



Climate Finance Regional Briefing: Asia

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Climate Finance Fundamentals 8

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Climate Funds Update (CFU) data shows that for 18 countries in Asia¹ a total of USD 4.5 billion for 453 projects and programmes have been approved by 18 multilateral climate funds and initiatives. The diversity of active funds in the region is not matched in the distribution of finance. Considerable amounts of finance have flowed to fast-growing economies such as India and Indonesia, primarily for mitigation projects. On the other hand, a number of nations at considerable risk to climate change, such as Sri Lanka, have received relatively little. This year saw USD 749 million in new approvals, with over half programmed for mitigation, largely through the Green Climate Fund (GCF). The GCF did, however, approve one adaptation project for the region and four multi-foci ones in addition to these five mitigation projects, totalling USD 619 million in 2018.

Introduction

Asian countries confront a diversity of needs for economic and human development, climate mitigation and adaptation. Per capita emissions in most countries are still very low. These countries bear limited historical responsibility for the accumulation of GHG emissions. Today, however, demand for cheap energy from fossil fuels in major Asian economies is one of the leading causes of global GHG emission growth. China is now the largest GHG emitter in the world (World Bank, 2014). However, the manufacturing and technological innovations that have driven economic growth may well prove essential to realising the cost reductions and advances that render widespread deployment of low carbon technologies feasible. Curbing deforestation and forest degradation in the region, especially in Indonesia, is also crucial to reducing global emissions. In addition, Asian countries are home to some of the largest populations of poor people in the world, many of whom are highly vulnerable to the impacts of climate change, including glacier melts, extreme weather events, droughts and floods (Shepherd et al., 2013).

Where does climate finance come from?

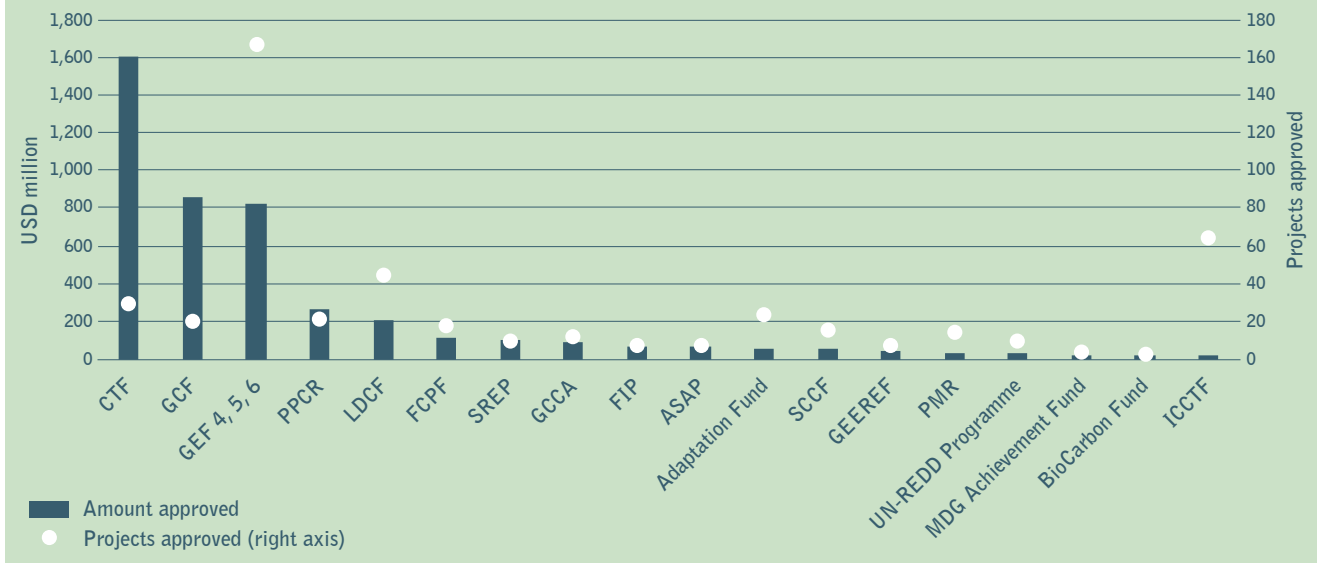
Most of the major multilateral climate funds and initiatives tracked by CFU are active in Asia (Figure 1; Table 1). The largest contributions are from the CTF, which has approved a total of USD 1.6 billion for 28 projects, mostly in the form of concessional loans.

Bilateral climate finance also flows to Asia complementing the multilateral climate fund flows. This includes the bilateral climate funds of Germany, Australia and the United Kingdom, who are active in the region². Bilateral funds, however, are not tracked by Climate Funds Update given their relative lack of transparently available detailed information of current activities and spending.

Table 1: Funds supporting Asia (2003-2018)

Fund or Initiative	Amount approved (USD millions)	Projects approved
Clean Technology Fund (CTF)	1,606.9	28
Green Climate Fund (GCF)	853.1	19
Global Environment Facility (4, 5, 6)	822.6	166
Pilot Program for Climate and Resilience (PPCR)	269.3	20
Least Developed Countries Fund (LDCF)	204	43
Forest Carbon Partnership Facility (FCPF)	108.2	16
Scaling-Up Renewable Energy Program for Low Income Countries (SREP)	101.8	8
Global Climate Change Alliance (GCCA)	87.6	11
Forest Investment Program (FIP)	69.0	6
Adaptation for Smallholder Agriculture Programme (ASAP)	67.0	6
Adaptation Fund (AF)	58.9	22
Special Climate Change Fund (SCCF)	51.8	14
Global Energy Efficiency and Renewable Energy Fund (GEEREF)	47.8	6
Partnership for Market Readiness	34.8	13
UN-REDD Programme	29.4	8
MDG Achievement Fund	25	3
BioCarbon Fund	15.0	1
Indonesia Climate Change Trust Fund (ICCTF)	14.2	63

Figure 1: Funds and initiatives supporting Asia (2003-2018)



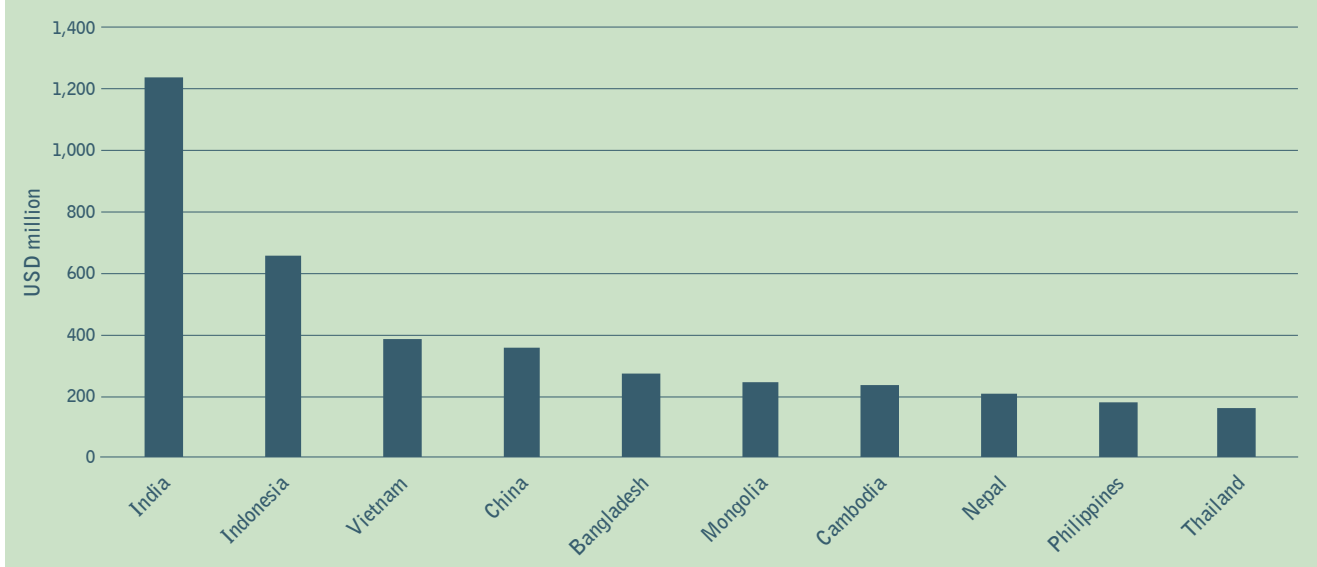
Who receives the money?

India, Indonesia, Vietnam and China have received 58% of the funding approved for Asia since 2003 (Figure 2). There are also 15 regional and multi-country projects, which represent 2.2% of the total funding approved. Most mitigation funding supports large-scale renewable energy, energy efficiency and transport projects.

The CTF, GCF, GEF and SREP are the largest funders of mitigation in the region. They have approved USD 2.8 billion for mitigation projects since 2003. While adaptation projects and programmes in the region receive only about a third of mitigation financing amounts, the largest amounts for adaptation projects are being provided by the Pilot Program on Climate Resilience (PPCR) to support programmes in Bangladesh, Cambodia and Nepal for a total approved amount of USD 269 million and the Least Developed Countries Fund with total approved amount of USD 204 million.

The approval of eighteen projects and one readiness programme by the Green Climate Fund (GCF) so far in the region could signal the potential for a more balanced climate finance provision in the future, especially through the rise of multi foci projects and programmes. Of the USD 853 million approved by the GCF for 18 projects in the region, there are five adaptation projects with USD 175 million, six multi-foci with USD 305 million and seven mitigation projects with USD 374 million in GCF funding. While the GCF in 2018 approved four large mitigation projects supporting geothermal energy, solar energy, energy efficiency and bus rapid transit in Indonesia, India, Vietnam and Pakistan respectively, its largest approval in 2018, however, was the multi-foci USD 145 million project in Mongolia that intends to create eco-districts through low-cost urban infrastructure public facilities and social housing units.

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



Box 1: Climate Finance for the Least Developed Countries in Asia

Climate funds are providing finance to eight LDCs in Asia. These countries are particularly vulnerable to the impacts of climate change for geographic, economic and political reasons, and they have limited capacities to fund responses themselves.

The USD 975 million approved for projects in these countries equates to 22% of total climate finance flowing to Asia. Bangladesh has received the highest funding to date, with over USD 269 million in project approvals, while Nepal and Cambodia have received USD 201 and USD 231 million, respectively from multilateral climate funds.

As one might expect, 65% of the funding approved for Asian LDCs has been for adaptation projects. This funding has been delivered primarily through the Pilot Program for Climate Resilience (PPCR) and the Least Developed Countries Fund (LDCF). A large portion of adaptation projects in Asian LDCs have taken a multi-sectoral approach to increasing resilience, with projects focusing on disaster risk reduction and agriculture, for example.

A number of multilateral climate funds support countries in the Europe and Central Asia regional classification. These are not included in the 'Asia' categorisation, although have a number of projects illustrated by Box 2.

What is being funded?

The largest project in the region approved to date is the USD 200 million *Rajasthan Renewable Energy Transmission Investment Program* in India supported by the CTF. In 2015, twice as much climate finance has been approved for adaptation projects than for mitigation projects from the multilateral climate funds so far. However, mitigation funding still dominates in Asia with 62% of all climate finance approved since 2003 (Figure 3 and Table 2).

Projects approved in the past year have primarily focused on improving the resilience of key infrastructure, adaptation in the agriculture sector and reducing GHG emissions through energy efficiency measures and clean vehicles.

Asia is home to the largest urban population in the world and its cities and towns are growing at an unprecedented rate. It's notable therefore that over USD 300 million in climate finance has been approved in the region for projects seeking to support various aspects of low-carbon and climate resilient urban development (Barnard, 2015).

Figure 3: Approved funding across themes (2003-2018)

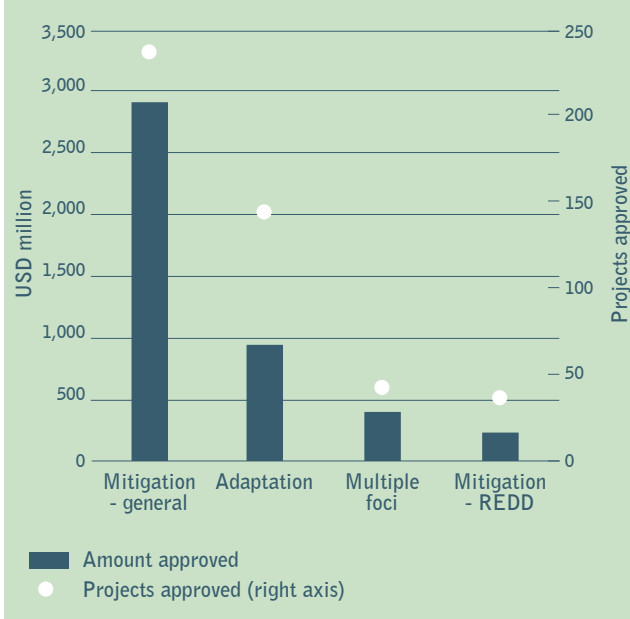


Table 2: Approved funding across themes (2003-2018)

Theme	Approved amount (USD millions)	Projects approved
Adaptation	938.8	143
Mitigation	2,904.9	236
REDD+	228.0	35
Multiple foci	400.8	41

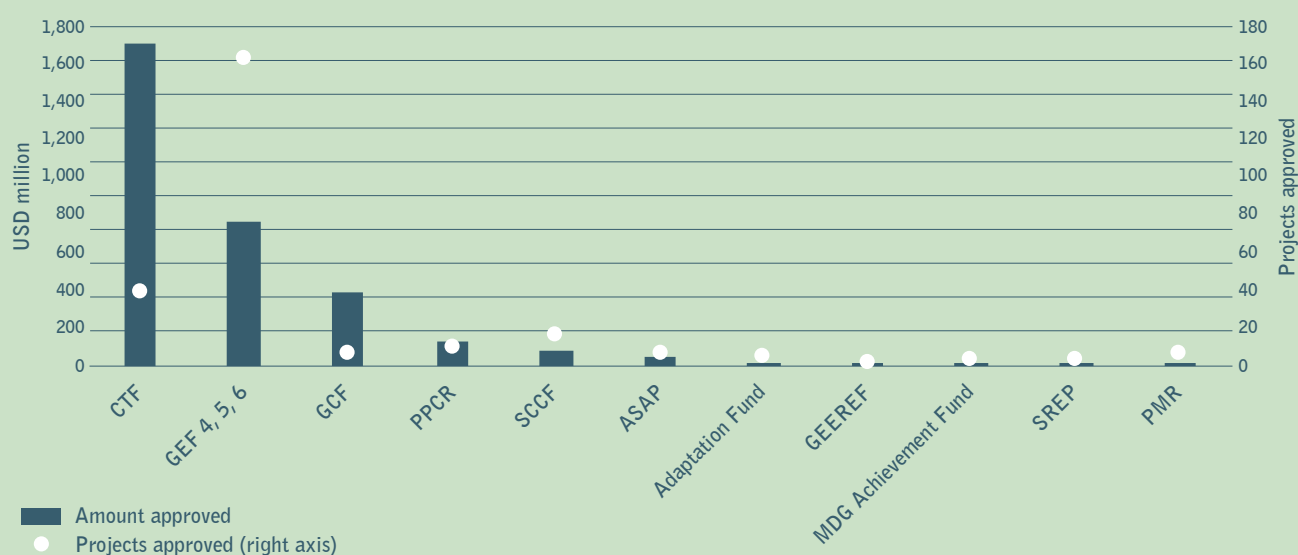
Box 2: Central, Eastern and Southeastern Europe, the South Caucasus and Central Asia

Multilateral climate funds also support countries of Central, Eastern and Southeastern Europe (CESEE), the South Caucasus and Central Asia.³ Eleven funds have approved USD 1.8 billion between 2003-2018 across 203 projects. Twenty-one of these countries receive funding for approved projects, seven countries do not receive funding – Croatia, Czech Republic, Estonia, Hungary, Kosovo, Latvia, Lithuania, Poland and Slovenia – all of which are CESEE countries.

Turkey (USD 439 million), Ukraine (USD 360 million) and Kazakhstan (USD 299 million) are the biggest receivers of multilateral climate fund approvals. Together these three countries receive 59% of approved funds in the wider region. These countries all have support from the CTF for renewable energy and energy efficiency projects. Over 81% of approved finance across all countries is for mitigation, with just 13% going to adaptation activities. 58% is in the form of concessional loans, while 42% is grant finance.

In 2018, 20 projects were approved in CESEE, the South Caucasus and Central Asia. These included eight for adaptation and eight for projects with both adaptation and mitigation objectives. The SREP approved the largest project in 2018, with USD 52 million towards the Private Sector Utility Scale Solar Power Support Project in Armenia. The GCF project of USD 110 million approved in 2017 for the development of a financing framework for renewable energy in Kazakhstan is the largest in the region, followed by the USD 100 million project of the CTF, approved in 2009, to develop private sector renewable energy and energy efficiency in Turkey.

Figure 4: Funds and initiatives supporting Central, Eastern and Southeastern Europe, the South Caucasus and Central Asia (2003-2018)



References and useful links

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

Barnard, S. (2015) *Climate finance for cities: How can international climate funds best support low-carbon and climate resilient urban development?* London: ODI.

Shepherd, A., Mitchell, T., Lewis, K., Lenhardt, A., Jones, L., Scott, L. and Caravani, A. (2013). *The geography of poverty, disasters and climate extremes in 2030*. London: Overseas Development Institute.

World Bank (2014) World Bank Open Data portal: data.worldbank.org

End notes

1. World Bank Asia and Pacific and South Asia classification, excluding Small Island Developing States: http://data.worldbank.org/about/country-classifications/country-and-lending-groups#East_Asia_and_Pacific and: <http://data.worldbank.org/region/SAS>
2. In 2014, the last year when CFU was able to track bilateral climate funds, cumulative bilateral flows to Asia since 2008 included USD 263 million from Germany's International Climate Initiative, USD130 million from Australia's International Forest and Climate Initiative and USD 109 million from UK's International Climate Fund.
3. Central, Eastern, and Southeastern Europe (CESEE) refers to Albania, Belarus, Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Kosovo, Latvia, Lithuania, Macedonia, Moldova, Montenegro, Poland, Romania, Russia, Serbia, Slovak Republic, Slovenia, Turkey, and Ukraine (IMF, 2016); South Caucasus refers to Armenia, Azerbaijan, Georgia, and Central Asia refers to Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan.

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

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