Climate Funds Update

HEINRICH BÖLL STIFTUNG NORTH AMERICA

ODI

Climate Finance Regional Briefing: Asia

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CFU data shows that for 18 countries in Asia[1] a total of USD 3.8 billion has been approved by 17 multilateral climate funds and initiatives for 422 projects and programmes. 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 populous nations at considerable risk to climate change, such as Pakistan, have received relatively little. This year saw USD 263 million in new approvals, with two-thirds programmed for mitigation through the Clean Technology Fund and Scaling Up Renewable Energy Programme. The Green Climate Fund (GCF), however, approved one adaptation project for the region, one multi-foci and one mitigation project, totalling USD 69.7 million.

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?

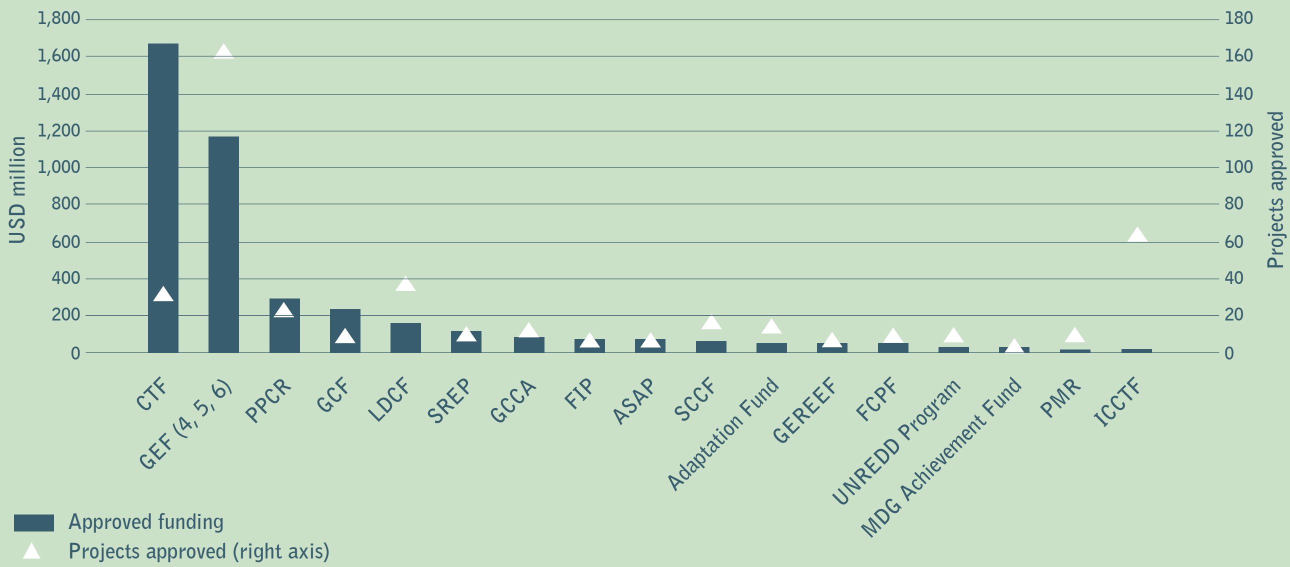
Most of the major multilateral climate funds and initiatives tracked by CFU are active in Asia (Figure 1; Table 1). The largest contributions are from the CTF, which has approved a total of USD 1.7 billion for 31 projects, mostly in the form of concessional loans.

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 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.

Table 1: Funds supporting Asia (2003-2017)

Fund or Initiative	Amount Approved (USD millions)	Projects approved
Clean Technology Fund (CTF)	1669.90	31
Global Environment Facility (GEF 4, 5, 6)	805.49	163
Pilot Programme for Climate Resilience (PPCR)	295.60	23
Green Climate Fund (GCF)	234.30	8
Least Developed Countries Fund (LDCF)	156.56	37
Scaling up Renewable Energy Programme (SREP)	114.52	9
Global Climate Change Alliance (GCCA)	87.56	11
Forest Investment Programme (FIP)	67.80	6
Adaptation for Smallholder Agriculture Programme (ASAP)	67.00	6
Special Climate Change Fund (SCCF)	63.79	16
Adaptation Fund	54.18	14
Global Energy Efficiency and Renewable Energy Fund (GEEREF)	47.75	6
Forest Carbon Partnership Facility (FCPF)	44.60	8
UNREDD Program	32.10	9
MDG Achievement Fund	25.00	3
Partnership for Market Readiness (PMR)	18.75	9
Indonesian Climate Change Trust Fund (ICCTF)	14.24	63

Figure 1: Funds and initiatives supporting Asia (2003-2017)

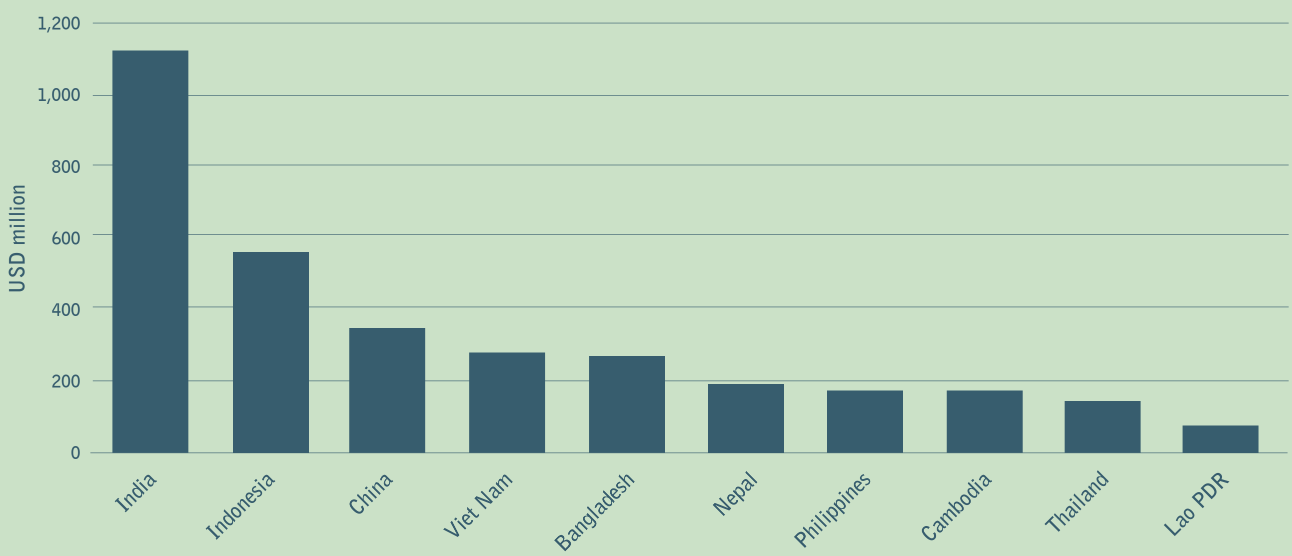


Who receives the money?

India, Indonesia and China have received 53% of the funding approved for Asia since 2003 (Figure 2). There are also 17 regional and multi-country projects, which represent 2.4% of the total funding approved. Most mitigation funding supports large-scale renewable energy, energy efficiency and transport projects. In 2017, the CTF approved a USD 50 million project for innovation in solar power and hybrid technologies in India and a USD 55 million project for energy efficiency and renewable energy in Indonesia. 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 296 million. The approval of eight projects by the Green Climate Fund (GCF) so far in the region with USD 234.3 million for four adaptation projects, two multi-foci and two mitigation projects could signal the potential for a more balanced climate finance provision in the future. The largest is a project in Bangladesh (USD 40 million) to mainstream climate resilient disaster risk infrastructure, while 2017 saw the approval of projects for Bhutan's protected areas (USD 26.6 million), solar renewable energy in Mongolia (USD 8.7 million) and ground water recharge and solar micro irrigation in India (USD 34.4 million).

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.

Figure 2: Top ten recipient countries by amount approved (2003-2017)



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

Asia contains seven nations classified as Least Developed Countries (LDCs). 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.

Climate funds are providing finance to all seven of Asia's LDCs. The USD 772 million approved for projects in these countries equates to 20% of total climate finance flowing to Asia. Bangladesh has received the highest funding to date, with over USD 218 million in project approvals, while Nepal and Cambodia have received USD 188 and USD 166 million, respectively from multilateral climate funds.

As one might expect, 77% 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.

What is being funded?

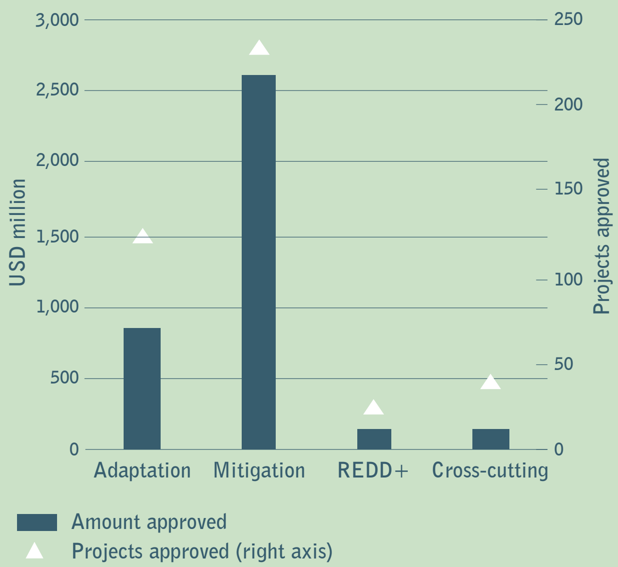
The largest project in the region approved to date is the USD 200 million *Rajasthan Renewable Energy Transmission Investment Program* in India supported by the CTF. Mitigation funding still dominates multilateral climate fund approvals in Asia with 69% of all climate finance approved since 2003 (Figure 3 and Table 2).

Asia is home to the largest urban population in the world and its cities and towns are growing at an unprecedented rate. It is 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).

Table 2: Approved funding across themes (2003-17)

Theme	Approved Amount (USD millions)	Projects approved
Adaptation	853.04	125
Mitigation	2630.77	232
REDD+	144.82	26
Cross-cutting	170.50	39

Figure 3: Approved funding across themes (2003-2017)



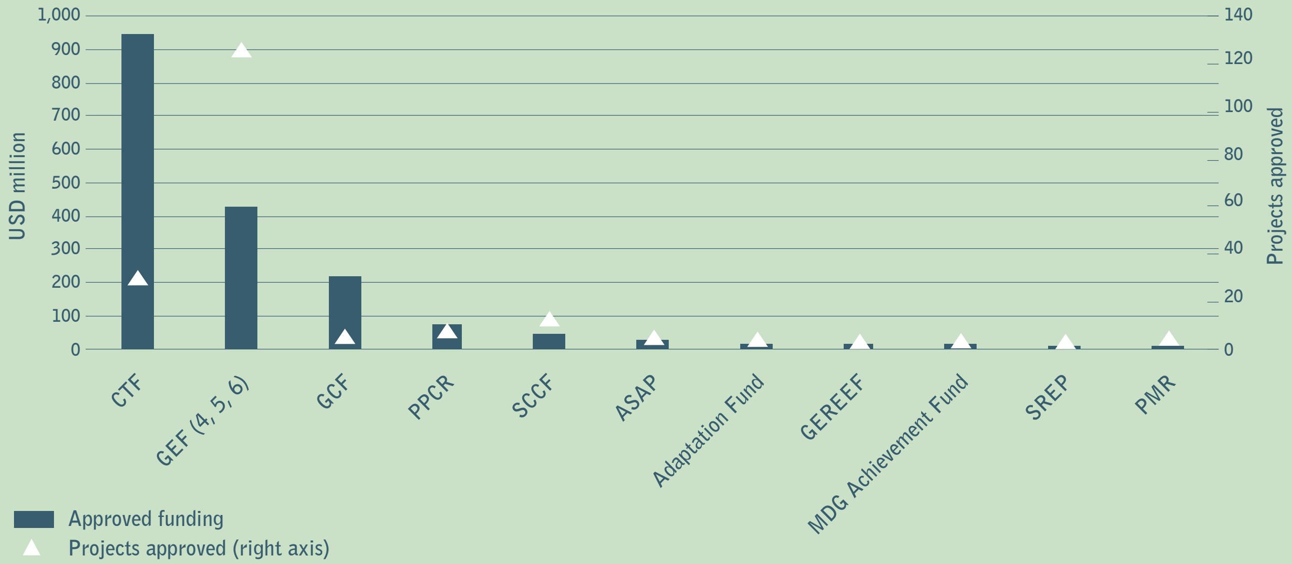
Box 2: Central, Eastern and Southeastern Europe, the South Caucasus and Central Asia

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 2003-2017 across 196 projects. Twenty-two of these countries receive funding for approved projects, seven countries do not receive funding – Czech Republic, Estonia, Hungary, Kosovo, Latvia, Lithuania and Poland – all of which are CESEE countries.

Turkey (USD 466 million), Ukraine (USD 464 million) and Kazakhstan (USD 270 million) are the biggest receivers of multilateral climate fund approvals. Together these three countries receive two-thirds of approved funds in the wider region. These countries all have support from the CTF for renewable energy and energy efficiency projects. Over 83% of approved finance across all countries is for mitigation, with just 10% going to adaptation activities. 60% is in the form of concessional loans, while 40% is grant finance (Figure 4).

In 2017, 16 projects were approved in CESEE, the South Caucasus and Central Asia. These included just three for adaptation in Georgia, Montenegro from ASAP and a regional project of the SCCF. The GCF also approved three projects, in Bosnia and Herzegovina, Kazakhstan and Tajikistan; two for mitigation and one cross-cutting project for a total value of USD 177 million, including USD 110 million for the development of a financing framework for renewable energy in Kazakhstan. The project 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 (2003-2017)



References and useful links

Climate Funds Update Website: www.climatefundsupdate.org (data accessed in December 2017)

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

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.climatefundsupdate.org**

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