



## Climate Finance Regional Briefing: Latin America and the Caribbean

## Climate Finance Fundamentals 6

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Climate finance in the Latin America and Caribbean (LAC) region is highly concentrated, with a few of the largest countries in the region such as Mexico and Brazil receiving a large share 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. There has been an increase in adaptation funding since 2013, but the financial support for mitigation projects of USD 1.9 billion (including energy and REDD+) remains almost 5 times higher than that for adaptation projects (USD 403 million). Since 2003, USD 2.5 billion has been approved for 321 projects in the region. Of this amount, USD 1.7 billion is in the form of grants, which support the majority of approved projects. USD 852 million is provided in the form of concessional loans for sixteen projects financed by the Clean Technology Fund (CTF), four by the Forest Investment Program (FIP) and five by the Pilot Program for Climate Resilience (PPCR) 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 LAC has increased by 42%, suggesting an improvement in the way dedicated climate funds are interacting with the region.

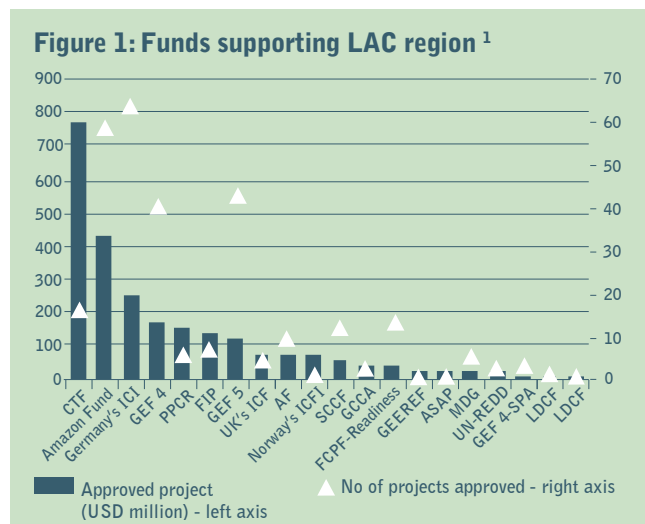
### Overview

Climate change could cost Latin America about 1% of GDP per year (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 12.5% of approved funding.

Latin America is 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' pathway in the future. Adaptation needs in the region will have to be made more central within national sustainable development strategies is crucial, also given the region's persistent income inequality and poverty in even its most developed economies.

### Who provides the finance?

Twenty funds are active in the region (see Figure 1). The largest contributions are from the CTF (Clean Technology Fund), a multilateral fund which has approved a total of USD



768 million for 17 projects in Mexico, Chile, Colombia and Honduras. 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 more than USD 431 million already allocated 11 projects in the region. While the fund is capitalised from multilateral sources, its implementation scope is restricted to Brazil. Germany, the United Kingdom and Norway are the countries with the largest bilateral investments in LAC. Germany has approved a significant amount of finance in the region to date through

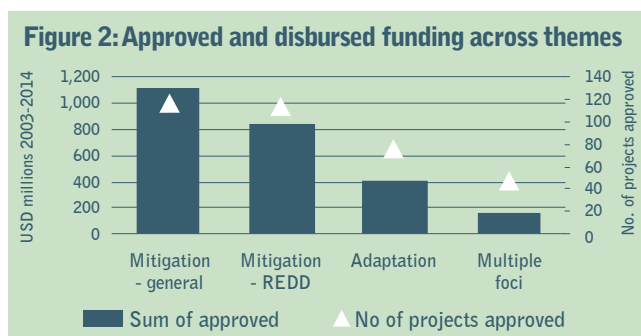
**Table 1: Funds supporting LAC countries**

| Fund <sup>2</sup>                                    | Amount Approved (USD M) | No of Projects Approved |
|--|-------------------------|-------------------------|
| Clean Technology Fund (CTF)*                         | 768.00                  | 17                      |
| Amazon Fund  | 431.38                  | 60                      |
| Germany's International Climate Initiative           | 244.31                  | 64                      |
| GEF Trust Fund (GEF 4)                               | 174.73                  | 42                      |
| Pilot Program for Climate Resilience (PPCR)*         | 155.25                  | 7                       |
| Forest Investment Program (FIP)*                     | 141.65                  | 8                       |
| GEF Trust Fund (GEF 5)                               | 118.90                  | 45                      |
| UK's International Climate Fund                      | 80.19                   | 6                       |
| Adaptation Fund (AF)                                 | 74.46                   | 11                      |
| Norway's International Climate and Forest Initiative | 73.45                   | 2                       |
| Other Funds  | 256.76                  | 59                      |

\*Number of projects only includes full projects, investment plans or project preparation grants are not considered in the number of projects approved.

the International Climate Initiative (ICI), with more than USD 244 million for 64 projects in 25 countries of the region, the most projects of any climate fund. Almost 49% of this amount supports mitigation (energy and REDD+) activities. Norway's International Climate and Forest Initiative and the UK's International Climate Fund have each approved a similar amount of finance (USD 74 and USD 80 million respectively) for bilateral projects in the region.

**What gets funded?**



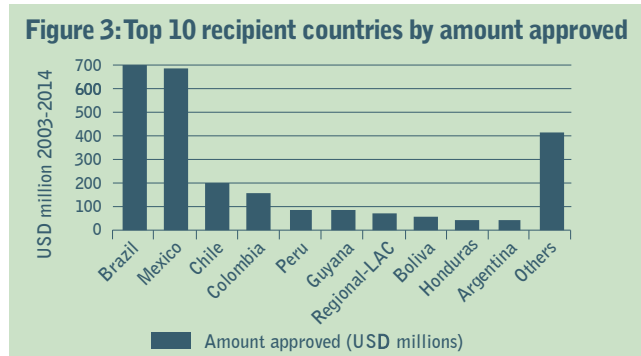
**Table 2: Approved and disbursed funding across themes**

| Theme                | Amount Approved | Projects Approved |
|----------------------|-----------------|-------------------|
| Mitigation - general | 1,117           | 109               |
| Mitigation - REDD    | 838             | 107               |
| Adaptation           | 407             | 60                |
| Multiple foci        | 157             | 45                |

Seventy eight percent of funding to date has supported mitigation activities in the region (44% for energy and 33% for REDD+). Some 16% of funding supports adaptation projects and the remaining 6% funds projects with multiple foci. The largest project approved is the USD 200 million concessional loan from the CTF for *Mexico's Urban Transport Transformation Program*, approved in 2010. In 2014, the largest new project approved was the *Geothermal Risk Mitigation Program* in Chile for USD 50 million. For REDD+, the Brazilian Amazon Fund is the largest supporter in the region. The second largest provider, the FIP, has approved USD 149 million for projects, distributed in Brazil, Mexico and Peru. The USD 66 million grant for the *Guyana REDD+ Investment Fund* approved in 2010 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. In 2014, a USD 32.48 million project (concessional loan) to support environmental regulation of rural lands in the Cerrado of Brazil has also been approved by the FIP. The PPCR is the main provider of funding for adaptation in the region with more than USD 155 million approved, and the only provider of concessional loans for adaptation (46% of its portfolio so far). The Adaptation Fund is the second biggest provider of adaptation funds with USD 74 million approved for 11 projects, distributed among 10 countries. In 2014, the largest adaptation project approved is the *Disaster Vulnerability Reduction Project* in Saint Lucia, with a total of USD 27 million (USD 15 million in concessional loans and USD 10 million in grants), funded through the PPCR.

**Who receives the money?**

The distribution of climate finance in the region is uneven and highly concentrated in Brazil (USD 698 million) and Mexico (USD 686 million), with a combined 55% share of all climate finance approved. On the other hand, the vulnerable SIDS receive only 11% or USD 277 million of the total amount approved in the region. From this group, Guyana receives most of the funding, with a total of USD 84 million already approved.



**References**

- Climate Funds Update Website: [www.climatefundsupdate.org](http://www.climatefundsupdate.org) (data accessed in November 2014)
- ECLAC (2010). Economics of Climate Change in Latin America and the Caribbean. <http://www.eclac.org/cgi-bin/getProd.asp?xml=/prensa/noticias/comunicados/7/41947/P41947.xml&xsl=/prensa/tpl-i/p6f.xsl&base=/tpl/top-bottom.xslt>

**End Notes**

- 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>
- The Climate Investment Fund (CIF) figures only include projects approved by Multilateral Development Banks.

The Climate Finance Fundamentals are based on Climate Funds Update data and available in English, French and Spanish at [www.climatefundsupdate.org](http://www.climatefundsupdate.org)