



Climate Finance Regional Briefing: Latin America and the Caribbean

Climate Finance Fundamentals 6

NOVEMBER 2013

Nella Canales Trujillo, Smita Nakhoda and Alice Caravani, ODI, and Liane Schalatek, HBF

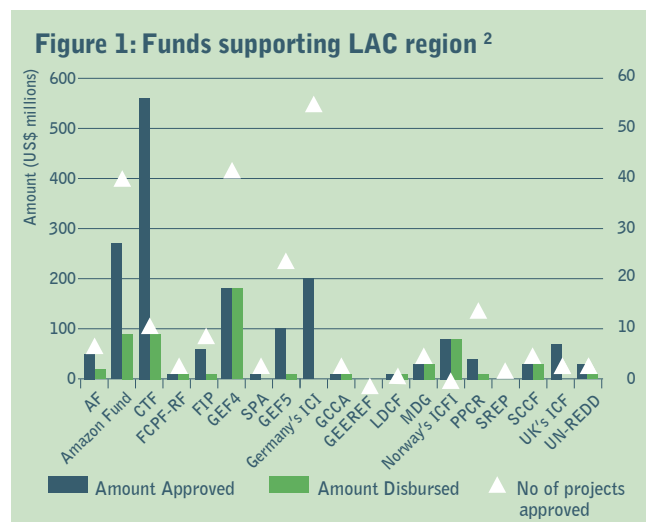
Climate finance in the Latin America and Caribbean (LAC) region is highly concentrated, with a few of the largest countries of the region such as Mexico and Brazil receiving most of the funding, primarily for mitigation projects, while some of the most vulnerable Small Island Developing States (SIDS) in urgent need of adaptation funding have received very little so far. In the last ten years, more than seven times the amount approved for adaptation (USD 200 million) has been approved for mitigation and REDD+ activities in the region (USD 1.43 billion). Since 2003, USD 1.77 billion has been approved for 261 projects in the region.¹ Of this amount, USD 1.104 billion is in the form of grants, which support the majority of approved projects. USD 634.45 million is provided in the form of concessional loans for ten projects financed by the Clean Technology Fund (CTF), four by the Forest Investment Program (FIP) and three by the Scaling Up Renewable Energy Program (SREP) under the World Bank's Climate Investment Funds (CIFs), which are implemented in the region by the Inter-American Development Bank. In the last year the amount approved in the region has increased by 5% while disbursements have grown by 43%: an opposite trend to that highlighted in 2012, when the increase in amount disbursed was smaller than the increase in amount approved. This might suggest an improvement in the way dedicated climate funds are interacting with the region.

Overview

Climate change could cost Latin America about 1% of annual GDP (ECLAC, 2010). Among the most urgent problems in the region are the retreat of Andean glaciers, which could lead to water stress for around 77 million people by 2020, and continued deforestation of tropical forests. The SIDS of the Caribbean are particularly impacted by climate change and natural disasters, which will threaten their natural resource base and undermine the livelihoods of their inhabitants, including core economic activities such as tourism and agriculture. Tackling such problems demands considerable resources, making access to climate finance crucial for the region, especially for adaptation, which currently represents only 11% of approved funding.

Who provides the finance?

Nineteen funds are active in the region (see figure 1). The largest contributions are from the CTF, which has approved a total of USD 558 million for 13 projects in Mexico, Chile and Colombia. Almost all of this finance has been approved as concessional loans. The CTF is among the funds that has disbursed the highest amount of finance (USD 114.9 million). The GEF appears to lead in disbursement in the



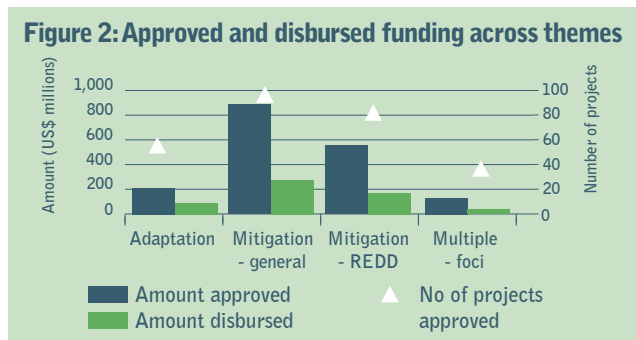
region under GEF4 and GEF 5, with USD 175.5 million provided as grants. However, this may be an overestimate due to a lack of detailed information on GEF disbursement. Germany, Norway and the United Kingdom are the countries with the largest bilateral investments in LAC. Germany has approved a significant amount of finance in the region

Table 1: Funds supporting LAC countries (USD millions)

| Fund ³ | Amount Approved | Amount Disbursed ⁴ | Projects Approved |
|------------------------------------------------------|-----------------|-------------------------------|-------------------|
| Clean Technology Fund (CTF) | 558.05 | 114.90 | 13 |
| Amazon Fund | 271.72 | 86.09 | 42 |
| Germany's International Climate Initiative | 199.16 | Unknown | 57 |
| GEF Trust Fund (GEF 4) | 178.62 | 173.35 | 44 |
| GEF Trust Fund (GEF 5) | 96.86 | 2.21 | 26 |
| Norway's International Climate and Forest Initiative | 73.45 | Unknown | 2 |
| UK's International Climate Fund | 72.23 | Unknown | 5 |
| Adaptation Fund (AF) | 62.39 | 17.93 | 9 |
| Forest Investment Program (FIP) | 61.23 | 0.57 | 11 |
| Global Climate Change Alliance (GCCA) | 37.15 | 15.11 | 5 |
| Other Funds | 156.93 | 84.05 | 53 |
| TOTAL | 1767.79 | 494.21 | 267 |

to date through the International Climate Initiative (ICI), with almost USD 200 million for 56 projects. Almost 40% of this amount is supporting mitigation activities. Norway's International Climate and Forest Initiative and the UK's International Climate Fund have each approved a similar amount of finance (USD 73.5 and USD 72.2 million respectively) for bilateral projects in the region.

What gets funded?



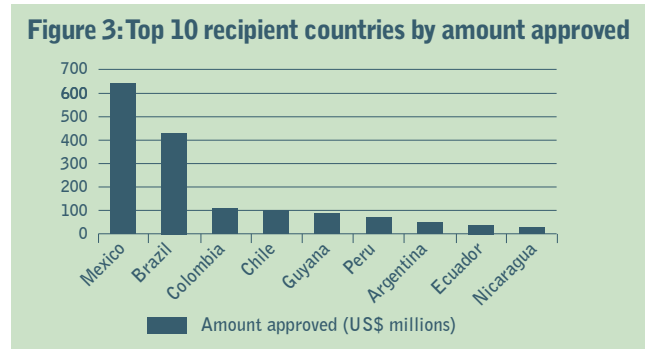
Half of climate finance approved in the region supports mitigation activities, with another 30% supporting forest-centred REDD+ activities. 11% supports adaptation projects and the remaining 7% funds projects with multiple foci. The largest mitigation project approved is the USD 200 million concessional loan for *Mexico's Urban Transport Transformation*

Table 2: Approved and disbursed funding across themes (USD millions)

| Theme | Amount Approved | Amount Disbursed | Projects Approved |
|----------------------|-----------------|------------------|-------------------|
| Adaptation | 202.56 | 83.59 | 54 |
| Mitigation - general | 877.86 | 271.91 | 95 |
| REDD+ | 555.70 | 174.53 | 80 |
| Multiple foci | 131.67 | 37.63 | 35 |

Program supported by the CTF. The USD 66 million grant for the *Guyana REDD+ Investment Fund* by Norway's International Climate and Forest Initiative (Norway's ICFI) is the largest single REDD+ investment in the region. This is followed by the USD 42 million grant for the *Mexico Forests and climate change* project supported by the FIP. The largest adaptation project in the region is the *Disaster Vulnerability and Climate Risk Reduction* project in Grenada (USD 16 million), funded by the Pilot Program for Climate Resilience (PPCR) of the CIFs. A PPCR program for Bolivia is currently in the planning phase (final approval expected by November 2013): with a funding range of USD 40-50 million in grants and USD 36 million in loans, this could significantly increase the share of funding for the region devoted to adaptation projects.

Who receives the money?



The distribution of climate finance in the region is uneven and highly concentrated in Mexico, Brazil and Colombia, which share 66% of all climate finance approved and 64% of total climate finance disbursed. On the other hand, the vulnerable SIDS receive only 10% of the total amount approved in the region. Dominica, Bahamas and Barbados have received only around USD 1 million each, for instance.

References

Climate Funds Update Website: www.climatefundsupdate.org (data accessed in October 2013)

End Notes

1. Excludes contributions to multiple countries but includes regional projects.
2. Japan's bilateral FSF is excluded here as what it counts as climate finance is not comparable with other bilateral contributors of climate finance. For a detailed analysis of Japan's FSF and other top contributors of climate finance see: <http://www.climatefundsupdate.org/global-trends/fast-start-finance>
3. The Climate Investment Fund (CIF) figures only include projects approved by both Trust Fund Committees and implementing Multilateral Development Banks.
4. The CTF releases accurate aggregate disbursement figures but has not done so consistently at the project level: the figure here is likely to be underestimate. Detailed project level disbursement data for the GEF 4 and 5 are limited: the figures here may be overestimates.

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