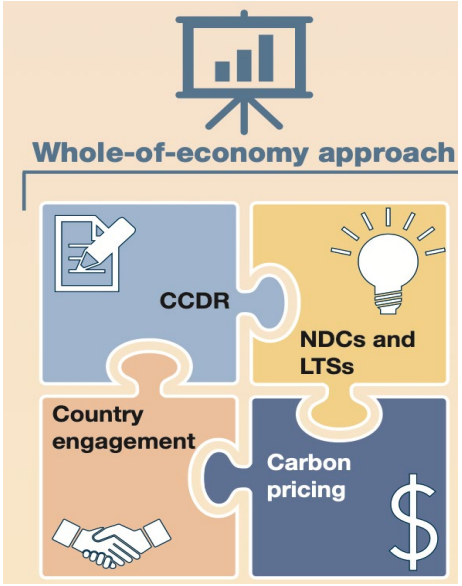
In other multilateral development banks working in developing and transition economies, supporting and building the capacity of partner countries to request and develop adaptation projects has been paramount (as it was client demand that drove lending).

Developing client demand has been a key feature of some multilateral development banks' advances in promoting climate change adaptation, which in turn has led to increased adaptation lending volumes. This requires multidisciplinary staff capacity and grant resources to work upstream.

Multilateral development banks have also invested in location specific adaptation human resources and in a mix of different skill sets (such as adaptation specialists, socio-economists and sector specialists).

The Asian Development Bank, for example, has climate change specialists - with substantial adaptation expertise - within each regional (operational) department. Further, other multilateral development banks have also benefited from access to sizeable grants from a number of climate funds. These grants have been important in enabling these banks to strengthen their internal adaptation capacity and knowledge base by hiring consultants on a retention basis. The World Bank has a team of adaptation specialists within its central Climate Change Group at its headquarters, working together with adaptation specialists within operational teams who are often based outside headquarters and act as sectoral and regional adaptation focal points.

Multilateral development banks have devoted significant resources to country-specific diagnostics in facilitating upstream strategic engagement with client countries (see for example the World Bank's systematic country diagnostics). In addition, in its new Climate Change Action Plan, the World Bank is launching a new analytics tool, the Country Climate and Development Report (CCDR), to further strengthen upstream dialogue with client countries and to integrate climate change into the development process.



The Country Climate and Development Report (CCDR) will examine mechanisms by which climate change is affecting the country and identify opportunities for reducing the impact of climate change on poverty and shared prosperity. CCDR will be an important upstream engagement tool for the World Bank in delivering its current action plan.

Source: World Bank Group Climate Change Action Plan 2021-2025 highlights.

Financial products offered by other multilateral development banks are conducive to adaptation and have contributed to an increase in support for adaptation

Multilateral development bank product offer

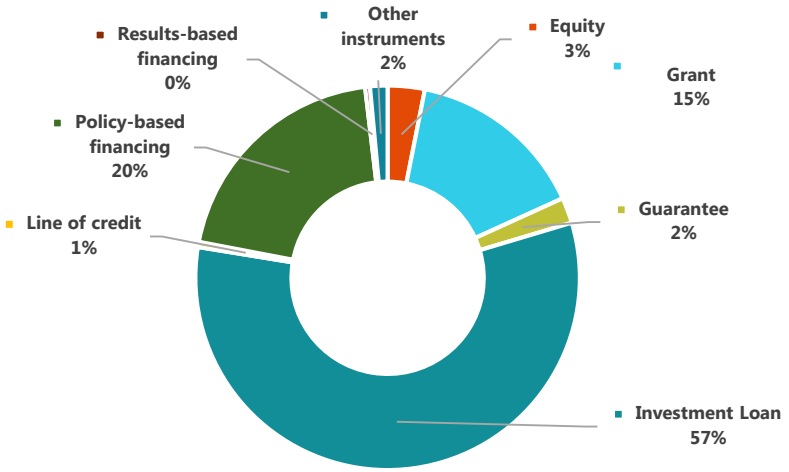
In other multilateral development banks, financial instruments conducive to adaptation, such as policy-based financing, together with grants, have been employed to address some of the barriers to adaptation investments.

Grants account for around 15% of the total adaptation finance for all multilateral development banks (excluding the EIB). This is a reflection of the client base and the geographies where adaptation finance is deployed, with other multilateral development banks having a focus on low-income and lower middle-income countries. Similarly, through upstream engagement, the World Bank, for example, has included adaptation measures in its policy-based loans and results-based financing, which has also played a role in strengthening support for climate change adaptation.

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.
The EIB only has access to grant resources through mandates. For adaptation, grant resources amounted to 1% of the total support for adaptation provided between 2015 and 2020.

Multilateral development bank adaptation financing by instrument

(% of total climate change adaptation finance -excluding the EIB- in 2020)



Source: Adapted from data in Table 12 (page 19) of the 2020 joint report on MDB Climate Finance .

Policy-based financing: supports a programme of policy and institutional action for a particular theme or sector of national action. Disbursements of finance are conditional on the borrower fulfilling policy commitments in the lending agreement.

A focus on adaptation outcomes, rather than input alone, has been helpful for other multilateral development banks

Multilateral development bank goals

In other multilateral development banks, policy goals have been effective in driving up support for adaptation - where the organisation saw support for adaptation as an approach to development and had an outcome focus.

The World Bank has supported adaptation since the mid 2000s. A policy goal specifically for adaptation was introduced in 2018 – as part of a commitment when working on the establishment of the Global Commission on Adaptation.

A combination of factors have led to the World Bank's increasing levels of support for climate change adaptation. The World Bank has built up considerable in-house capacity and it has resources (finance and people) at hand to address adaptation. Yet, the single most important factor is the appreciation that adaptation is an approach to development - good development depends on good adaptation - and resilient development as an outcome. This implied a focus on impacts from climate variability in upstream analyses long before projects were even considered (see next page). The volume target helped keep the focus, once tools and people were in place.

Examples of adaptation related targets in multilateral development banks

African Development Bank: Double current levels of climate finance from $12.5 billion in aggregate from 2016-2020 to $25 billion during the period 2021-2025; parity between adaptation and mitigation finance (63% of the AfDB's climate finance in 2020 was on adaptation).

Asian Development Bank: Deliver $80 billion in climate finance cumulatively between 2019 and 2030; ensuring at least 75% of its projects will address climate change mitigation and adaptation by 2030. No specific target for adaptation.

European Bank for Reconstruction and Development: At least 50% of investments in the green sector by 2025; full alignment with the Paris Agreement goals to be considered within the next two years. No specific target for adaptation.

European Investment Bank: The EIB has no specific adaptation target. In 2019, the Bank announced a climate action and environmental sustainability target of 50% by 2025, supporting investment in this area of € 1 trillion from 2021 to 2030. From 2021 onwards, the EIB has committed to aligning all the Group's activities with the principles and goals of the Paris Agreement.

World Bank Group: Finance volume: 35% of World Bank Group financing with climate co-benefits, on average, over the next five years (2025); and 50% of World Bank - IBRD and IDA - climate financing to support adaptation and resilience; Climate and disaster risk screening - all World Bank financing to identify short- and long-term risks to development projects, policies, and programmes; Resilience result: to incorporate at least one indicator, to monitor and track resilience results for World Bank operations with over 20 % climate finance.

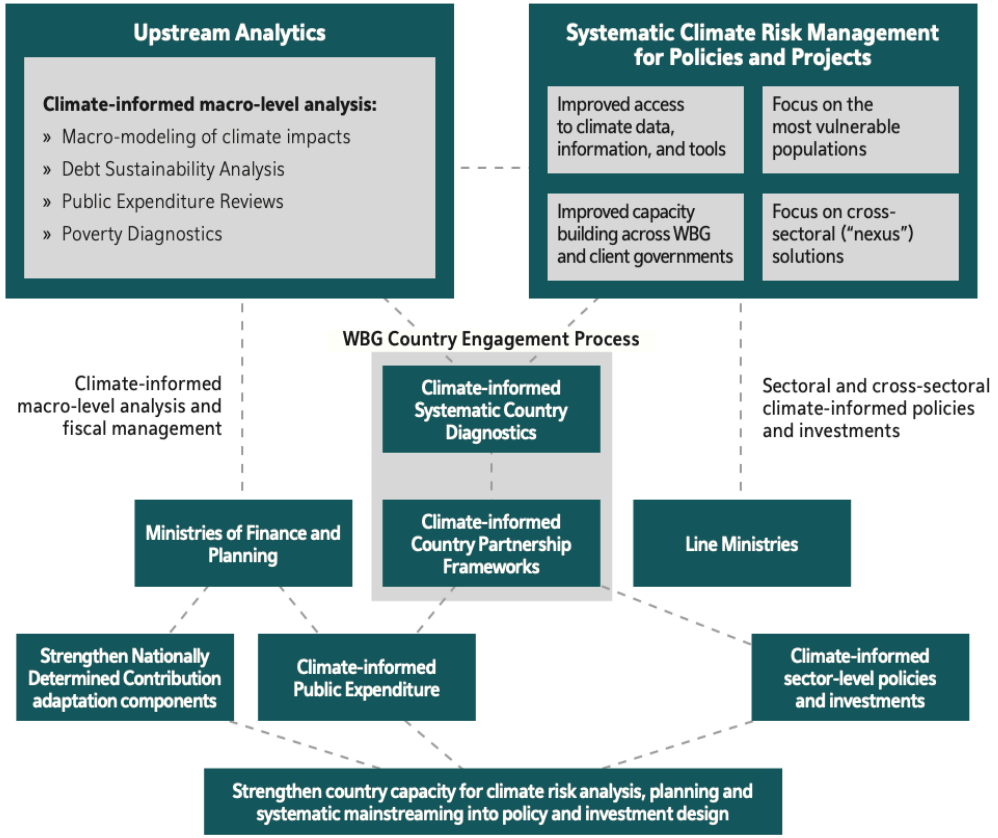
Mainstreaming climate risk management into development investments has been central for other multilateral development banks in building institutional and technical capacity, and ultimately driving up demand for adaptation and resilience investments

(the case of the World Bank Group)

'Climate variability and change pose risks to hard earned development gains of many partner countries, but also provide opportunities to move towards climate-resilient development. The World Bank's approach has been to generate the needed knowledge, seek funding, and help partner countries pilot new approaches to incorporate climate resiliency into policies and programs that deliver results on the ground. In many of our partner countries, the challenges for adaptation are similar to the challenges to development and in many cases, they are inseparable from each other'.

Source: Adapting to climate change: Assessing the WBG experience. Independent Evaluation Group 2012. From Management response.

Framework for mainstreaming systematic climate risk management into development



Source: World Bank Group Action Plan on Climate Change Adaptation

Conclusion 6

Increasing support for adaptation implies significant and difficult trade-offs, involving greater investment in staff, greater upstream engagement and use of advisory services, and access to grants. This will add cost and require changes in the EIB's business model.

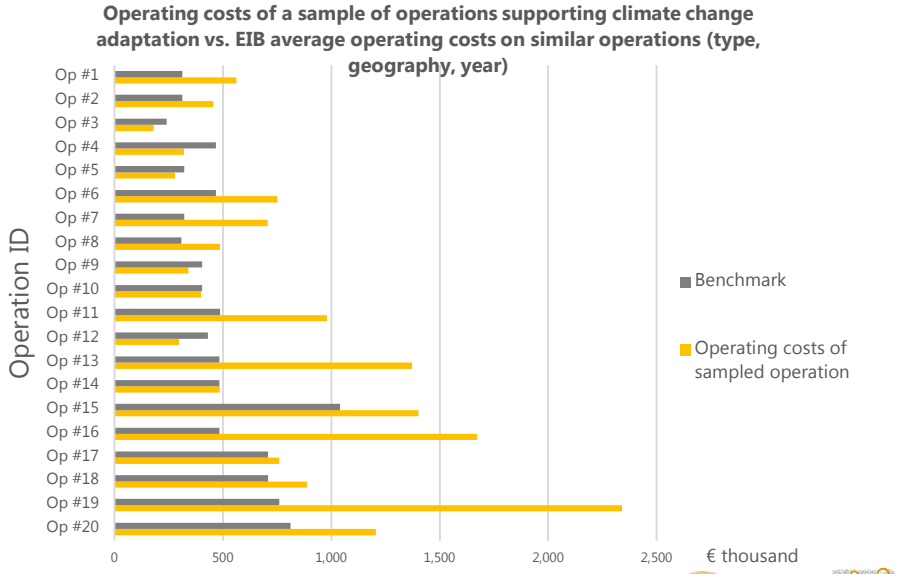
Difficult trade-offs lie ahead

Trade-offs

Increasing support for adaptation implies significant and difficult trade-offs that have not yet been addressed in the EIB's business model.

To convert the ambition for adaptation from strategy to practice - for a period of at least five to 15 years - there will be implications for costs, the development of adaptation skills and guidance, greater use of advisory services and technical assistance and access to mandates and other grant resources.

The lack of progress on adaptation during the initial period of the EIB Climate Strategy (2015-2020) can be partially explained by these trade-offs not having been openly acknowledged and tackled.



Source: Portfolio review

Acceptance of higher costs - Increased staff input and advisory services/ technical assistance are needed to respond to and develop adaptation enabling projects that build climate resilience because:

- More upstream activities are needed to turn 'need' into 'demand' and demand into 'bankable projects'.
- Adaptation projects are not only smaller but also more complex and they often take longer to get to the signature stage - all of which tends to increase the cost of supporting such projects.

Investing in staff - Investment will be needed both in terms of staff that are adaptation experts and developing adaptation skills across the organisation, given that it is its knowledge base that will provide one of the key comparative advantages for the EIB as a 'go to bank' for adaptation. To keep costs down and to provide the highest levels of knowledge service to clients, staff will need to become increasingly effective in:

- Identifying and processing bankable adaptation projects
- Providing adaptation thought leadership both inside and outside the European Union.

Mobilising advisory services and sources of grants[11] that can facilitate adaptation - Synergies with advisory services/ technical assistance has shown good results (such as with JASPERS in Poland). But low access to grant resources and concessional funding have so far acted as a constraint for:

- Enabling client support and upstream development support especially outside the European Union (many mandates are quite specific and do not explicitly target adaptation).
- Providing incentives to clients adopting adaptation where market mechanisms and models cannot or do not work.

[11] Sources of non-repayable finance either from the European Union, national governments or other sources, which could be managed by the EIB as in the case of mandates, or accessible by the client through others.

Recommendation 1 – manage the trade-offs

1. **To meet the vision set out in the Climate Bank Roadmap, the Bank should take a decision on how to address the implications on its business model.**

Rationale: Whilst the policy environment is strong, operationalisation has proven inadequate to deliver on the ambition for contributing to the adaptation policy goals set out in the Climate Bank Roadmap. Delivering, in line with this vision will involve trade-offs on costs, staff resources/ skills and dependence on external grant funding - depending on the level of ambition and chosen scenario (see possible scenarios for in and out of the European Union outlined on page 53) and taking into account the EIB's other priorities.

Actions that could be considered for implementing the recommendations:

- Develop options and scenarios for the different EIB levels of ambition on adaptation; inside and outside the European Union (see possible scenarios for in and out of the European Union outlined on page 53).
- Refine current estimates on the costs of scaling up support for adaptation and the implications on staffing skills, staff resources and profitability.
- Take a high level decision to allocate the necessary resources for the chosen ambition level, scenario and EIB Adaptation Plan.

Recommendation 2 – increase climate change adaptation staff, both in skills and numbers

2. Enhance the EIB capacity to engage in climate change adaptation especially with regards to staff skills and numbers.

Rationale: For all likely scenarios, the EIB will need to further develop its capacity, in terms of staff skills and numbers of staff dedicated to adaptation, but also its advisory offer and technical assistance, to engage in climate change adaptation and ensure a high quality response to clients that are facing, or are likely to face, climate change adaptation challenges. Capacity is needed both in ensuring projects are adapted to climate change and for investments and activities that aim to enable adaptation and build resilience.

Actions that could be considered for implementing the recommendations:

- Build a strong internal technical skill set, develop thought leadership and external reputation within adaptation.
- Enhance the EIB toolkit through internal sector and other guidance material, and tailored financial products for adaptation and building resilience.
- Add value for clients by demonstrating how the EIB can enhance investment resilience, reduce climate related loss and identify low cost adaptation options.
- Develop specialised expertise in areas such as technology/research, development and innovation weather and data response to extreme events; (both prevention and rehabilitation).
- Develop a deeper understanding of clients through a client survey on readiness to develop bankable adaptation projects.

Recommendation 3 – measure smarter

3. **Further develop a means of measurement beyond volume that reflects the adaptation outcomes to which the EIB contributes.**

Rationale: Attention should be paid to metrics other than just volume so that the full contribution to climate change adaptation, including EIB advisory support, can be reported and to enhance internal incentives; recognising that adaptation impact and lending volumes are not as closely related as for mitigation and other areas of the Bank's activities.

Actions that could be considered for implementing the recommendations:

- Develop a means of measurement that creates incentives for climate adaptation. This could be number of projects with an adaptation consideration, averted costs, or resilience ratings.
- Consider output and outcome related indicators, including: measuring the proportion of projects and number of people that benefit from i) investments that are adapted to climate change and ii) the enabling of adaptation and building of resilience. The EIB results framework (AIM) and sector indicators could potentially be a starting point.
- Consider means of reporting on the advisory service contributions to adaptation.
- Continue to identify pragmatic and flexible solutions for tracking adaptation volume that avoid some of the issues associated with narrow incremental costing.
- Consider the implications of the wider climate action and environmental sustainability composite target as evidence emerges.

Recommendation 4 – work upstream

4. Engage proactively and work upstream to support informed client demand and development of bankable projects.

Rationale: There is a need (at least for some years) to proactively engage and work with others, in the upstream pipeline identification processes as well as the development of sound and bankable projects, especially for projects that enable adaptation and aim at building resilience. Different regions, countries and sectors are at varying levels of readiness. Different approaches are needed inside and outside Europe.

Actions that could be considered for implementing the recommendations:

- Devise a country and sector differentiated approach to developing demand, responding to need, readiness and openness - based on a programmatic approach, partnership and upstream engagement.
- Enhance synergies with advisory services and technical assistance.
- Identify and help clients mobilise sources of adaptation grants or concessional funding.
- Work closely and systematically with the European Union/European Commission especially on upstream processes, and outside Europe also with EU Delegations/multilateral development banks.
- Build on the successful experience of mobilising private capital through adaptation funds.

Recommendation 5 – communicate more and better

5. Develop an internal and external communication strategy with high -level support to prioritise climate change adaptation.

Rationale: Once a decision has been made (Recommendation 1) on the level of ambition and resources to be made available and the other recommendations have been addressed, then a communication strategy would serve to maintain a high level of prioritisation both within the EIB and with clients.

Actions that could be considered for implementing the recommendations:

- Review current communication strategies and materials and update references to climate change adaptation.
- Refine the priority internal and external target groups.
- Develop clear messages for internal and external priority target groups based on an assessment of their information needs and desired shift in perceptions on the Bank's climate change adaptation strategy and actions.

Scenarios setting out possible levels of EIB adaptation ambition

This evaluation presents two possible scenarios depending on the degree of ambition and the acceptance of trade-offs in terms of staff, cost and resources. The two scenarios will lead to different levels and speed of attaining the Climate Bank Roadmap ambition for adaptation.

Maintaining the status quo will not allow the Climate Bank Roadmap aims to be achieved in the near to medium term.

Potential scenarios within the European Union

Scenario	Description and key elements
Adjust and intensify	Continue to: • Climate screen all direct investments • Work with EIB country offices/ current levels of advisory services /technical assistance on upstream actions • Upskill staff in climate change adaptation And then in addition: • Climate screen indirect lending and include an ex-post check on climate risk assessment • Expand the current human resources programme for adaptation • Expand available advisory support/ technical assistance, including more systematic collaboration across EIB services • Actively seek mandates to enable upstream activities • Develop an adaptation outcome measurement system • Expand the role of EIB country offices in pipeline development • Prioritise countries/sectors for EIB focus on adaptation • Further develop products (for example, simplify MBIL conditions)
Change radically	As above but in addition: • Develop EIB capacity to take a leading role in adaptation, expanding from a small selection of countries/sectors to do so across all countries/sectors • Other more deep seated changes (for example, move from project taker to become a project co-creator)

Potential scenarios outside the European Union

Scenario	Description and key elements
Adjust and intensify	As for the European Union but with focus on: • Working with EU Delegations and multilateral development banks in task sharing on upstream and policy development • Developing skills in advising clients on how to integrate climate change adaptation into development • Expanding EIB expertise in adaptation for a set of country and regional offices
Change radically	As for the European Union but with focus on: • Expanding from a small selection of countries/sectors to cover all those where the EIB has the capacity to take a leading role in adaptation • Developing in-house capacity on adaptation to enable the EIB to offer a similar level of expertise as other multilateral development banks - perhaps with climate teams located regionally or at country level

Note: For both inside and outside the European Union , there are many sub-options within the adjust and intensify scenario.

Annex Findings from EIB staff survey

Survey on EIB support for adaptation

A survey of staff from the **EIB Projects (PJ) and Operations (OPS) Directorate** involved in the assessment of operations (567 staff) has been conducted as part of the evaluation.

Staff were identified based on the organisation chart available as of March 2021. All OPS lending officers (and relevant managers) and PJ staff involved in the appraisal of operations were invited to participate in the survey.

The questionnaire was built to allow the **ranking of the internal and external barriers affecting the ability** of the surveyed staff **to support adaptation** through their operations.

The survey also used open questions to collect opinions about potential opportunities and challenges faced by the EIB over the coming years.

The survey was piloted with OPS and PJ.

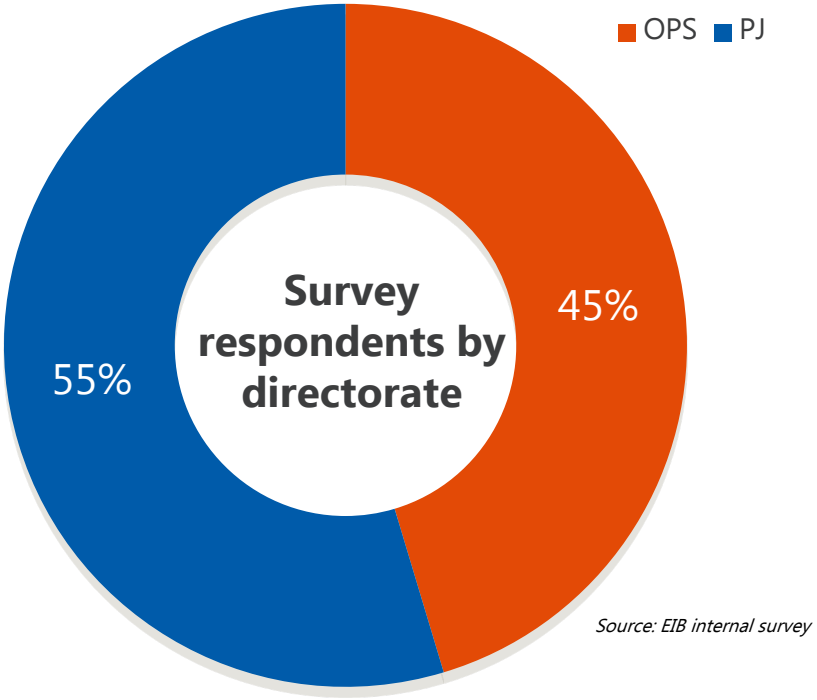
The survey was launched through the EUSurvey platform (https://ec.europa.eu/eusurvey/runner/CCA2021) and was **open between 25 March and 16 April 2021**.

Respondent profile

183 responses out of 567 invitations
32% response rate

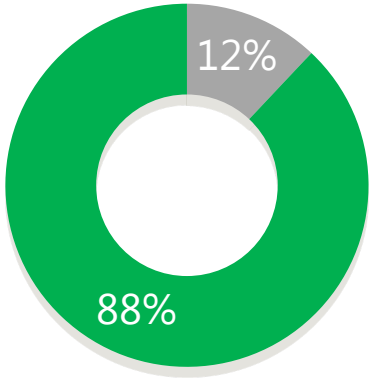
Approximately one-third of the staff from EIB Operations and Projects Directorates invited to take the survey had previously worked on operations contributing to adaptation (205).

The response rate for staff who had previously worked on adaptation was higher (57%), compared with those who had not (19%).



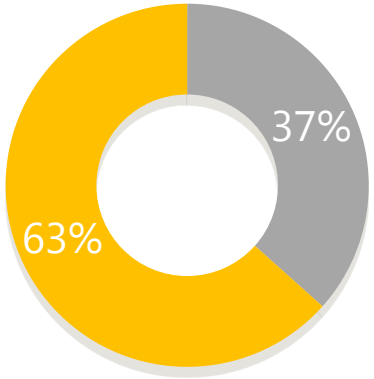
Source: EIB internal survey

In the last five years, **have you worked on projects contributing to climate action**?



Source: EIB internal survey

In the last five years, **have you worked on projects contributing to adaptation**?



Source: EIB internal survey

The main barriers as identified by the survey respondents

In your opinion, did the following factors explain the EIB's low volume of climate change adaptation financing?
0 = not at all - 1 = slightly - 2 = moderately - 3 = extremely

		Avg	OPS	PJ
Ten barriers considered as the most important	**Resource-intensive process** for the promoter to track climate risks across its business operations (such as data collection, different production sites and, supply chain locations)	**2.40**	2.38	2.41
	Limited opportunities to proactively **originate a pipeline of project** and programme proposals	**2.24**	2.23	2.26
	Difficulty in consistently estimating, the percentage of climate change adaptation	**2.17**	2.19	2.15
	Low need or opportunity for climate change adaptation in the projects prioritised by promoters	**2.16**	2.00	2.29
	Standards, codes of practice and regulations do not optimise the climate change adaptation element, but there is **no incentive to exceed them**	**2.13**	2.06	2.19
	Absence of **better loan conditions** for promoters to consider adaptation	**2.02**	2.32	1.75
	Absence of EIB **sector-specific guidance** and adaptation options/examples to facilitate the identification of adaptation projects/components	**2.01**	2.36	1.72
	Limited guidance material on **best practices and pilot projects**	**2.00**	2.12	1.90
	Low awareness or knowledge about climate change adaptation among **promoters**	**2.00**	1.89	2.09
	Absence of communication tools to **more effectively engage with the promoters** (upstream engagement)	**1.98**	2.19	1.79
Five barriers considered as the least important	Standards, codes of practice and regulations are so well updated on climate change adaptation that additional climate change adaptation volume is low or difficult to identify	**1.51**	1.37	1.62
	Access to existing climate change adaptation relevant data and research (such as, site-specific, time-series rainfall records)	**1.49**	1.41	1.54
	Complexity of the Climate Risk Assessment and project screening tool	**1.46**	1.81	1.26
	Consistency of policy messages from the Management Committee and Board about the importance of climate change adaptation	**1.26**	1.38	1.17
	EIB product offer (loans, equity, including the possibility to mix instruments)	**1.26**	1.57	0.95

Source: Climate change adaptation staff survey

Annex
Detailed findings

Links between conclusions and main findings

Conclusions	Main findings
The current situation	
1 The current level of adaptation financing does not live up to the vision of the EIB as the EU climate bank as described in the Climate Bank Roadmap. Despite a policy environment that provides a positive basis, EIB lending for adaptation has remained low. Whilst EIB investments are on track to be adapted to climate change, the Bank has not yet operationalised how to contribute to projects that enable adaptation and build resilience.	1.1 EU policy environment and EIB's strategy response is positive 1.2 Adapting EIB investments to climate change is on track and will be ensured in the longer term but… 1.3 Building resilience opportunities are constrained by the business model
Influencing factors	
2 Despite the urgency and increasing scale of investment needs, there are significant data and knowledge related constraints that are affecting client demand and the identification and preparation of bankable climate change adaptation projects.	2.1 Client demand, although growing, does not reflect the needs and climate adaptation is not prioritised 2.2 Data and planning are improving but still a constraint (both for the EIB and clients)
3 The EIB has developed its adaptation skills but does not yet have a critical mass (in terms of both staff skills and numbers) necessary to be considered an 'adaptation go-to bank'. The EIB business model limits how far it can provide upstream support to clients that are not able or ready to develop bankable climate change adaptation projects.	3.1 Limited upstream engagement has been a barrier to greater climate change adaptation volume 3.2 Tools- Climate Risk Assessment developed but needs improvement/fine tuning 3.3 Skill sets and climate change adaptation capacity at the EIB are below the critical mass for a climate bank 3.4 Promising opportunities have arisen that have stimulated climate change adaptation
4 The use of financial investment volumes, although relevant, is problematic as the sole metric for adaptation, as it does not fully capture the Bank's contribution to climate change adaptation.	4.1 Composite climate action target leads to low climate adaptation as mitigation is easier 4.2 Climate change adaptation finance tracking has proven complex and the introduction of proxy methods is appreciated within the EIB 4.3 Volume alone does not fully reflect the EIB's contribution to adaptation
5 Some multilateral development banks operating in developing and emerging economies have a large share of climate change adaptation in their portfolio. This is mostly related to a recognition of the intricate links between adaptation and development, business models that enable upstream engagement, product offers conducive to adaptation, and strengthening of technical and human resources.	5.1 Multilateral development banks upstream actions to match needs with client demand are paramount 5.2 Multilateral development banks' product offer is more conducive to climate change adaptation 5.3 Multilateral development banks' goals are being attained due to policy goals
The implications for the EIB as the EU climate bank	
6 Increasing support for climate change adaptation implies significant and difficult trade-offs, involving greater investments in staff, greater upstream engagement and use of advisory services, as well as access to grants. This will add cost and require changes in the EIB business model.	6.1 Climate change adaptation will lead to higher costs 6.2 There are not enough staff (skills and numbers) 6.3 Climate change adaptation will require greater dependency of advisory services and grants

Note – A shortened version of the main findings is given here; refer to findings, conclusions and recommendations chapter for full formulation

Links between main and detailed findings part 1 (EQ1)

POLICY detailed findings

- There is an increasingly strong EU and international policy drive towards climate change adaptation, which the EIB is responding to by way of its (2015) Climate Strategy and Climate Bank Roadmap. However, the EIB narrative is not yet clear enough to have translated into a strong focus on adaptation (either internally, or with promoters).
- The EIB strategic and operational frameworks do not fully address the barriers and trade-offs for increasing the volume of climate change adaptation.
- The composite volume target at the level of climate action has incentivised mitigation, but not led to increasing support for adaptation.
- Activities aimed at enabling adaptation (resilience) present a greater potential (compared to adapting infrastructure projects), but these are not getting sufficient attention.

BUSINESS MODEL detailed findings

- The EIB is project focused and tends to get involved once a project has already been developed. This leaves limited scope to influence the project design, which is when climate change adaptation considerations tend to be most effective.
- Advisory services and technical assistance have played a positive role in supporting the development of climate change adaptation projects, and in building clients' adaptive capacity. The EIB is not currently making the most of these opportunities.
- At the current stage of climate change adaptation development, many situations will require incentives for promoters, and EIB lending conditions may not be enough to encourage more adaptation business.
- Climate change adaptation projects have been financed through the standard EIB financial products. The evaluation identified positive examples of where these have led to programmatic approaches but also challenges when EIB procedures hindered successful climate change adaptation financing.
- The EIB business model of working with repeat clients offers opportunities for a more programmatic approach to climate change adaptation.
- Multi-beneficiary intermediated loans could provide an opportunity to increase adaptation support, if conditions attached to them, were simplified.

Main findings

1.1 EU policy environment and EIB's strategy response is positive

1.2 Adapting EIB investments to climate change is on track and will be ensured in the longer term but…

1.3 Building resilience opportunities are constrained by the business model

3.1 Limited upstream engagement has been a barrier to greater climate change adaptation volume

3.2 Tools- Climate Risk Assessment developed but needs improvement/ fine tuning

3.3 Skill sets and climate change adaptation capacity at the EIB are below the critical mass for a climate bank

3.4 Promising opportunities have arisen that have stimulated climate change adaptation

4.1 Composite target leads to low climate adaptation as mitigation is easier

4.2 Although volume is important, as the only metric for climate change adaptation, it does not fully reflect what the EIB does

4.3 climate change adaptation finance tracking has proven complex and introduction of proxy methods appreciated within EIB

6.1 Climate change adaptation will lead to higher costs

6.2 There are not enough staff skills and numbers

6.3 Climate change adaptation will require greater dependency on advisory services and grants

Note – A shortened version of the main findings is given here; refer to main text for full formulation

HUMAN RESOURCES detailed findings

- Increased coordination and clarification of responsibilities for climate change adaptation have taken place and whilst there is room for improvement it is not one of the major barriers to increasing adaptation volume.
- Awareness raising and training sessions have been useful, but the level of engagement and knowledge and confidence in climate change adaptation varies among staff, which may partially explain the slow take-off of adaptation financing.
- A knowledge offer for climate action has been developed internally, but further guidance material is needed to increase adaptation financing.
- Climate change adaptation is putting more demands on staff (numbers and specialisation) and requires additional dedicated resources and skills.

TOOLS detailed findings

- The introduction and implementation of the Climate Risk Assessment system has raised awareness and understanding among EIB staff and (to a lesser extent) with promoters and is most likely one of the factors contributing to the notable increase, at least in some sectors, in adaptation volume in 2020.
- The Climate Risk Assessment and the project screening tool have been helpful to facilitate project due diligence in a systematic manner within the EIB.
- Applying the three-step process as outlined in the joint multilateral development bank methodology for tracking adaptation finance has been a learning process at EIB.
- The incremental cost approach has proven challenging. Pragmatic approaches have been developed for some (sub)sectors and financing instruments to help streamline the tracking of adaptation finance.
- There is a wide appreciation that the volume of finance alone is inadequate to capture the contributions of support for climate change adaptation .

Links between main and detailed findings, part 2 (EQ 2, 3)

DATA detailed findings

- Although the data environment has improved over time, data gaps remain which have constrained the development of investment opportunities for building climate resilience.
- The Bank has developed and acquired data analysis tools and a knowledge management system to support its internal processes, but these are not yet optimally used, especially with regards to the identification of climate change adaptation opportunities.
- In a competitive environment, climate data and information requirements from the EIB may constrain engagement with new promoters.

READINESS detailed findings

- Even where climate change adaptation policies and plans are conducive to building resilience, they do not necessarily translate into significant adaptation financing opportunities.
- Promoters are not identifying and prioritising projects that aim to build climate change adaptation and resilience at scale.
- There are opportunities to further enhance coherence between climate change adaptation and disaster risk reduction.
- Design standards, codes of practice and regulations, as they relate to resilience against climate-related risks, have proven problematic for support for adaptation.
- As tested in the past, EIB initiatives on marketing and information could show some potential to identify and prioritise climate change adaptation investments.
- The availability of incentives (pricing, grants) are perceived as a strong driver for climate change adaptation.

Comparative advantage detailed findings

- The EIB does not have a high profile for financing investments and initiatives that build resilience in part because the EIB business model does not lend itself to the preparation of projects that require substantial up-stream engagement.
- Inside the European Union, the EIBs traditional comparative advantages are under pressure, making support for adaptation more difficult to promote; outside the EU, mandates remain crucial.
- The EIB Group through support for investment funds helps bring in additional finance for adaptation that would not otherwise have been available.

Main findings

2.1 Client demand, although growing, does not reflect the needs and climate adaptation is not prioritised

2.2 Data and planning improving but still a constraint (both for EIB and clients)

3.1 Limited upstream engagement has been a barrier to greater climate change adaptation volume

3.2 Tools- Climate Risk Assessment developed but needs improvement/fine tuning

3.3 Skill sets and climate change adaptation capacity in EIB are below the critical mass for a climate bank

3.4 Promising opportunities have arisen that have stimulated climate change adaptation

5.1 Multilateral development banks' goals being attained due to policy goals

5.2 Multilateral development banks' upstream actions match needs with client demand are paramount

5.3 Multilateral development banks' product offer is more conducive to climate change adaptation

6.1 Climate change adaptation will lead to higher costs

6.2 There are not enough staff skills and numbers

6.3 Climate change adaptation will require greater dependency of Advisory services and grants

Note – A shortened version of the main findings is given here; refer to main text for full formulation

MDBs detailed findings

Business model

- Multilateral development banks with highest increase in support to adaptation saw adaptation as an approach to development and as good development practice.
- Policy targets for climate change adaptation have been effective in driving up support for adaptation when the institution had a development approach, a business model to match need with demand and a product offer to match demand.
- Driving up demand for adaptation is more difficult where the business model is highly dependent on client demand. This is particularly the case for multilateral development banks with a large private sector share in lending.
- All multilateral development banks apply the joint MDB methodology to track adaptation finance. Work is underway to review the methodology.
- To address shortcoming of the MDB methodology and to create a new climate resilience asset class, the World Bank developed a resilience rating system (RRS).
- National promotional banks' lending inside the European Union does not target climate change adaptation, whereas in the case of KfW development bank, activities outside the EU have a considerable focus on support for climate change adaptation.

Resources

- Multilateral development banks had good access to grant resources, including from trust funds, and invested in climate adaptation capacity.
- They recognise that climate change (and adaptation) requires multi-disciplinary teams, and mainstreaming building and awareness raising across sectors and regions supported by central knowledge inputs and back-up.
- They systematically engage with partner countries on training and knowledge building thereby also enhancing demand for adaptation finance.
- The World Bank provides knowledge as a public good that shapes the global debate on climate and is used by partner countries and development partners

Geographies

- Countries with a high climate risk, as well as poor countries with considerable climate adaptation needs, are the main clients of the World Bank and ADB.
- The readiness and capacity of most developing countries to address climate change adaptation needs remains low and depend on multilateral development bank policy, knowledge, and financial inputs.

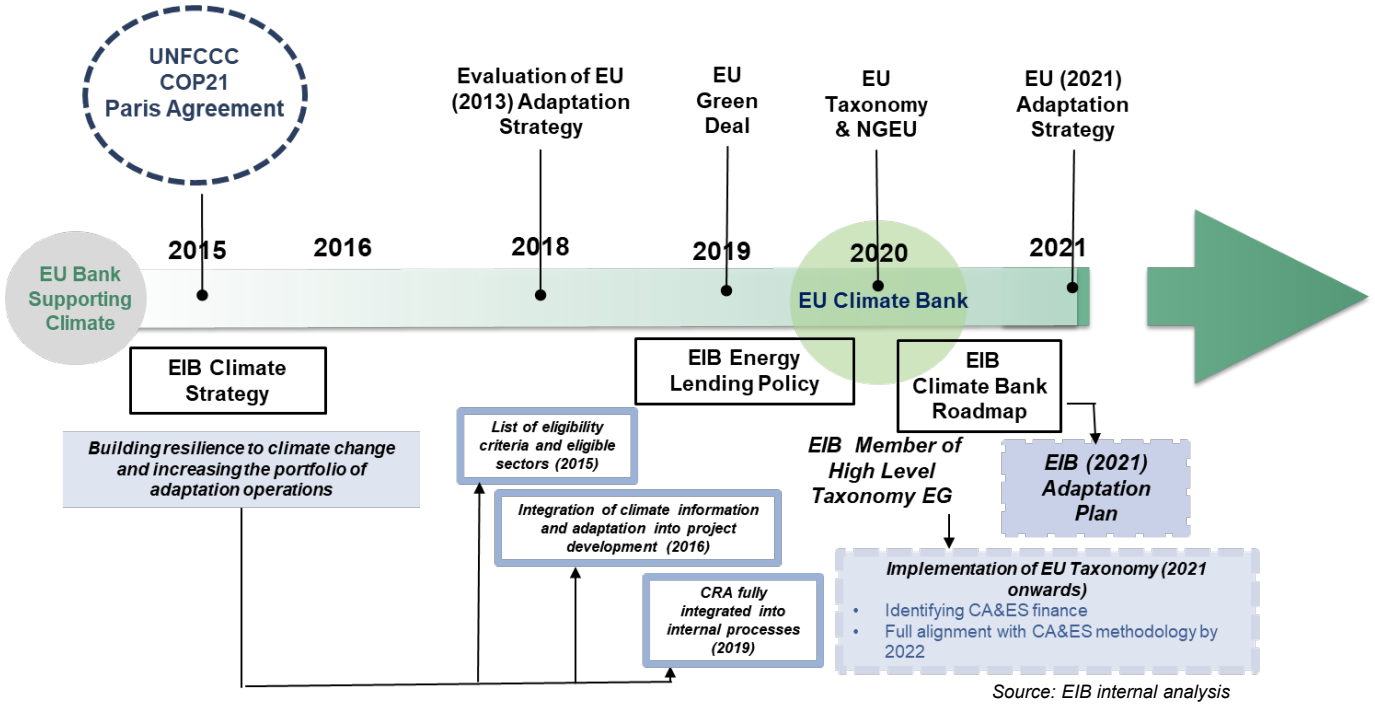
Policy – The degree to which EIB policies, strategies and targets provided opportunities - challenges for increased support for adaptation

- **There is an increasingly strong EU and international policy drive towards climate change adaptation, which the EIB is responding to by way of its 2015 Climate Strategy and Climate Bank Roadmap. However, the EIB narrative is not yet clear enough to have translated into a strong focus on adaptation (either internally, or with promoters).**

- **The EIB strategic and operational frameworks do not fully address the barriers and trade-offs for increasing the volume of climate change adaptation.**

The EU focus on adaptation gained in momentum during the preparation of the 2014-2020 long-term budget. Legislative initiatives, such as the EU Taxonomy and the EU Disclosure Regulations, are further increasing awareness of adaptation; whilst in the 2021-2027 long-term budget climate action is a key horizontal objective; with a 30% spending target.

The EIB issued its Climate Strategy in 2015. Despite the increased attention on climate action this brought with it, adaptation did not become a core objective that was recognised by staff. This is starting to change with the Climate Bank Roadmap.



Source: EIB internal analysis

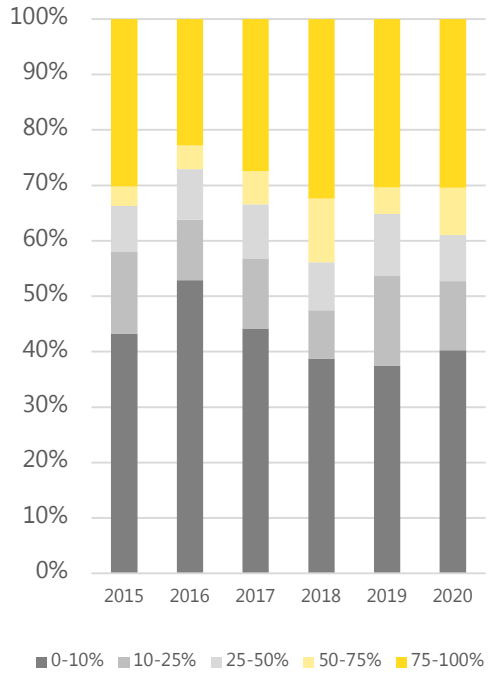
The EIB Climate Strategy and Climate Bank Roadmap set aspirational objectives for adaptation. However, neither document fully considers the implications of the changes that would be needed to achieve these objectives, leaving a gap between the strategic direction and its operationalisation.

Policy – The degree to which the EIB policies, strategies and targets provided opportunities/ challenges for increased support for adaptation

- **The composite volume target for climate action has incentivised mitigation but not led to increasing support for adaptation.**

Mitigation projects tend to deliver a large volume of climate action financing

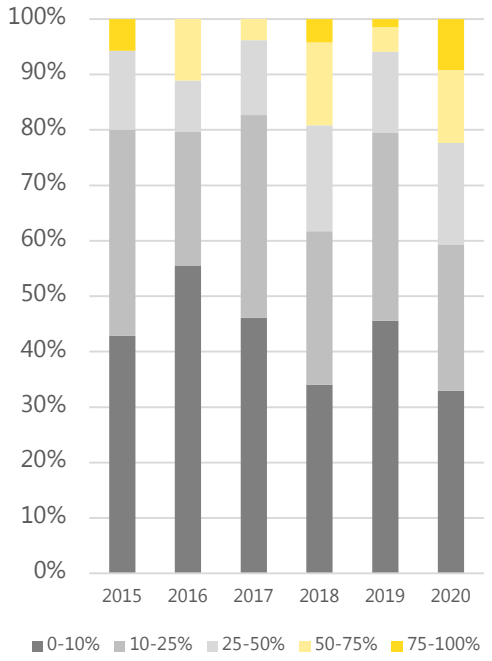
Climate change mitigation % for project supporting mitigation



Source: Portfolio review

Most adaptation lending is a by-product of other projects; with relatively few projects aimed at enabling adaptation

Climate change adaptation % for project supporting adaptation



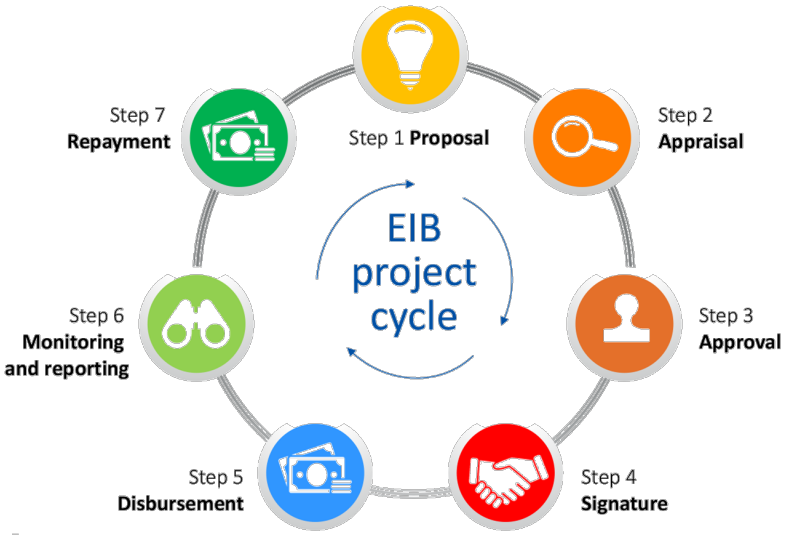
Source: Portfolio review

- **Activities aimed at enabling adaptation (resilience) present greater potential (compared to adapting infrastructure projects), but these are not getting sufficient attention.**

The EIB has established tools to ensure that the investments it finances are adapted to climate change. However, tools and strategies for financing projects that enable adaptation and build resilience are not yet in place. These projects tend not to 'come' to the EIB in the same way other standard EIB business does; and proactive engagement will be needed to identify them. This will not be easy due to a lack of understanding and familiarity with climate change adaptation, both inside and outside the Bank.

Business model – The degree to which EIB business model, product offer and mode of operation provided opportunities/challenges for increased support for adaptation through project development, selection and design

- **The EIB is project focused and tends to get involved once a project has already been developed. This leaves limited scope to influence the project design, which is when climate change adaptation considerations tend to be most effective.**



Source: EIB

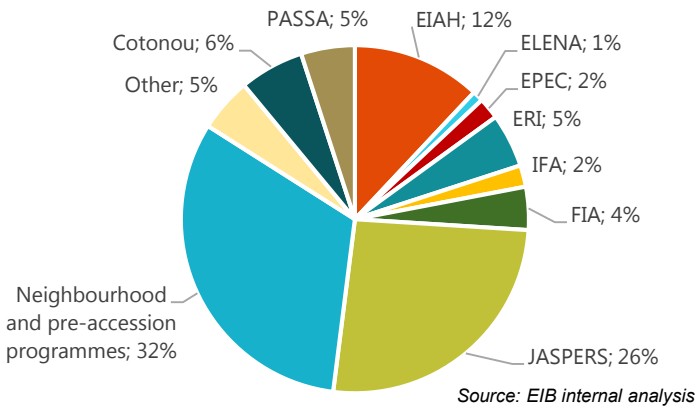
- **At the current stage of climate change adaptation development, many situations will require incentives for promoters, and EIB lending conditions may not be enough to encourage more adaptation business.**

- **Advisory services and technical assistance have played a positive role in supporting the development of climate change adaptation projects, and in building clients' adaptive capacity. The EIB is not currently making the most of these opportunities.**

Adaptation is complex, and a relatively new area of intervention for a lot of clients. Upstream advisory support and technical assistance are important to generate a pipeline of adaptation projects.

Interviews with EIB staff indicated insufficient awareness about available advisory support for adaptation, including the sectors and regions where these can be called on.

Distribution of advisory services resources by programme in 2019



Source: EIB internal analysis

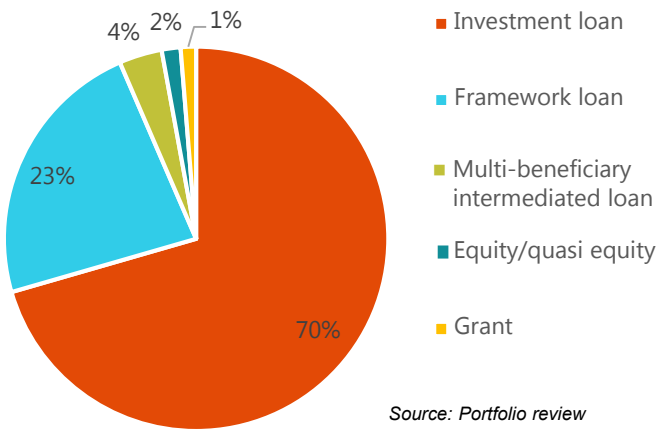
Despite increased awareness and readiness of promoters, there remains a reluctance to engage in the additional cost of adapting investments to climate change; incentivising promoters by way of favourable loan conditions, or by blending loans with a grant elements or advisory services, could help overcome barriers and unlock adaptation investments.

Business model – The degree to which the EIB business model, product offer and mode of operation provided opportunities/challenges for increased support for adaptation through project development, selection and design

- **Climate change adaptation projects to date have been financed through the standard EIB financial products. The evaluation identified positive examples of where these have led to programmatic approaches but also challenges when EIB procedures hindered successful climate change adaptation financing.**

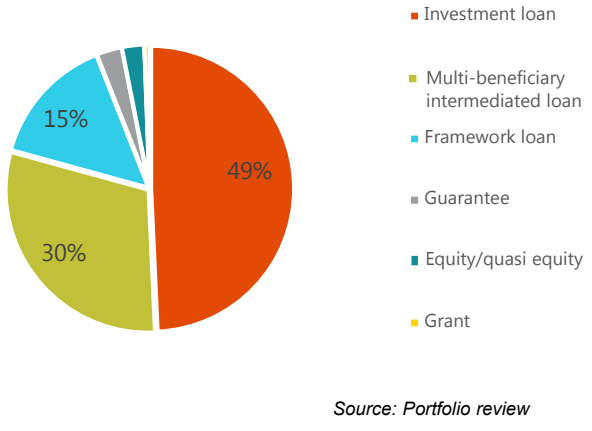
The adaptation portfolio is mainly composed of investment loans

EIB portfolio of support for climate change adaptation (in €) – split by-product



Source: Portfolio review

Overall EIB portfolio (in €) – broken down by-product



Source: Portfolio review

The staff survey notes that the EIB product offer is not considered an important barrier to increasing support for climate change adaptation

- **The EIB business model of working with repeat clients offers opportunities for a more programmatic approach to climate change adaptation.**

Around 50% of EIB business involves repeat clients. These existing relationships can provide openings to engage in more strategic discussions, and identify adaptation opportunities.

- **Multi-beneficiary intermediated loans could provide an opportunity to increase adaptation support, if conditions attached to them, were simplified.**

Adaptation interventions are often implemented at a local level, making them a good fit for multi-beneficiary intermediated loans. However, financial intermediaries tend to have awareness and capacity to identify and report on adaptation.

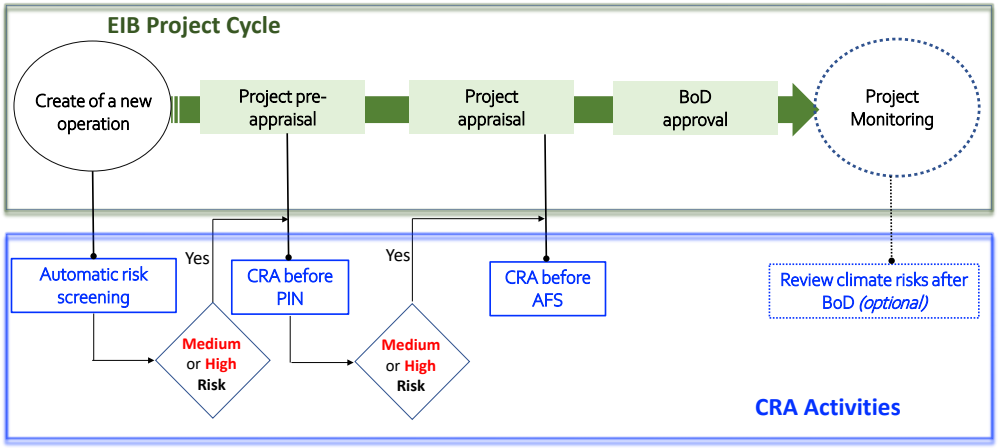
Procedures and tools – The degree to which procedures and tools (including the Climate Risk Assessment and adaptation measurement methodologies) provided opportunities/ challenges for increased support for adaptation

- **The introduction and implementation of the Climate Risk Assessment (CRA) system has raised awareness and understanding among EIB staff and (to a lesser extent) with promoters and is most likely one of the factors contributing to the increase, at least in some sectors, in adaptation volume in 2020.**
- **The Climate Risk Assessment system and the project risk screening tool have been helpful to facilitate project due diligence in a systematic manner within the EIB.**

The project screening tool is embedded in the Climate Risk Assessment

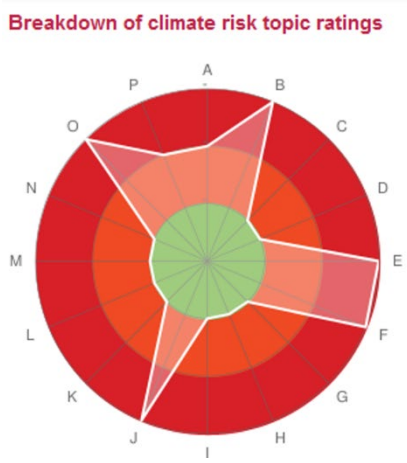
- *Using NACE codes, it considers both- project sectors and project components.*
- *It then provides a climate related risk rating : low (green); medium (orange); high (red) against risk topics (from A to P)— see diagram.*

Climate Risk Assessment within EIB project cycle



Source: EIB internal analysis

Example of climate risk rating for a project assessed by the screening tool



Climate risk topics

A – Temperature increase; B – Wild fire; C – Permafrost;
D – Sea ice; E – Precipitation increase; F – Flood;
G – Snow loading; H – Landslide;
I – Precipitation decrease; J – Water availability;
K – Wind speed increase; L – Onshore Category 1 storms;
M – Offshore Category 1 storms
N – Wind speed decrease; O – Sea level rise;
P – Solar radiation change

Source: Adapted from EIB Climate Risk Assessment guidance (2020)

Procedures and tools – The degree to which procedures and tools (including the Climate Risk Assessment and adaptation measurement methodologies) provided opportunities/ challenges for increased support for adaptation

- **Applying the three-step process as outlined in the joint multilateral development bank methodology for tracking adaptation finance has been a learning process at the EIB.**

Identifying adaptation operations using the three-step process has been challenging, particularly when investments are commonly understood to contribute to climate resilience but without the explicit articulation by promoters of an intention to address specific climate vulnerabilities (such as provision of water supply). But with experiences accumulating through the rollout of the Climate Risk Assessment system and in-house training sessions, progress has been made in identifying adaptation activities.

- **The incremental cost approach has proven challenging. Pragmatic operational guidelines have been developed for some (sub-)sectors and financing instruments to help streamline the tracking of adaptation finance.**

A commonly cited challenge was the difficulty in establishing a baseline and counterfactual needed to apply the incremental cost approach. Pragmatic operational guidelines, which helped increase consistency in adaptation finance reporting, have been developed.

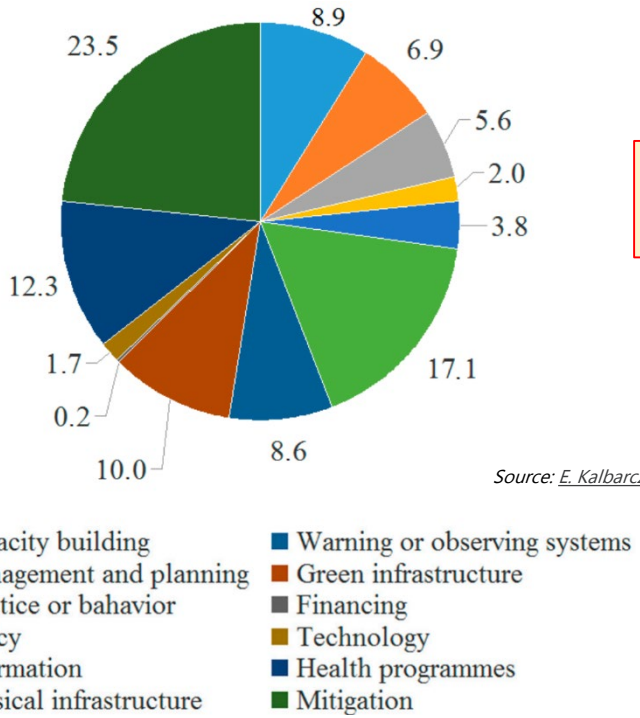
- **There is a wide appreciation that the volume of finance alone is inadequate to capture the contributions of support for climate change adaptation.**

Three-step process:

1) Set out the climate change vulnerability context of the project;
2) Make an explicit statement of intent of the project to reduce climate change vulnerability; and
3) Articulate a clear and direct link between specific project activities and the project's objective to reduce vulnerability to climate change.

(Source: Annex B of the Joint MDB Report on Climate Finance 2019)

Share of individual types of measures (in %) in the total number of actions in the Municipal Adaptation Plans of selected cities in Poland up to 2030



Most measures are of a non-financial nature

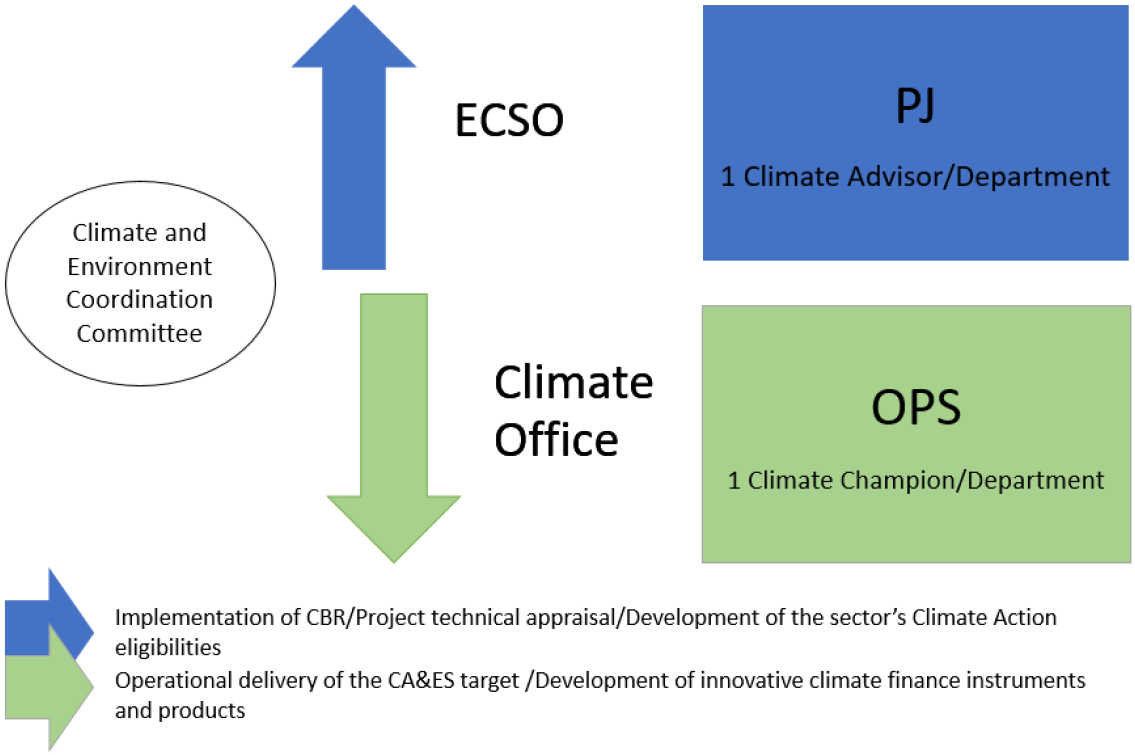
Source: E. Kalbarczyk and R. Kalbarczyk, 2020

Human resources – The degree to which the level of EIB internal knowledge, capacity and resources influenced the adaptation volume

- **Increased coordination and clarification of responsibilities for adaptation have taken place; and whilst there is room for improvement, it is not a major barrier for increasing adaptation volume.**

A Climate Office has been established in the Operations Directorate; and a network of climate champions (Operations Directorate) and climate advisors (Projects Directorate) has been set up to support the implementation of the Climate Bank Roadmap.

An internal EIB assessment in 2019 highlighted the need for increased coordination to increase adaptation financing. Recently the organisational set-up has further developed and there is no indication of coordination issues directly affecting adaptation financing in the EIB.



Source: EIB internal analysis

Human resources – The degree to which the level of EIB internal knowledge, capacity and resources influenced the adaptation volume

- **Awareness-raising and training activities have been useful, but the level of engagement, knowledge and confidence in adaptation varies among staff, which may partially explain the slow take-off of adaptation financing.**
- **A knowledge offer for climate action has been developed internally, but further guidance material is needed to increase adaptation financing.**

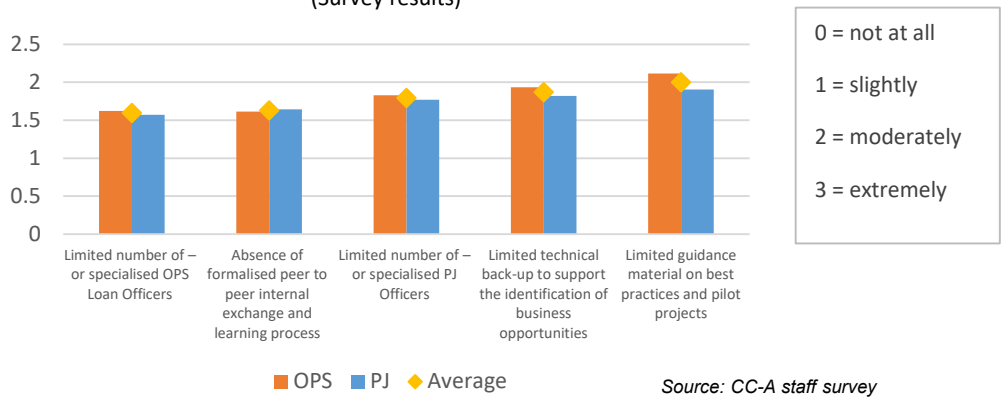
Developing capacity across the EIB was one workstream under the (2015) Climate Strategy. The Environment, Climate and Social Office in the Projects Directorate developed training material adapted to staff needs and existing skills; more recently working with the Climate Office in the Operations Directorate on rolling out training and awareness-raising activities.

Despite the development and dissemination of knowledge and guidance material, the staff survey conducted as part of this evaluation highlights that knowledge and guidance remain one of the most significant barriers to increasing adaptation financing for both the Operations and Projects Directorate.

The survey confirms the need for more training, whilst showing that the knowledge and confidence in adaptation varies between the Operations and Project Directorates, with staff in the Operations Directorate indicating a larger training gap than those in the Projects Directorate.

Assessment of resource-related barriers

(Survey results)



Source: CC-A staff survey

- **Climate change adaptation is putting more demands on staff (numbers and specialisation) and requires additional dedicated resources and skills.**

Until 2020 the Environment, Climate and Social Office in the Projects Directorate only had a very limited number of full-time staff with core competencies in climate change adaptation. More generally, specialised skills for adaptation are still limited across operational staff in the Bank.

The review of other multilateral development banks conducted as part of this evaluation shows that adaptation requires: dedicated financial resources for adaptation; country representative offices; and a mix of different skill sets.

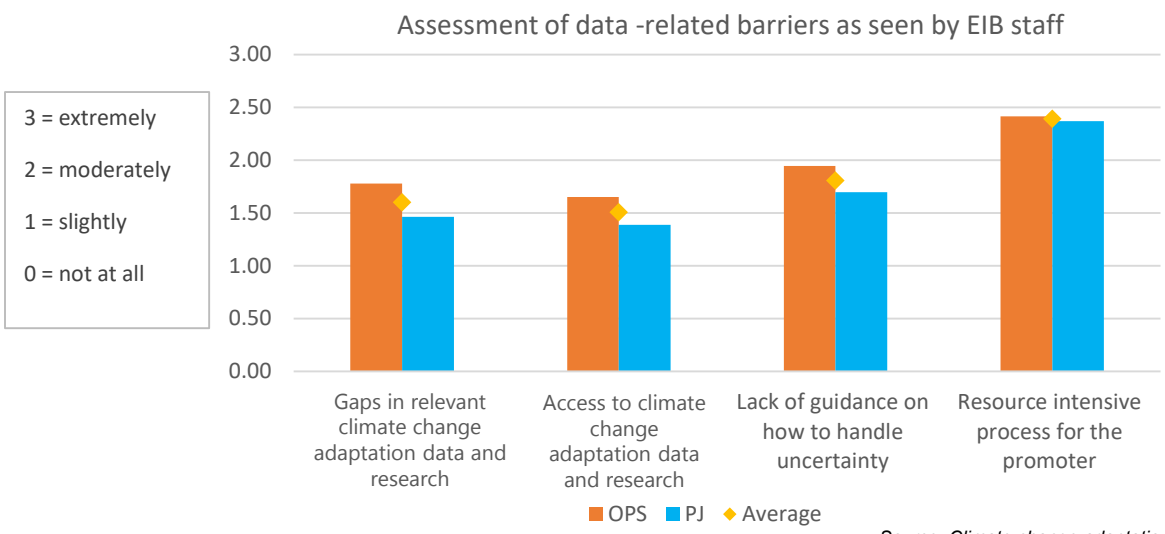
Data – The degree to which existence and accessibility of adaptation relevant data and research (including economic analyses) for assessment of climate risks, vulnerabilities and resilience solutions provided opportunities/challenges for increased support for adaptation

- **Although the data and planning environment has improved over time, data gaps remain, which have constrained the identification of new business opportunities for building climate resilience.**
- **The Bank has developed and acquired data analysis tools and a knowledge management system to support its internal processes, but these are not yet optimally used, especially with regards to the identification of adaptation opportunities.**
- **In a competitive environment, climate data and information requirements from the EIB may constrain engagement with new promoters.**

Whilst there are indications that the data environment has improved over time, both inside and outside the European Union, and location-specific climate risks are now emerging, these need to be translated so that the information can be used for project design purposes.

The current level of data gives rise to uncertainties in the modelling of the future impact of climate change. For some sectors the level of data granularity needed at project level and across promoters' business operations is often beyond what can be delivered.

In other cases the data are available but it has not been accessed and developed into scenarios and used to develop adaptation planning. Uncertainty in data, modelling and scenarios creates doubt and undermines the basis for sound and confident investment decisions.



Source: Climate change adaptation staff survey

To facilitate the Climate Risk Assessment process, the Bank has developed a sector sensitivity database. However, the tools do not provide practical insights into sector-specific climate risks and adaptation solutions to reduce the risk and will have to be further tailored to respond to the need for specific project level data, which are not always there.

The data and data requirements of the Climate Risk Assessment tool and tracking of adaptation finance adds a layer of complexity to EIB procedures and reporting requirements, with no incentive for the promoter, such as better loan conditions.

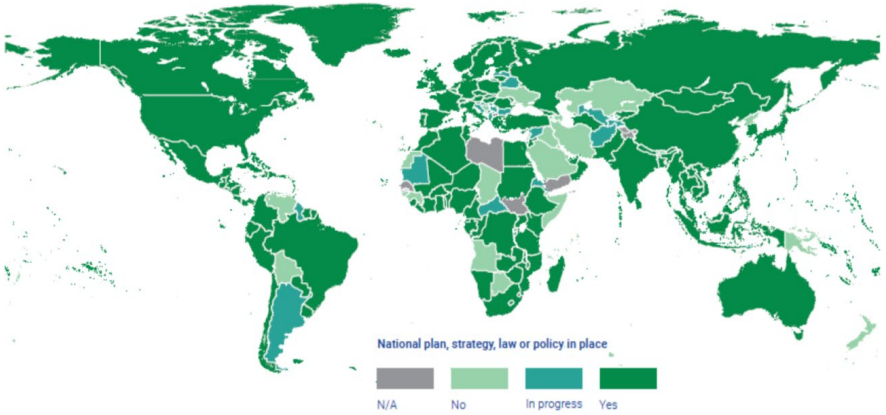
Readiness – The degree to which readiness of the country, and clients within the country, provided opportunities/challenges for increased support for adaptation

- **Even where adaptation policies and plans are conducive to enabling adaptation and building resilience, they do not necessarily translate into significant adaptation financing opportunities.**
- **Promoters are not identifying and prioritising projects that aim to enable adaptation and build resilience at scale.**

Although all EU Member States, and even most countries outside the European Union, have national strategies and plans for adaptation this, by itself, has not led to significant EIB adaptation financing volumes.

The European Union is considered a pioneer in integrating climate risk considerations into decision-making. However, so far, this has only resulted in relatively low adaptation volumes.

Outside the European Union there is growing client awareness and readiness but significant capacity constraints and a limited budget to respond to the adaptation challenges.



Source: Adaptation Gap Report 2020 | UNEP - UN Environment Programme

The need for adaptation investments is there, but promoters have not yet prioritised them; as shown by different sources of evidence:

1. **Interviews** – EIB staff noted the low demand and gave examples of other promoter priorities (no examples of adaptation investments rejected by the Bank).
2. The **staff survey** - With close to 200 respondents, and a response rate of 60% for staff involved in adaptation, the survey found low demand/prioritisation to be the highest external barrier.
3. **Portfolio** – There is not a record of many projects that enable adaptation and build resilience.
4. **2020 EIB investment survey**
5. **Literature review** – The Global Center on Adaptation and other related publications point to low demand /prioritisation

Readiness – The degree to which readiness of the country, and clients within the country, provided opportunities/challenges for increased support for adaptation

- **There are opportunities to further enhance coherence between climate change adaptation and disaster risk reduction.**
- **Design standards, codes of practice and regulations, as they relate to resilience against climate-related risks, have proven problematic for support for adaptation.**
- **As tested in the past, EIB initiatives on marketing and information could show some potential to identify and prioritise climate change adaptation investments.**
- **The availability of incentives (pricing, grants) are perceived as a strong driver for adaptation, particularly outside the European Union.**

Barriers

- The EIB Investment Survey shows as the main barriers to investing in activities to tackle climate change: cost, a lack of access to finance, uncertainty and insufficient staff skills.
- The Global Commission for Adaptation furthermore highlights knowledge gaps and short-term biases: fragmented responsibilities, poor institutional cooperation, lack of resources, and human behaviour (timing of hazards are uncertain).
- The EIB Climate Strategy recognises that there are regulatory barriers, because regulations, standards and codes that address adaptive action still need to be developed.

Opportunities

- Weather-related disasters have triggered investment in rehabilitation and in some cases also shown opportunities for preventive investments (case study in Spain).
- The Taxonomy, once it becomes operational, is likely to create incentives for climate change adaptation activities (they can be characterised as Taxonomy-aligned if they contribute to the adaptation objective, or when they fall under one of the other five objectives, they cannot do harm to the adaptation objective); and the financial regulatory environment is evolving towards voluntary or mandatory disclosure of climate related risks.
- Some progress in the EU in updating standards governing the safety and performance of infrastructure in a changing climate.
- There are examples where communication activities by EIB external offices are starting to generate new business.

Comparative advantage – The degree to which the EIB was seen by clients as a 'go-to bank for adaptation' support provided opportunities/challenges for increased support for adaptation

- **The EIB does not have a high-profile for financing investments and initiatives that enable adaptation and build resilience in part because the EIB business model does not lend itself to the preparation of projects that require substantial up-stream engagement.**

- **Inside the European Union, the EIB's traditional comparative advantages are under pressure, making support for adaptation more difficult to promote; outside the EU, mandates remain crucial.**

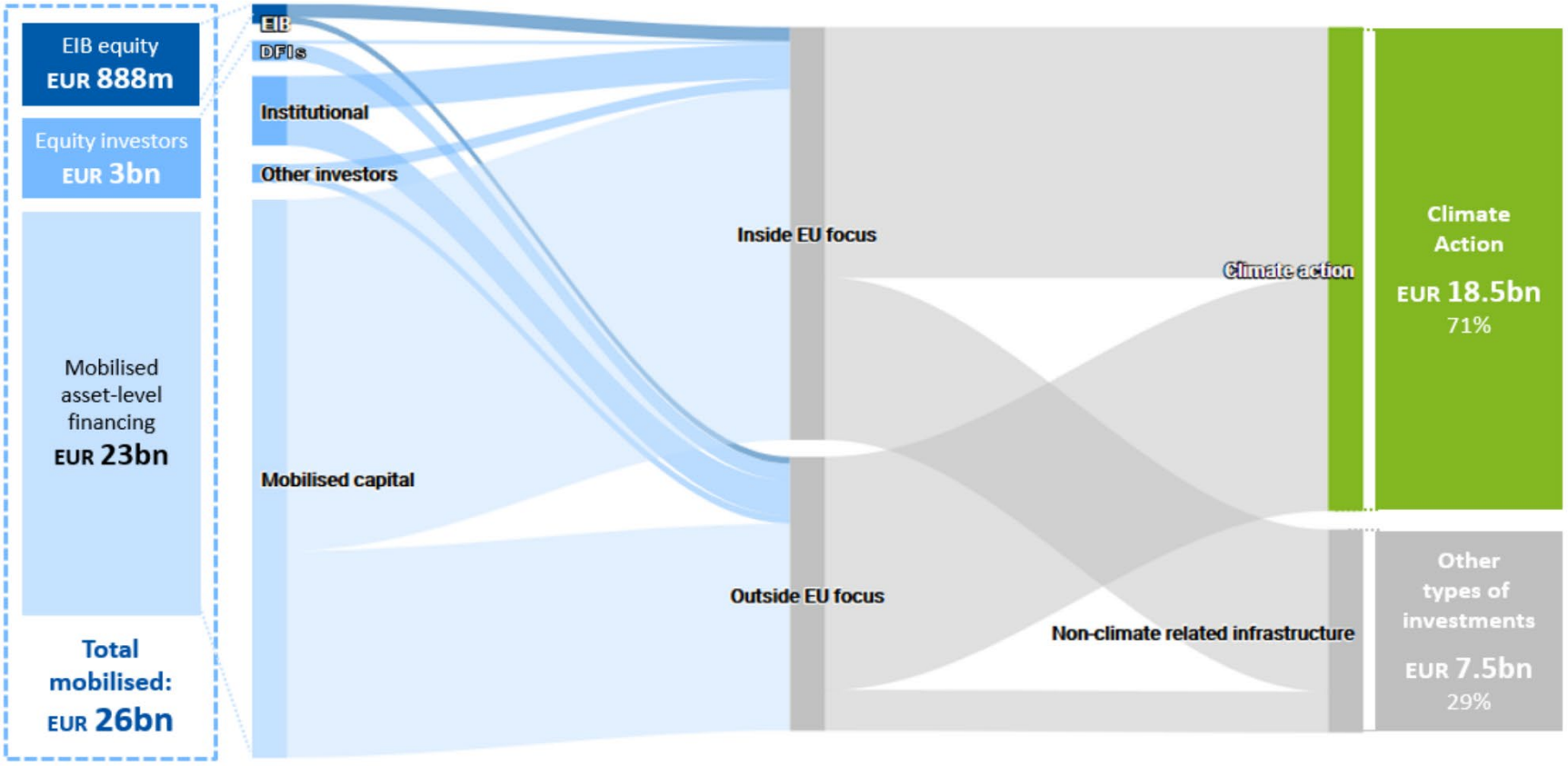
Six areas of EIB competitive advantage and disadvantage — only two areas offer a clear competitive advantage

Source: EIB Evaluation Division

Comparative advantage – The degree to which the EIB was seen by clients as a 'go-to bank for adaptation' support provided opportunities/challenges for increased support for adaptation

- **Through support for investment funds, the EIB Group helps bring in additional finance for adaptation that would not otherwise have been available**.

The EIB contributes to mobilising funds for climate change adaptation by supporting funds originated by others, including KfW.
EIB equity fund investments signed in 2019 have a high climate action leverage (including some adaptation).



Source: EIB internal analysis

Peer policies, business model, tools – The degree to which peer policies/strategies, business model, mode of operation, and product offer provided challenges/ opportunities for increased support for adaptation

- **Multilateral development banks with the highest increase in support for adaptation saw adaptation as an approach to development and as good development practice.**

The most successful multilateral development banks in driving up support for adaptation in terms of volume are the World Bank Group and the Asian Development Bank.

From the start, the World Bank recognised the link between climate change and development. It started a process of working with climate risks as a part of the development effort at country level.

- **Policy targets for climate change adaptation have been effective in driving up support for adaptation *when* the institution has a development approach, a business model to match need with demand, and a product offer to match the demand.**

The World Bank and Asian Development Bank have a business model allowing for dialogue with partner countries to include climate resilience considerations in national planning and to provide knowledge and financial support for strategy and policy development, institutional support and development, as well as investments in climate resilience.

The World Bank has a product offer that includes policy-based lending, with policy measures related to strengthening climate resilience. It has been an important instrument in stimulating demand for adaptation finance and hence increased support for adaptation.

- **Driving up demand for adaptation is more difficult when the business model is highly dependent on client demand – this is particularly true for multilateral development banks with a large private sector share in lending.**

Multilateral development banks with a high share of private sector operations found it difficult to drive up support for adaptation.

The World Bank Group supported policy lending to support institution building and regulatory frameworks conducive to private sector engagement seeking to address barriers to this engagement in adaptation.

Over the past two years, the International Finance Corporation (IFC) has employed 250 staff funded by own resources to work on maximising finance for development/creating markets to speed up the development of bankable projects and work on innovations with clients to come up with new technical solutions – including within the climate domain.

Peer policies, business model, tools – The degree to which peer policies/strategies, business model, mode of operation, and product offer provided challenges/ opportunities for increased support for adaptation

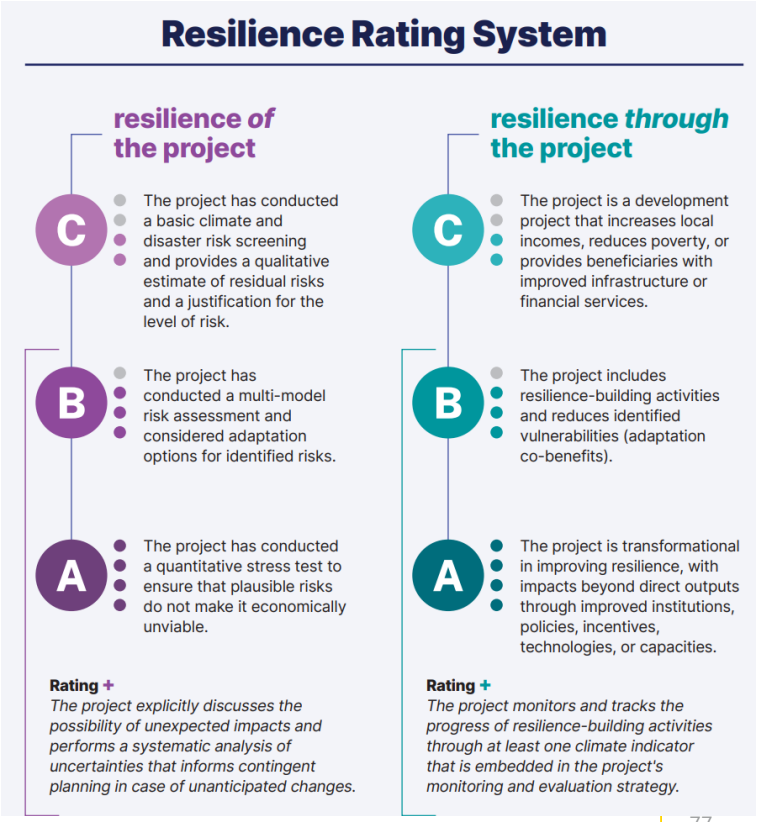
- **All multilateral development banks adhere to the multilateral development banks methodology to track adaptation finance. Work is underway to review the methodology.**

The methodology is the basis for reporting support for adaptation in the yearly multilateral development banks reports on climate finance, for which there is a need to be conservative. However, the application of the methodology has been found challenging by staff.

There is a wish to continue to develop the methodology and to see the input volume measurement complemented by more qualitative measures and more emphasis on outcomes. Furthermore, the World Bank is concerned that the current approach does not respond to private investors need for uniform guidance on what constitutes climate resilient investments.

- **To address shortcomings of the common multilateral development bank methodology for tracking support for climate change adaptation and to create a new climate resilience asset class to attract investors, the World Bank has developed a resilience rating system (RRS).**

The resilience rating system is used alongside volume measurement. It provides assessment and reporting criteria, that can be used to track resilience, either by how a project is designed (resilience of the project) or how it provides the tools, institutions, and infrastructure needed to cope with climate change impacts (resilience through the project).



Source: World Bank https://openknowledge.worldbank.org/bitstream/handle/10986/35039/Resilience-Rating-System-A-Methodology-for-Building-and-Tracking-Resilience-to-Climate-Change-A-Summary.pdf?sequence=9 January 2021

- **National promotional banks' lending inside the European Union does not target climate change adaptation, whereas in the case of KfW development bank, activities outside the EU have a considerable focus on support for climate change adaptation.**

Resources in peer organisations – The degree to which the level of knowledge, capacity and resources with regards to adaptation provided opportunities and challenges for increased support for adaptation

- **Multilateral development banks had good access to grant resources, including from trust funds, and invested in climate adaptation capacity.**

Multilateral development banks' access to grants for piloting, analysis, and additional staff from trust funds, Climate Investment Funds (CIF) and the Global Environment Facility (GEF). The ADB funded capacity building for climate from own resources.

The ADB and the EBRD are relying on relatively small teams supported by consultants, while the World Bank has, over the past decade, built up substantial capacity for climate action including climate adaptation. There is a large central team of more than 200 staff (including short-term consultants) that work on climate issues, the balance being in favour of adaptation.

The World Bank and the ADB stress the importance of not viewing adaptation as a technical issue to be dealt with by the technical sectoral staff, but as a development issue requiring a holistic approach. This requires bringing together different skills sets – economic, social, sectoral knowledge and climate knowledge.

- **Multilateral development banks recognise that addressing climate change (and adaptation) requires multi-disciplinary teams and mainstreaming capacity building and awareness raising across sectors and regions supported by central knowledge inputs and technical back-up.**

Being a climate bank implies that all staff must have a certain level of knowledge that makes them capable of engaging with clients/promoters on climate change and adaptation issues.

Other multilateral development banks have organised training and awareness raising across themes and geographies (regular dedicated training involving clinics and in-country visits, on the job training with climate specialists joining teams for country work or project formulation).

- **Multilateral development banks systematically engage with partner countries on training and knowledge building thereby also enhancing demand for adaptation finance.**

Working closely with clients is building partner country capacity. Strengthening governments' programmatic approach to addressing climate adaptation is one of three objectives of the World Bank Group's Action Plan on Climate Change, Adaptation and Resilience.

The World Bank and the ADB develop tools and sectoral guidance that can be accessed by partner countries but also other development partners.

- **The World Bank provides knowledge as a public good that shapes the global debate on climate change and is used by partner countries and development partners.**

The World Bank with support from shareholders invested heavily in knowledge production including Flagship reports like Shock Waves. Knowledge can be accessed on World Bank Climate Change Portal and World Bank Group Open Knowledge Repository.

The World Bank worked with the United Nations and others to set-up the Global Commission for Adaptation.

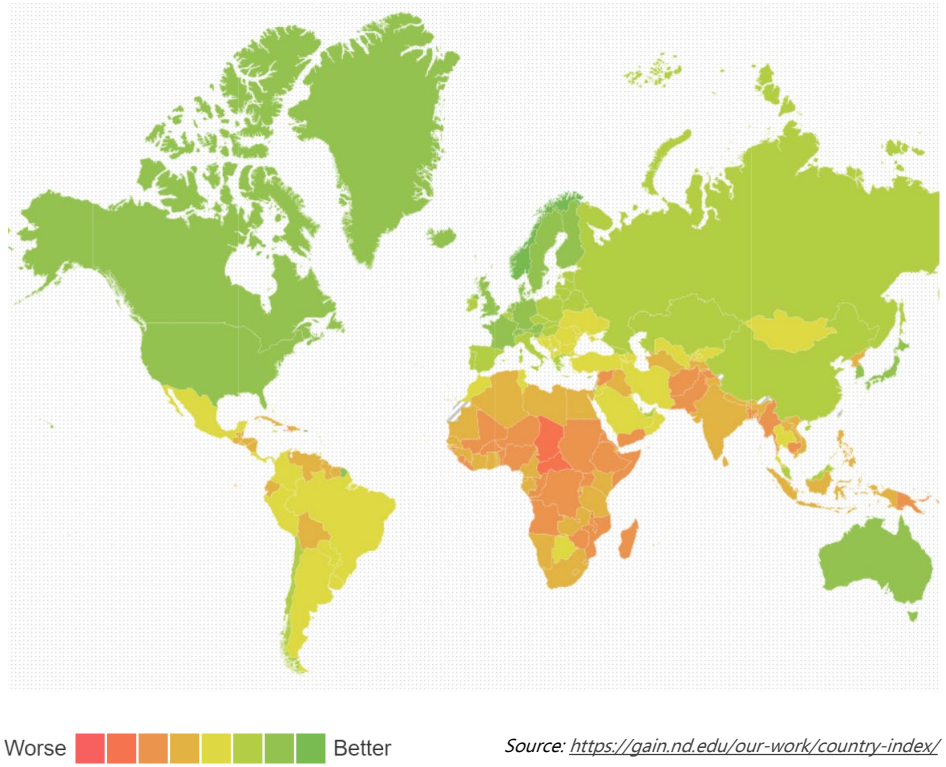
Geographies – The degree to which different geographies provided opportunities/challenges for increased support for climate change adaptation

- **Countries with high climate risk, as well as poor countries with considerable climate adaptation needs, are the main clients of the Word Bank and Asian Development Bank.**

- **The readiness and capacity of most developing countries to address climate change adaptation needs remains low and depends on multilateral development bank policy, knowledge, and financial inputs.**

It is recognised that adaptation costs may be higher for developed countries in absolute terms, but the burden is higher for developing countries relative to their gross domestic products, adding to their generally more constrained financial, technical, and human capacities.
Hence, the attention to climate change adaptation is primarily focused on low-income countries and countries with high vulnerability to climate risks which are also to a much larger extent the focus of World Bank and Asian Development Bank lending.

ND-GAIN Country Index (country's vulnerability to climate change)



Source: https://gain.nd.edu/our-work/country-index/

Climate action eligibilities: what can be reported against the climate action target?

For mitigation, a list of activities that can be counted towards the climate action target has been established.

It is based on a positive list of activities broken down by sector, and includes specific metrics and thresholds, such as the example that can be seen on the right.

ACTIVITY	EU TAXONOMY CRITERIA FOR SUBSTANTIAL CONTRIBUTION TO CLIMATE MITIGATION
Electricity Production	Facilities operating at life cycle emissions lower than 100gCO2e/kWh are eligible (threshold will be reduced every 5 years). **Solar, CSP, Wind, Ocean** - no need for carbon footprint - considered to always meet threshold
	Facilities operating at life cycle emissions lower than 100gCO2e/kWh are eligible (threshold will be reduced every 5 years). **Hydro, geothermal, gas** (e.g. co-firing natural/biogas) require lifecycle carbon footprint analysis.

As adaptation is context-specific, no such list exists. Instead, the multilateral development banks three-step approach is applied.

Finance allocated to specific project activities that are clearly linked to the project's climate vulnerability context is counted as adaptation finance.

In addition, where climate change adaptation activities are planned in projects that have additional objectives, adaptation finance tracking takes into account the estimated *incremental cost* or investment associated with such individual project components - or elements of project design - that address risks and vulnerabilities under current and future climate change conditions, and compares these with a project design that does not consider such conditions.

Tracking climate change adaptation finance

The EIB applies the multilateral development bank methodology for tracking and reporting on adaptation finance. In line with the methodology, any project reporting adaptation finance must follow these **three steps**:

i) Set out a project-specific context of climate vulnerability;
ii) Make an explicit statement of intent to address that climate vulnerability; and
iii) Articulate a clear and direct link between the context of climate vulnerability and the specific project activities.

Source: Annex B of the Joint MDB Report on Climate Finance 2019

Annex
Evaluation framework

EQ1 - What are the opportunities and challenges internally for increasing the support for climate change adaptation inside EU and outside

Judgement criteria		Guiding indicators
Policies	1.1 The degree to which the EIB policies, strategies and targets provided opportunities /challenges for increased support for climate change adaptation	• EIB **strategies, policy commitments and targets** influenced support for climate change adaptation • EIB systems and processes for translating policy commitments into support for climate change adaptation (including incentive structure) influenced support for climate change adaptation • Organisational culture influenced support for climate change adaptation
Business model	1.2 The degree to which EIB business model, product offer and mode of operation provided opportunities/challenges for increased support for climate change adaptation through project development, selection and design	• EIB **business model** influenced support for climate change adaptation • EIB mode of operation including organisational structure influenced support for climate change adaptation • EIB product offer (including programmatic loans, technical assistance/advisory services and concessional finance)
Procedures, tools	1.3 The degree to which procedures, tools, including the Climate Risk Assessment, and climate change adaptation measurement methodologies provided opportunities/ challenges for increased support for climate change adaptation	• The **application of procedures** (including the project cycle) as well as availability of sectoral guidance influenced support for climate change adaptation through the identification of climate change adaptation opportunities and change in design • The introduction/application of the **Climate Risk Assessment** influenced awareness and knowledge and client dialogue about support for climate change adaptation • The **methodology and practice of tracking** climate change adaptation finance influenced support for climate change adaptation
Human resources	1.4 The degree to which the level of knowledge, capacity and resources provided opportunities/ challenges for increased support for climate change adaptation	• The **guidelines, and training**, including on methodologies for measurement, influenced staff capacity and knowledge led to increased support for climate change adaptation • Mechanism for delivery of **technical back up** influenced the support for climate change adaptation • **Availability of resources** influenced the support for climate change adaptation

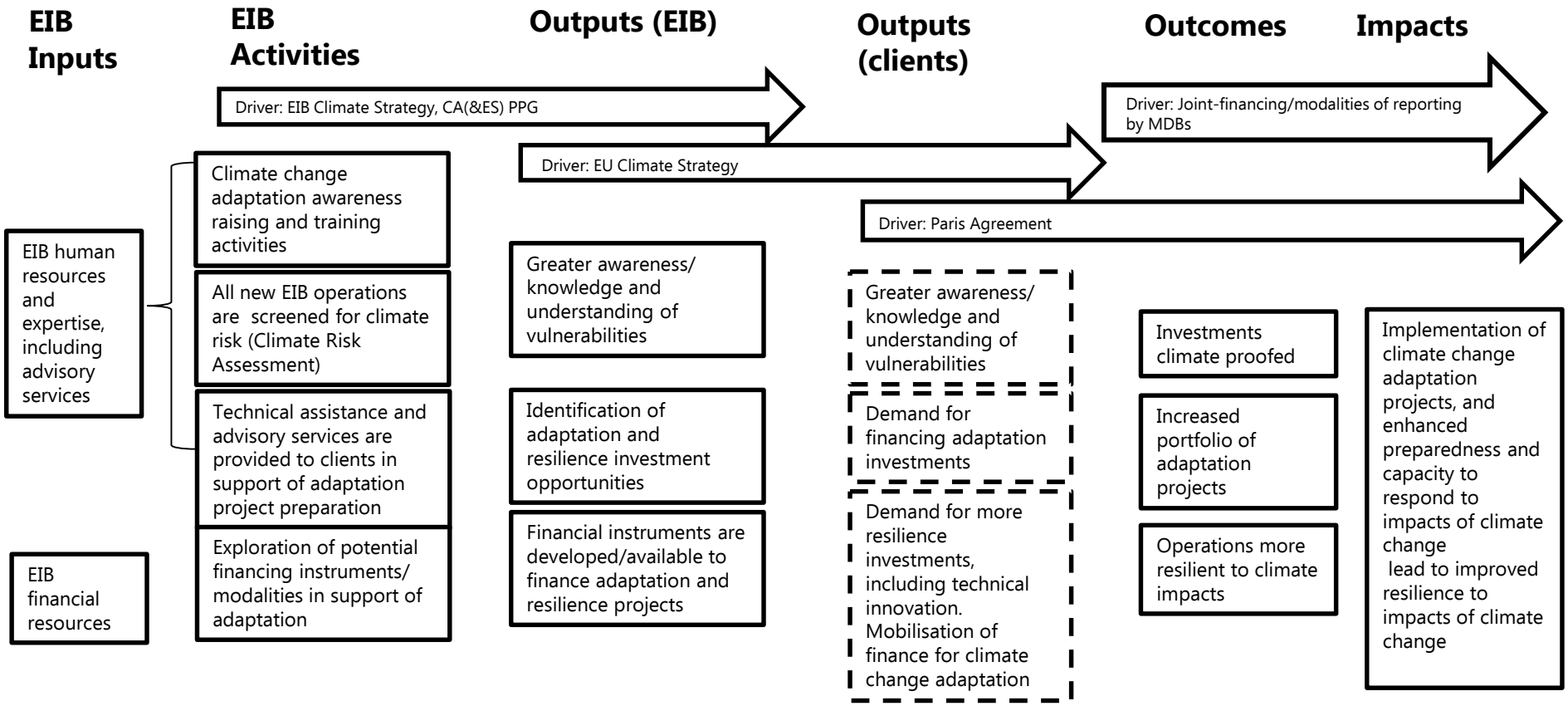
EQ2 - What are the opportunities and challenges externally for increasing the support for climate change adaptation inside and outside the European Union

Judgement criteria		Guiding indicators
Data	2.1 The degree to which existence and accessibility of climate change adaptation data and research (including economic analyses) for assessment of climate risks, vulnerabilities and resilience solutions provided opportunities/challenges for increased support for climate change adaptation	• **Data and research availability** for the countries influenced support for climate change adaptation • **Data accessibility** to EIB staff / clients /promoters and use of the data influenced support for climate change adaptation
Readiness	2.2 The degree to which readiness of the country, and clients within the country, provided opportunities/challenges for increased support for climate change adaptation	• **Country readiness** – adaptation policies, plans and investment needs influenced support for climate change adaptation • Presence of **climate informed standards, rules and regulations** influenced support for climate change adaptation • **Knowledge at the country** level influenced support for climate change adaptation • **Awareness and knowledge at the client** level influenced support for climate change adaptation
Comparative advantage	2.3 The degree to which the EIB being seen by clients as a 'go- to bank for climate change adaptation' support provided opportunities/challenges for increased support for climate change adaptation	• The policies, business model, product offer, including technical assistance/advisory services and knowledge influenced support for climate change adaptation • **Mobilisation of resources** beyond own resources influenced support for climate change adaptation • **Additionality to the market**

EQ3 - What are the lessons learned by other multilateral development banks/national promotional banks on increasing support for climate change adaptation

Judgement criteria		Guiding indicators
Peer policies, business model, tools	3.1 The degree to which peer policies/strategies, business model, mode of operation, and product offer provided challenges/opportunities for increased support to climate change adaptation	• **Peer policies and strategies, incentive** structure influenced support for climate change adaptation • **Business model, mode of operation**, product offer (including availability of programmatic loans, technical assistance and concessional finance), sectoral guidance and procedures influenced support for climate change adaptation • **Methodologies of measurement** and their application for influenced support for climate change adaptation
Human resources	3.2 The degree to which the level of knowledge, capacity and resources with regards to climate change adaptation provided challenges/ opportunities for increased support for climate change adaptation	• **Training and capacity of staff** influenced support for climate change adaptation • **Training and capacity of partners** influenced support for climate change adaptation • **Resources** dedicated to climate change adaptation influenced support for climate change adaptation
Geographies	3.3 The degree to which different geographies provided opportunities/challenges for increased support for climate change adaptation	• The **focus on poor countries** influenced support for climate change adaptation • The **focus of high climate risk** countries influenced support for climate change adaptation • The **readiness of the countries** of operation influenced support for climate change adaptation

Reconstructed intervention logic



Assumptions

- EIB mode of operation, tools, product offer and capacity are conducive to adaptation finance
- Availability of mandates, especially outside the European Union, to offer technical assistance/advisory services; as well as concessional finance
- Climate data exists at the regional level; and is accessible
- Countries have an enabling framework for adaptation
- Clients have the knowledge and human resources to develop adaptation projects
- EIB additionality

Bibliography

Bibliography

African Development Bank Group (2019). Inception Report Evaluation of the African Development Bank Group Support to Green Growth and Climate Change (2008-2018); available here: AfDB EGGCC Inception Report_0.pdf

Asian Development Bank (2020). Sustainable development working paper series: Principles of climate risk management for climate proofing projects; available here: Principles of Climate Risk Management for Climate Proofing Projects (adb.org)

Asian Development Bank (2012). ADB's Response to Natural Disasters and Disaster Risks; available here: Special Evaluation Study on ADB's Response to Natural Disasters and Disaster Risks | Asian Development Bank

Asian Development Bank (2015). Economic analysis of climate-proofing investment projects; available here: Economic Analysis of Climate-Proofing Investment Projects | Asian Development Bank (adb.org)

Asian Development Bank (2014). Real-Time Evaluation of ADB's Initiatives to Support Access to Climate Finance; available here: Real-Time Evaluation of ADB's Initiatives to Support Access to Climate Finance | Asian Development Bank

Asian Development Bank (2020).Thematic Evaluation: ADB Support for Action on Climate Change, 2011–2019; available here: Thematic Evaluation: ADB Support for Action on Climate Change, 2011–2019 | Asian Development Bank

Care International (2021). Climate adaptation finance: fact or fiction?; available here: Climate Adaptation Finance - Fact or Fiction? - CARE Climate Change

Climate Policy Initiative (2017). Global Landscape of Climate Finance 2017; available here: 2017-Global-Landscape-of-Climate-Finance.pdf (climatepolicyinitiative.org)

European Commission (2020). EU's next long-term budget & Next Generation EU: key facts and figures; available here: mff_factsheet_agreement_en_web_20.11.pdf (europa.eu)

European Commission (2020). European Parliament P9_TA-PROV(2020)0382 EU strategy on adaptation to climate change European Parliament resolution of 17 December 2020 on the EU strategy on adaptation to climate change (2020/2532(RSP)); available here: Texts adopted - EU strategy on adaptation to climate change - Thursday, 17 December 2020 (europa.eu)

European Commission Joint Research Centre (2020). European wildfire danger and vulnerability in a changing climate: towards integrating risk dimensions; available here: European wildfire danger and vulnerability in a changing climate - Publications Office of the EU (europa.eu)

European Commission (2018). Evaluation of the EU Strategy on adaptation to climate change. Report from the commission to the European parliament and the council on the implementation of the EU Strategy on adaptation to climate change; available here: EUR-Lex - 52018SC0461 - EN - EUR-Lex (europa.eu)

European Commission (2021). Forging a climate-resilient Europe - the new EU Strategy on Adaptation to Climate Change; available here: eu_strategy_2021.pdf (europa.eu)

European Commission (2018). Study to support the evaluation of the EU Adaptation Strategy - Final report; available here: adapt_strat_eval_report_en.pdf (europa.eu)

European Commission (2020). Taxonomy: Final report of the Technical Expert Group on Sustainable Finance; available here: TEG final report on the EU taxonomy (europa.eu)

European Commission (2020). Taxonomy report: Technical Annex; available here: Technical annex to the TEG final report on the EU taxonomy | European Commission (europa.eu)

European Commission (2019). Communication from the commission to the European parliament and the European council, the council, the European Economic and Social Committee and the Committee of the regions: The European Green Deal; available here: COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE EUROPEAN COUNCIL, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS The European Green Deal - Publications Office of the EU (europa.eu)

European Commission (2013). The EU Strategy on adaptation to climate change. Strengthening Europe's resilience to the impacts of climate change; available here: eu_strategy_en.pdf (europa.eu)

European Commission (2020). EU's next long-term budget & Next Generation EU: key facts and figures; available here: mff_factsheet_agreement_en_web_20.11.pdf (europa.eu)

European Commission (2020) European Parliament P9_TA-PROV(2020)0382 EU strategy on adaptation to climate change European Parliament resolution of 17 December 2020 on the EU strategy on adaptation to climate change (2020/2532(RSP)); available here: Texts adopted - EU strategy on adaptation to climate change - Thursday, 17 December 2020 (europa.eu)

European Commission (2018). Evaluation of the EU Strategy on adaptation to climate change. Report from the commission to the European parliament and the council on the implementation of the EU Strategy on adaptation to climate change; available here: EUR-Lex - 52018SC0461 - EN - EUR-Lex (europa.eu)

European Commission (2021). Forging a climate-resilient Europe - the new EU Strategy on Adaptation to Climate Change. Available here: eu_strategy_2021.pdf (europa.eu)

European Environment Agency (2017). Green Infrastructure and Flood Management. Promoting cost-efficient flood risk reduction via green infrastructure solutions; available here: https://www.eea.europa.eu/publications/green-infrastructure-and-flood-management

European Commission (2020). Taxonomy: Final report of the Technical Expert Group on Sustainable Finance; available here: TEG final report on the EU taxonomy (europa.eu)

European Commission. (2020). Taxonomy report: Technical Annex; available here: Technical annex to the TEG final report on the EU taxonomy | European Commission (europa.eu)

European Commission (2013). The EU Strategy on adaptation to climate change. Strengthening Europe's resilience to the impacts of climate change; available here: eu_strategy_en.pdf (europa.eu)

European Court of Auditors (2018). Combating desertification in the EU: a growing threat in need of more action; available here: Combating desertification in the EU: a growing threat in need of more action (europa.eu)

European Court of Auditors (2018). Floods Directive: progress in assessing risks, while planning and implementation need to improve; available here: Floods Directive: progress in assessing risks, while planning and implementation need to improve (europa.eu)

European Court of Auditors (2020). Tracking climate spending in the EU budget; available here: Review No 01/2020: Tracking climate spending in the EU budget (europa.eu)

European Environment Agency (2020). Climate-related hazard indices for Europe; available here: Climate-related hazard indices for Europe — Eionet Portal (europa.eu)

European Environment Agency (2016). Urban adaptation to climate change in Europe 2016. Transforming cities in a changing climate; available here: Urban adaptation to climate change in Europe 2016 — Transforming cities in a changing climate — European Environment Agency (europa.eu)

European Financing Institutions Working Group on Adaptation to Climate Change (2016). Integrating Climate Change Information and Adaptation in Project Development Emerging Experience from Practitioners; available here: Integrating Climate Information and Adaptation in Project Development (eib.org)

European Investment Bank (2020). Investment survey; available here: European firms and climate change 2020/2021: Evidence from the EIB Investment Survey

European Investment Bank (2014). A watertight solution for a more secure future; available here: A watertight solution for a more secure future (eib.org)

European Investment Bank (2012). Choosing the optimal climate change policy in the presence of catastrophic risk. EIB working papers 2012/03; available here: EIB Working Papers 2012/03 – Choosing the optimal climate change policy in the presence of catastrophic risk

European Investment Bank. (2021) Climate Action and Environmental Sustainability. Overview 2020; available here: Climate Action and Environmental Sustainability Overview 2021 (eib.org)

European Investment Bank (2020). Climate Action in Cities. Overview 2020; available here: Climate Action in Cities Overview 2020 (eib.org)

European Investment Bank (2016). Climate action that makes a difference in the Pacific, Caribbean and Indian Ocean; available here: Small islands, big impact (eib.org)

European Investment Bank (2020). EIB Climate Strategy; available here: EIB Climate Strategy

European Investment Bank (2020). EIB Group Climate Bank Roadmap 2021-2025; available here: The EIB Group Climate Bank Roadmap 2021-2025

European Investment Bank (2021). EIB Operational Plans 2015-2021; available here: The EIB Group Operational Plan 2021

European Investment Bank (2012). Strategic adaptation to climate change in Europe. EIB working papers 2012/01; available here: EIB Working Papers 2012/01 – Strategic adaptation to climate change in Europe

European Investment Bank (2012). The costs of climate-change adaptation in Europe: a review. EIB working papers 2012/05; available here: EIB Working Papers 2012/05 - The costs of climate-change adaptation in Europe: a review

Bibliography

European Investment Bank. (2020). The EIB in Latin America and the Caribbean: protecting the environment, fighting climate change; available here: The EIB in Latin America and the Caribean: protecting the environment, fighting climate change

European Investment Bank (2016). The EIB in the Caribbean: priorities and projects; available here: The EIB in the Caribbean: priorities and projects

European Investment Bank (2012). The Role of Economic Policy in Climate Change Adaptation. EIB working papers 2012/01; available here: EIB Working Papers 2012/02 – The Role of Economic Policy in Climate Change Adaptation

European Bank for Reconstruction and Development (2015). Building an Evidence Base on Private Sector Engagement in Financing Climate Change Adaptation; available here: Building an Evidence Base on Private Sector Engagement in Financing Climate Change Adaptation | Climate Investment Funds

European Bank for Reconstruction and Development (2020). Green economy transition approach 2021-2025; available here: The Green Economy Transition (GET) 2021-25

European Bank for Reconstruction and Development & Global Center Adaptation. Advancing Task Force on Climate-related Financial Disclosures guidance on physical climate risks and opportunities; available here: Microsoft Word - EBRD-GCECA draft final report_v2_clean (427mt.com)

European Bank for Reconstruction and Development & Stockholm Environment Institute. Building resilience to climate change: investing in adaptation; available here: sei-adaptation.pdf (ebrd.com)

European Financing Institutions Working Group (2016). Integrating Climate Change Information and Adaptation in Project Development. Emerging Experience from Practitioners; available here: Integrating Climate Information and Adaptation in Project Development (eib.org)

Global Center on Adaptation (2019). Adaptation of infrastructure systems; available here: Adaptation of Infrastructure Systems - Global Center on Adaptation (gca.org)

Global Center on Adaptation (2019). GCA Business plan 2020 - 2025. Unlocking adaptation solutions for 4 billion people; available here: GCA-Business-plan_website.pdf

Global Commission on Adaptation (2019). Adapt now: a global call for leadership on climate resilience; available here: Adapt Now: A Global Call for Leadership on Climate Resilience - World | ReliefWeb

Green Climate Fund - Independent Evaluation Unit (2021). Independent evaluation of the adaptation portfolio and approach of the green climate fund; available here: Independent evaluation of the adaptation portfolio and approach of the Green Climate Fund | Independent Evaluation Unit | Green Climate Fund

International Finance Corporation (2014). Independent Evaluation of the Climate Investment Funds. Volume 1- Evaluation Report; available here: cif_evaluation_final.pdf (oecd.org)

JASPERS (2017). Compilation of the Climate Change Related Requirements for Major Projects in the 2014-2020 Programming Period; available here: Climate Change requirements for Major Projects in the 2014 – 2020 Programming Period (jaspersnetwork.org)

JASPERS (2018). Adaptation to Climate Change for National Roads in Poland Stage II – Assessment of costs and impacts of extreme weather events; available here: Slajd 1 (jaspersnetwork.org)

JASPERS (2019). JASPERS Networking Platform - Second workshop on Climate Change Adaptation in the Transport Sector. Analysis of climate change impacts and adaptation for Polish Railway network; available here: Second Workshop on Climate Change Adaption in Transport Sector - Events - JASPERS NETWORK

JASPERS (2018). Roads and Climate Change. Integrating climate change aspects into road network development.; available here: JASPERS Roads brochure 2018 - Roads and Climate Change - FINAL.pdf (eib.org)

JASPERS (2017). JASPERS Guidance Note -The Basics of Climate Change Adaptation. Vulnerability and Risk Assessment; available here: http://www.jaspersnetwork.org/plugins/servlet/documentRepository/displayDocumentDetails?documentId=381

Multilateral Development Banks (2019). A Framework and Principles for Climate Resilience Metrics in Financing Operations; available here: A Framework and Principles for Climate Resilience Metrics in Financing Operations (iadb.org)

Multilateral Development Banks (2019). 2018 Joint report on multilateral development banks' climate finance; available here: 1257-joint-report-on-mdbs-climate-finance-2019.pdf (eib.org)

Multilateral Development Banks (2020). 2019 Joint report on multilateral development banks; available here: 2020-joint-report-on-multilateral-development-banks-climate-finance.pdf (eib.org)

Ministry of foreign affairs, Netherlands (2018). Monitoring and Evaluating Mainstreamed Adaptation to Climate Change A synthesis study on climate change in development cooperation; available here: IOB-Monitoring and Evaluating Mainstreamed Adaptation to Climate Change: A synthesis study on climate change in development cooperation | ALNAP

Organisation for Economic Co-operation and Development. (2021). Strengthening Adaptation-Mitigation Linkages for a Low-Carbon, Climate-Resilient Future. OECD environment policy paper No. 23. Available here: 6d79ff6a-en.pdf (oecd-ilibrary.org)

Organisation for Economic Co-operation and Development (2018). Climate-resilient Infrastructure. OECD environment policy paper No. 14; available here: policy-perspectives-climate-resilient-infrastructure.pdf (oecd.org)

Organisation for Economic Co-operation and Development. DAC Rio Markers for Climate; available here: Revised climate marker handbook_FINAL.pdf (oecd.org)

Stern review (2006). The Economics of Climate Change. Chapter IV: International Support for Adaptation & Chapter V: Policy Responses for Adaptation; available here

Stockholm Environment Institute & Global Center on Adaptation (2017). Advancing climate adaptation practices and solutions: Emerging research priorities; available here: klein-et-al-2017-adaptation-research-priorities.pdf (sei.org)

The German Institute for Development Evaluation (2019). Evaluation of Climate change adaptation measures. Portfolio and Allocation Analysis; available here: ssoar-2019-noltze_et_al-Evaluation_of_Climate_Change_Adaptation.pdf

The German Institute for Development Evaluation (2020). Evidence gap an intervention heat maps of climate change adaptation in low and middle income countries; available here: Evidence Gap and Intervention Heat Maps of Climate Change Adaptation in Low- and Middle-Income Countries, DEval Discussion Paper 2/2020

UN Environment Programme (2021). Adaptation Gap Report 2020; available here: Adaptation Gap Report 2020 | UNEP - UN Environment Programme

UN Secretary General(2019). Report of the Secretary-General on the 2019 Climate Action Summit and the way forward in 2020; available here: cas_report_11_dec_0.pdf (un.org)

World Bank Group (2019). Action Plan on Climate Change Adaptation and Resilience. Managing risks for a more resilient future; available here: The-World-Bank-Groups-Action-Plan-on-Climate-Change-Adaptation-and-Resilience-Managing-Risks-for-a-More-Resilient-Future.pdf (worldbank.org)

World Bank Group. 2025 Targets to Step Up Climate Action; available here: 2025TargetstoStepUpClimateAction.pdf (worldbank.org)

World Bank Group (2012). Adapting to Climate Change: Assessing the World Bank Group Experience Phase III; available here: Adapting to Climate Change : Assessing World Bank Group Experience--Phase III of the World Bank Group and Climate Change

World Bank Group (2021) Climate Change Action Plan 2021-25. Available here:CCAP-2021-25-Highlights.pdf (worldbank.org)

About the Evaluation function

The evaluation function conducts independent evaluations of the EIB Group's activities. It assesses the relevance and performance of these activities in relation to their objectives and the evolving operating environment. It also helps the EIB Group draw lessons on how to continuously improve its work, thereby contributing to a culture of learning and evidence-based decision-making.

Evaluation reports are available from the EIB website:
http://www.eib.org/en/infocentre/publications/all/ex-post-evaluations/index.htm

Evaluation of EIB support for Climate Change Adaptation (2015-2020)

This is a publication of the EIB's Evaluation Division, IG/EV.

Disclaimer

The views and assessments contained in this report reflect the views of the EIB Group's evaluation function and do not necessarily represent the views of the EIB management or of its Board of Directors.

The EIB has an obligation of confidentiality to the owners and operators of the projects referred to in this report. Neither the EIB nor the consultants employed on these studies will disclose to a third party any information that might result in a breach of that obligation, and the EIB and the consultants will neither assume any obligation to disclose any further information nor seek consent from relevant sources.

To accommodate scheduling limitations, the content of this publication has not been subject to standard EIB proofreading.

For further information on the EIB's activities, please consult our website, www.eib.org. You can also contact our InfoDesk, info@eib.org.

Published by the European Investment Bank.
Printed on FSC® paper.

pdf:	QH-09-21-406-EN-N	ISBN 978-92-861-5078-4	DOI 10.2867/26391
html:	QH-09-21-406-EN-Q	ISBN 978-92-861-5079-1	DOI 10.2867/4779

EVALUATION OF EIB SUPPORT FOR CLIMATE CHANGE ADAPTATION (2015-2020)

September 2021

European Investment Bank

98-100, boulevard Konrad Adenauer

L-2950 Luxembourg

+352 4379-22000

www.eib.org – info@eib.org

Evaluation

Evaluation@eib.org

www.eib.org/evaluation

pdf: ISBN 978-92-861-5078-4
html: ISBN 978-92-861-5079-1

10/2021 - EN