Climate Funds Update

HEINRICH BÖLL STIFTUNG
NORTH AMERICA

ODI

Climate Finance Regional Briefing: Latin America

Climate Finance Fundamentals 6

FEBRUARY 2019

Charlene Watson, ODI, and **Liane Schalatek**, HBS

Latin America is a highly heterogeneous region, with differences in levels of economic development and social and indigenous history, both among and within countries. The impacts of climate change, in particular glacial melt and changes in river flows, extreme weather events and risks to food production systems affect development in both rural and urban areas in the region (World Bank, 2014). Climate finance in the Latin American region is highly concentrated, with Brazil and Mexico receiving half of the region's funding. Mitigation activities, including forestry, receive more than six times that of adaptation from multilateral climate funds, at USD 3.1 billion and USD 0.5 billion respectively. Since 2003, a total of USD 3.7 billion has been approved for 397 projects in the region from multilateral climate funds tracked by the CFU website[1] and 43 new projects were approved in 2018 totalling USD 659 million. The Green Climate Fund funded 64% of these new projects.

Introduction

Climate change could cost Latin America between 1.5% to 5% of GDP per year (ECLAC, 2014). Agriculture is predicted to be the most affected economic sector, with a range of impacts including heightened erosion, moving growing zones and a proliferation of pests (FAO/ECLAC/ALADI, 2016). A further threat is the retreat of Andean glaciers, on which much of the region relies for its water supply, and continued deforestation of tropical forests. Adaptation needs in the region will have to be made more central within national sustainable development strategies, given the region's persistent income inequality and poverty in even its most developed economies.

Latin America is also expected to experience one of the highest increases in energy consumption rates in the world due to projected economic growth. This underscores the importance of a low carbon development pathway. Latin American countries have been leaders in committing to ambitious climate targets. Mexico, for instance, was the first developing country to release its national climate plan under the Paris Agreement, with a commitment to reduce its greenhouse gas emissions by 22% by 2030 irrespective of international support. Forest conservation regimes in many countries (such as Brazil, Peru and Ecuador) are an important part of the region's climate ambition.

Where does climate finance come from?

The largest contributions of climate finance in the region are from the Clean Technology Fund (CTF), a World Bank-administered multilateral fund which has approved USD 947 million for 29 projects in Mexico, Chile, Colombia, Honduras and Nicaragua. Almost all of this finance has been approved as concessional loans. The second biggest provider of climate finance in the region is the Amazon Fund, with USD 717 million in grant finance allocated to 102 projects within Brazil (Table 1). In 2018, the Green Climate Fund (GCF) has risen to become the third biggest funder in Latin America with USD 656 million approved for 14 projects and three readiness programmes in the region, followed by the Global Environment Facility (GEF). 75% of the total funding for the region comes from these four sources.

Bilateral climate finance also flows to Latin America. Such climate finance complements the multilateral climate fund flows. This includes the bilateral climate funds of Germany and the United Kingdom, who are active in the region[2]. Bilateral funds, however, are not tracked by Climate Funds Update given their relative lack of transparently available detailed information of current activities and spending.

Figure 1: Funds supporting Latin American countries (2003-2018)

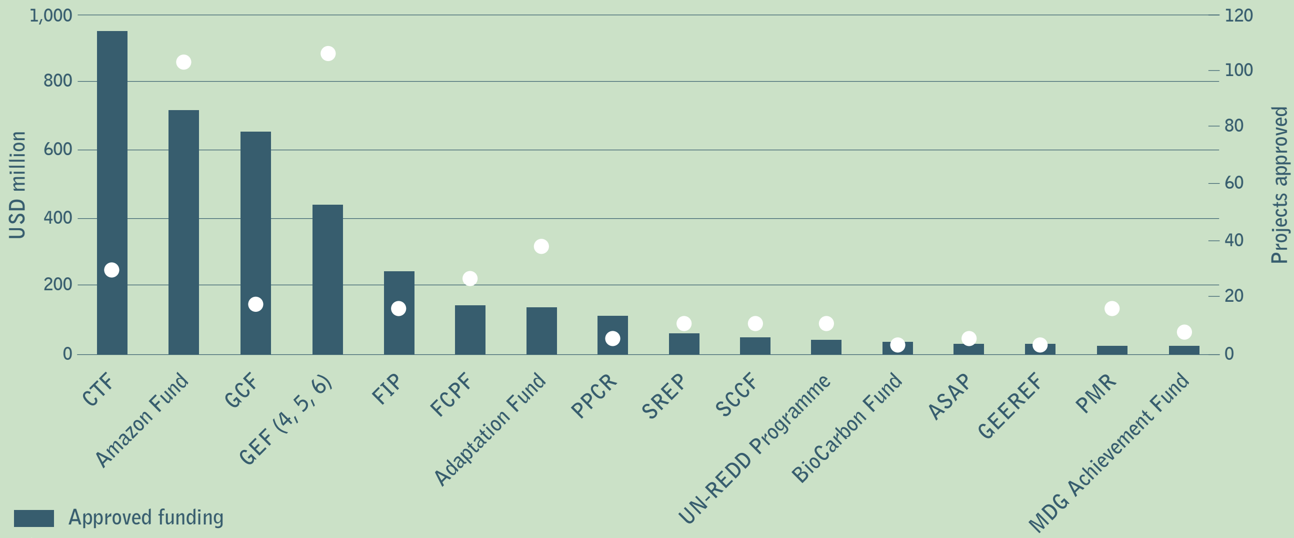
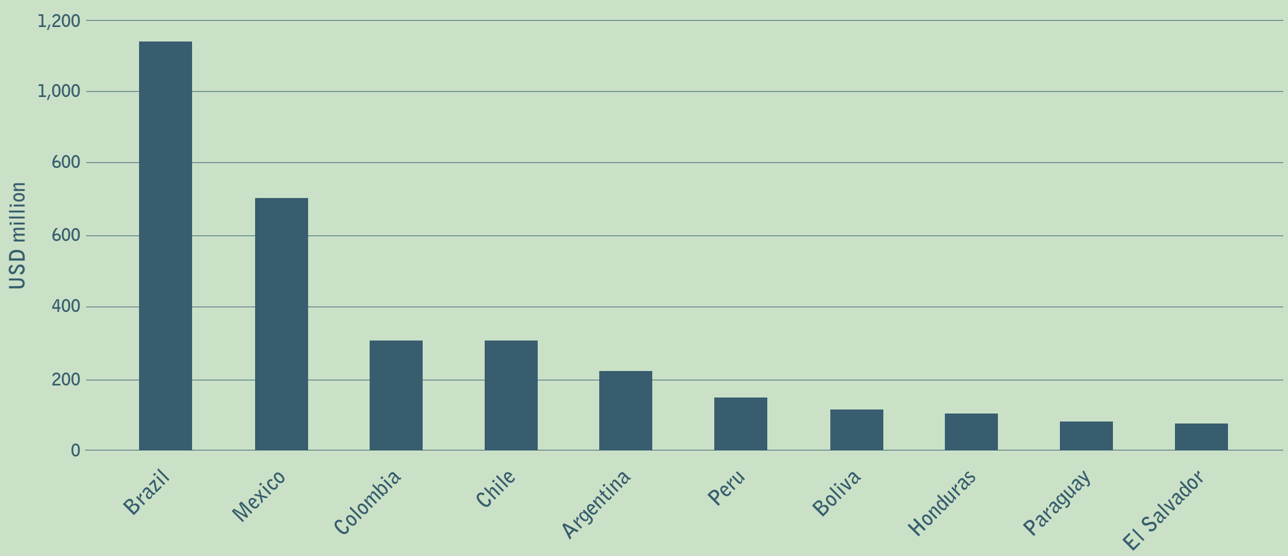


Table 1: Funds supporting Latin American countries (2003-2018)

Fund	Amount approved (USD millions)	Projects approved
Clean Technology Fund (CTF)	947	29
Amazon Fund	717	102
Green Climate Fund (GCF)	656	17
Global Environment Facility (GEF 4, 5, 6)	440	105
Forest Investment Program (FIP)	243	15
Forest Carbon Partnership Facility (FCPF)	144	26
Adaptation Fund	135	37
Pilot Program for Climate Resilience (PPCR)	112	5
Scaling-Up Renewable Energy Program (SREP)	61	10
Special Climate Change Fund (SCCF)	46	10
UN-REDD Programme	43	10
BioCarbon Fund	36	2
Adaptation for Smallholder Agriculture Programme (ASAP)	32	5
Global Energy Efficiency and Renewable Energy Fund (GEEREF)	31	2
Partnerships for Market Readiness (PMR)	26	15
MDG Achievement Fund	24	7

Figure 2: Top ten recipient countries by amount approved (2003-2018)



Who receives the money?

The distribution of multilateral climate fund flows in the region continues to be highly concentrated in the largest economies of Brazil (USD 1138 million) and Mexico (USD 705 million), with a combined 50% share of all climate finance approved in the region (Figure 2). Colombia, Chile and Argentina – all countries with high or upper-middle incomes – follow as top recipients.

What is being funded?

Eighty two percent of funding to date has supported mitigation activities in the region (50% for energy and 32% for REDD+) (Figure 3). Only 13% of funding supports adaptation projects and the remaining 4% supports projects with multiple foci.

Of the 43 new projects in Latin America in 2018, significant support was forthcoming from the GCF (USD 419 million across seven projects). The Amazon Fund followed with USD 100 million across 10 projects. The GCF is more focused on larger, transformative projects and programmes and broader policy framework reform in the region, while the Amazon Fund and the GEF (supporting 12 new projects in 2018 with USD 27 million) target support to smaller project interventions. For example, the GEF continued its support to countries' National Communications and Biennial Update Reports, with new projects in Argentina, Chile, Colombia and Guatemala.

The five largest projects approved in the region in 2018 were through the GCF. Brazil (USD 195 million) received support for reducing energy intensity across Brazilian cities, while Argentina (USD 103 million) received support to scale up investments by Small and Medium-sized Enterprises (SMEs) in renewable energy and energy efficiency. In both cases finance is predominantly provided as concessional loans.

Figure 3: Approved funding across themes

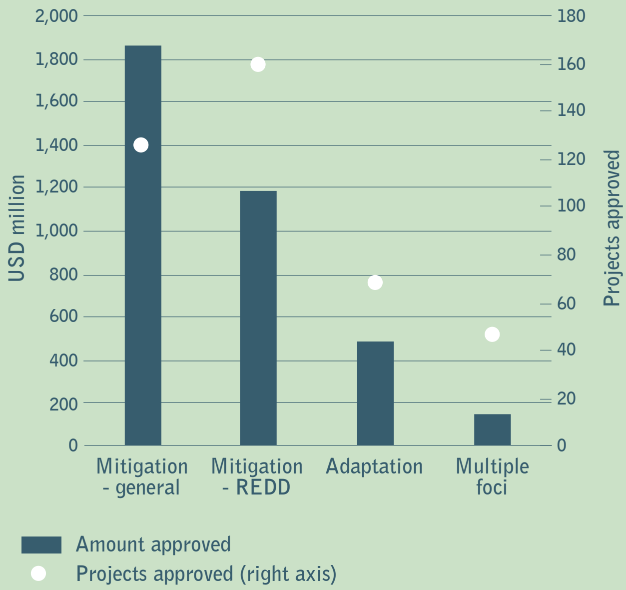


Table 2: Approved funding across themes (2003-2018)

Theme	Amount Approved (USD millions)	Projects approved
Mitigation - general	1861	125
Mitigation - REDD	1192	159
Adaptation	487	67
Multiple foci	153	46

In addition to the series of 12 Climate Finance Fundamentals, these recent ODI and HBS publications may be of interest:

- **Clean energy project preparation facilities: mapping the global landscape.** Darius Nassiry, Sam Pickard, Shelagh Whitely and Andrew Scott from ODI provide a comprehensive mapping of the project preparation facility global landscape. The results cover 150 project preparation facilities and form the most comprehensive study of its kind to date. Available at: **https://bit.ly/2RcGuQc**
- **"Back to the Future" for GCF After Recent Bahrain Board Meeting**. Liane Schalatek from Heinrich Böll Stiftung North America goes "Back to the Future" reporting on the October 2018 Green Climate Fund board meeting and its implications. Available at: **https://bit.ly/2r5dTkj**
- **Local actors ready to act: Six proposals to improve their access to the Green Climate Fund**. Menno Bosma, Maaike de Hon, Annelieke Douma, Daan Robben, Raju Pandit Chhetri, Titi Soentoro and Liane Schalatek, bring together Both ENDS; Heinrich Böll Sitftung North America; Aksi! for gender, social and ecological justice; and the Prakriti Resources Centre to describe six specific proposals to stimulate more and deeper debate on the crucial role local actors play in the transformative change needed to deal with global climate change. Available at: **https://bit.ly/2SdV2PH**
- **Not a Silver Bullet**. Julie-Anne Richards and Liane Schalatek look at whether insurance is fulfilling its promise and argue that in many instances it can serve as a distraction from alternative financing solutions for loss and damage. A Heinrich Böll Stiftung North America product. Available at: **https://bit.ly/2PW3aYr**
- **Financing Loss and Damage: A Look at Governance and Implementation Options**. Julie-Anne Richards and Liane Schalatek discuss categorisations of loss and damage approaches, financing options and whether existing climate funds could channel loss and damage financing. A Heinrich Böll Stiftung North America product. Available at: **https://bit.ly/2nT55wa**
- **Radical Realism for Climate Justice**. A Civil Society Response to the Challenge of Limiting Global Warming to 1.5°C. Heinrich Böll Stiftung Berlin. Available at: **https://bit.ly/2PYfGqs**

Visit our website for more information and to contact us: **ClimateFundsUpdate.org**

References

Climate Funds Update Website: www.climatefundsupdate.org (data accessed in December 2018)

ECLAC (2014). The Economics of Climate Change in Latin America and the Caribbean. Paradoxes and Challenges. Overview for 2014 Online, available at: http://repositorio.cepal.org/bitstream/handle/11362/37056/S1420806_en.pdf?sequence=4.

FAO/ECLAC/ALADI (2016). Food and nutrition security and the eradication of hunger: CELAC 2025. Available at: http://www.fao.org/americas/noticias/ver/en/c/428177/

World Bank (2014). Turn Down the Heat: Confronting the New Climate Normal. World Bank, Washington DC, USA.

End Notes

1. The Caribbean is excluded from this regional analysis. Caribbean countries are featured in a separate SIDS briefing (CFF 12).
2. In 2014, the last year when CFU was able to track bilateral climate funds, cumulative bilateral flows to Latin America since 2008 included USD 234 million from Germany's International Climate Initiative and USD 82 million from UK's International Climate Fund.

The Climate Finance Fundamentals are based on Climate Funds Update data and available in English, French and Spanish at **www.climatefundsupdate.org**

Overseas Development Institute
203 Blackfriars Road | London | SE1 8NJ | UK
Tel:+44 (0)20 7922 0300

Heinrich Böll Stiftung North America
1432 K Street | NW | Suite 500 Washington | DC 20005 | USA
Tel:+1 202 462 7512