Climate Funds Update

HEINRICH BÖLL STIFTUNG NORTH AMERICA

ODI

Climate Finance Regional Briefing: Asia

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Climate Finance Fundamentals 8

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CFU data shows that 17 countries in Asia[1] have together received almost a quarter of all public climate finance from dedicated climate funds. Dedicated climate funds and initiatives have approved a total of USD 4.2 billion for 459 projects and programmes in the region. However, 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 506 million in new approvals, with nearly 75% programmed for mitigation through the Clean Technology Fund. The Green Climate Fund (GCF), however, approved two adaptation projects for the region and one multi-foci project, totalling USD 105 million.

Introduction

Asian countries confront a diversity of needs for economic and human development, climate mitigation, and adaption. 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 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 dedicated climate funds and initiatives are active in Asia (Figure 1; Table 1). The largest contributions are from the CTF, which has approved a total of USD 1.8 billion for 30 projects, mostly in the form of concessional loans. In addition, the governments of Germany, Australia, Norway and the UK[2] have cumulatively provided over USD 536 million for projects in Asia through their respective bilateral climate funds and initiatives.

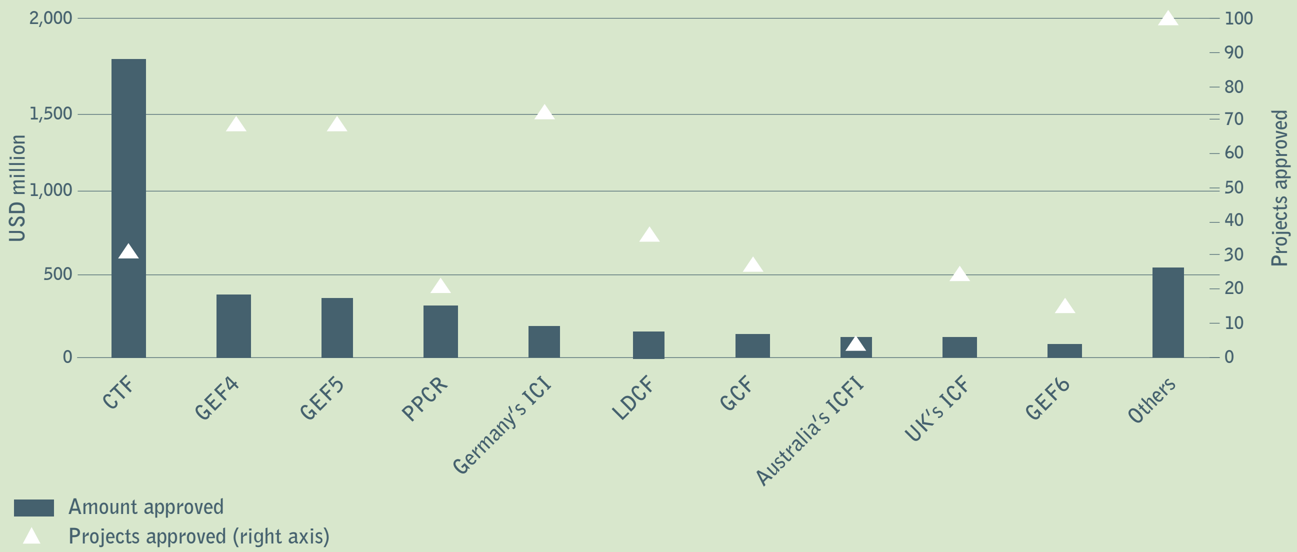
Table 1: Funds supporting Asia (2003-2016)

Fund or Initiative	Amount Approved (USD millions)	Projects approved
CTF	1,751.11	30
GEF4	369.37	70
GEF5	325.16	71
PPCR	295.60	23
Germany's ICI	263.02	72
LDCF	165.71	37
GCF	144.60	4
Australia's IFCI	129.90	5
UK's ICF	108.83	26
GEF6	119.61	18
Other contributors	524.81	103

Who receives the money?

India, Indonesia and China have received 51% of the funding approved for Asia since 2003 (Figure 2). There are also 17 regional and multi-country projects, which represent 5% of the total funding disbursed. Most mitigation funding supports large-scale renewable energy, energy efficiency and transport projects. In 2016, the CTF approved a USD 175 million Solar Rooftop Investment Program in India. While adaptation projects and programmes in the region receive only about a third of mitigation financing amounts, the largest amounts for adaptation projects are

Figure 1: Funds and initiatives supporting Asia (2003-2016)



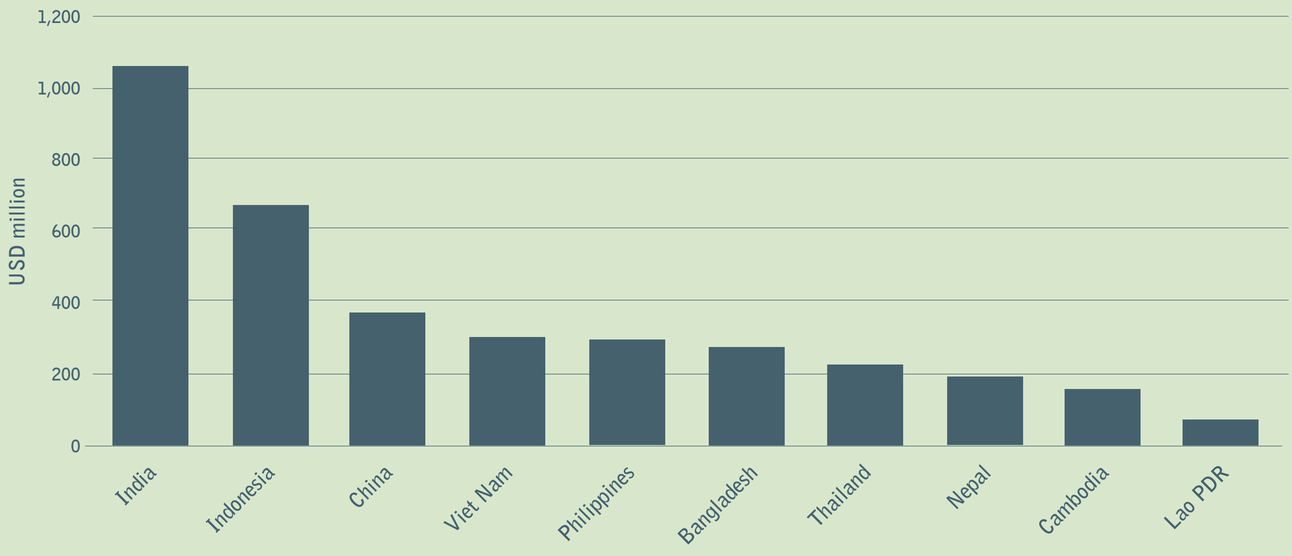
being provided by the Pilot Program on Climate Resilience (PPCR) to support programmes in Bangladesh, Cambodia and Nepal for a total approved amount of USD 292 million. The approval of five projects by the Green Climate Fund (GCF) so far in the region with USD 167.6 million for four adaptation projects and one multi-foci project 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. 2016 saw the approval of a resilience project for smallholder farmers focusing on integrated water management in Sri Lanka's dry zone (USD 38 million) as well as a project on 'Scaling-up of Glacial Lake Outburst Flood Risk Reduction in Northern Pakistan' for USD 37 million in GCF support.

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 in Asia with 65% of all climate finance approved since 2003 (Figure 3 and Table 2). The three projects approved by the CTF in 2016 for solar energy in India and geothermal in Indonesia made 2016 a particularly mitigation finance focused year so far.

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 2: Top ten recipient countries by amount approved (2003-2016)



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.

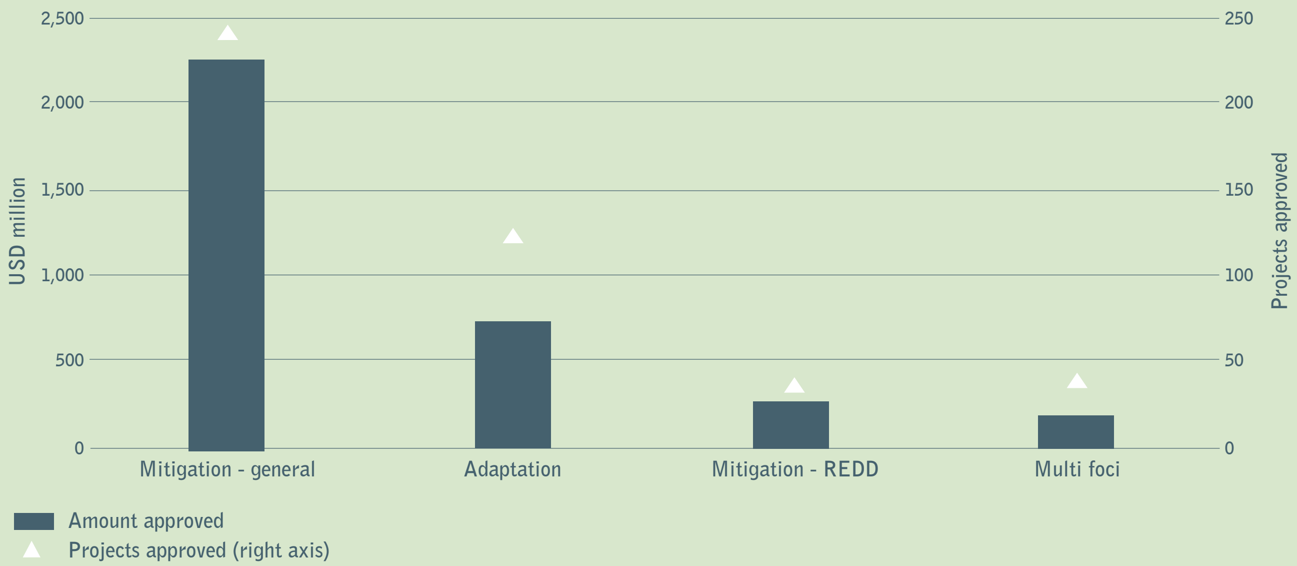
Climate funds are providing finance to all seven of Asia's LDCs. The USD 831 million approved for projects in these countries equates to 20% of total climate finance flowing to Asia. Bangladesh has received by far the highest funding to date, with over USD 277 million in project approvals, while Nepal and Cambodia have received USD 192 and USD 158 million, respectively.

As one might expect, almost 80% 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, while projects focusing on disaster risk reduction and agriculture have each received over USD 100 million in approvals.

Table 2: Approved funding across themes (2003-16)

Theme	Approved Amount (USD millions)	Projects approved
Mitigation - general	2,734.2	242
Adaptation	887.7	129
Mitigation - REDD	329.8	43
Multiple foci	231.3	45

Figure 3: Approved funding across themes (2003-2016)



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

- **Adaptation finance and the infrastructure agenda**. Smita Nakhooda and Charlene Watson review international efforts to support adaptation and their linkages with efforts to mobilise new finance for infrastructure. Available at: **http://bit.ly/2dMu8P3**
- **The AIIB and investment in action on climate change**. Darius Nassiry and Smita Nakhooda explore how the AIIB can expand markets for solar, wind and grid technologies, and extend China's leadership in the region in a manner consistent with the commitments to take ambitious action on climate change made by its member countries and prospective member countries as signatories to the Paris Agreement. Available at: http://bit.ly/2fk5Exe
- **Financing sustainable development: The critical role of risk and resilience**. Charlene Watson and Jan Kellett make the case that better risk management and the building of resilience are imperative for sustainable development. Available at: **http://bit.ly/2efIUtX**
- **Mutually Reinforcing: Climate Justice, Equitable Climate Finance and the Right to Development**. Liane Schalatek explores the ramifications of the right to development as an inalienable human right for the global challenge of climate change more broadly and more specifically for the concept of climate justice and its application to climate finance provision. Available at: **http://bit.ly/2eWfuRw**
- **In Search of Policy Coherence: Aligning OECD Infrastructure Advice with Sustainable Development.** Motoko Aizawa and Waleria Schuele discuss the privileged relationship of the OECD with the G20 in acting as a powerful voice on policy related to infrastructure investment and development globally and call for the OECD to use its political clout to demonstrate full policy coherence for investment in sustainable development. Available at: **http://bit.ly/1YeHkeE**

Contact us for more information at **info@climatefundsupdate.org**

References and useful links

Climate Funds Update Website: www.climatefundsupdate.org (data accessed in October 2016)

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's Asia and Pacific and South Asia classification, excluding Small Island Developing States: http://data.worldbank.org/about/countryclassifications/country-and-lending-groups#East_Asia_and_Pacific and: http://data.worldbank.org/region/SAS
2. Bilateral data correct as of 2014.

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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