



Climate Finance Regional Briefing: Asia

Climate Finance Fundamentals **8**

DECEMBER 2015

Sam Barnard, Smita Nakhooda, Alice Caravani, ODI
and Liane Schalatek, HBS

CFU data shows that 17 countries in Asia¹ have together received almost a quarter of all public climate finance from dedicated climate funds. Twenty-four dedicated climate funds and initiatives have approved a total of USD 3.35 billion for 422 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 Bangladesh, have received relatively little. This year saw limited new approvals of finance in comparison to previous years, with twice the amount committed to adaptation versus mitigation. Expectations in the region are high for funding from the Green Climate Fund (GCF), which has approved its first project for the region, focusing on climate-resilient infrastructure in Bangladesh.

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 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).

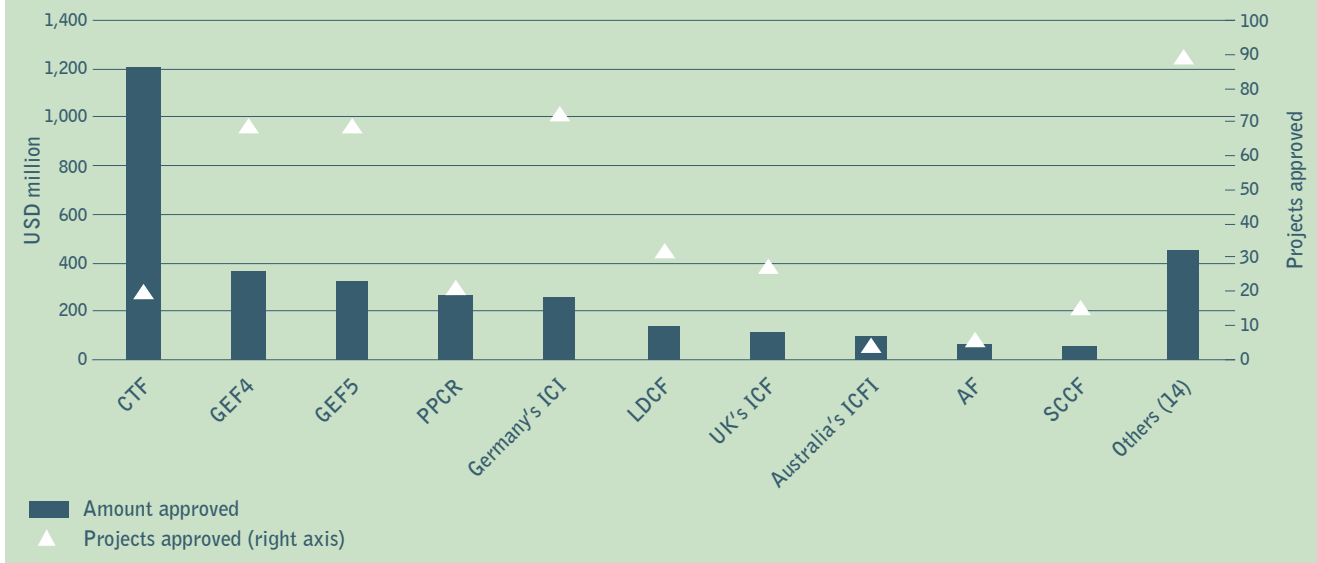
Where does climate finance come from?

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 1.21 billion for twenty projects, mostly in the form of concessional loans. In addition, the governments of Germany, Australia, Norway and the UK have cumulatively provided USD 471 million for projects in Asia through their respective bilateral climate funds and initiatives.

Table 1: Funds supporting Asia (2003-2015)

| Fund or Initiative | Amount Approved (USD millions) | Projects approved |
|---|--------------------------------|-------------------|
| Clean Technology Fund (CTF) | 1207.07 | 20 |
| Global Environment Facility (GEF4) | 362.58 | 69 |
| Global Environment Facility (GEF5) | 324.81 | 70 |
| Pilot Program for Climate Resilience (PPCR) | 271.32 | 21 |
| Germany's International Climate Initiative | 263.02 | 72 |
| Least Developed Countries Fund (LDCF) | 136.94 | 32 |
| UK's International Climate Fund | 111.99 | 27 |
| Australia's International Forest Carbon Initiative | 96.40 | 4 |
| Adaptation for Smallholder Agriculture Programme (ASAP) | 67.00 | 6 |
| Special Climate Change Fund (SCCF) | 58.20 | 15 |
| Other 14 contributors | 457.10 | 89 |

Figure 1: Funds and bilateral initiatives supporting Asia (2003-2015)



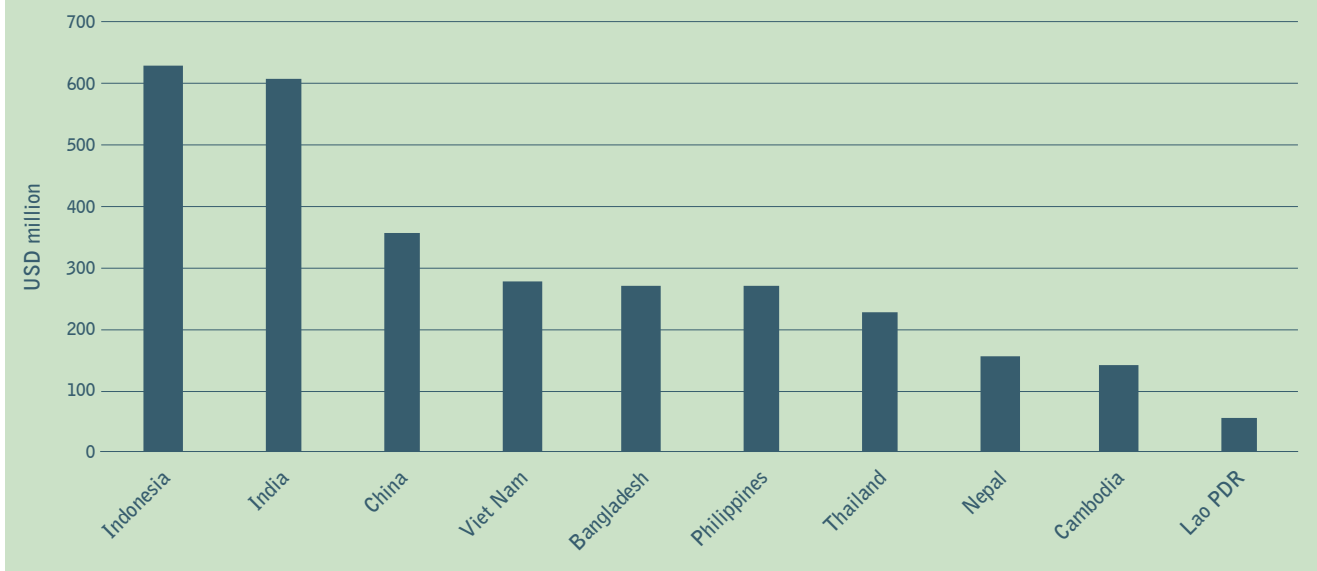
Who receives the money?

India, Indonesia and China have received 50% of the funding approved for Asia since 2003 (Figure 2). There are also 48 regional and multi-country projects, which represent 5% of the total funding disbursed. India, Indonesia, China, the Philippines and Thailand and Vietnam together receive 93% (or USD 1.95 billion) of the total amount approved for mitigation in the region. 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 267 million. While most mitigation funding supports large-scale renewable energy, energy efficiency and transport projects, the Scaling-up Renewable Energy Program (SREP) is supporting decentralised renewable energy and energy access in Nepal and is in the process of developing new pilot programmes in Cambodia and Mongolia.

The Green Climate Fund (GCF) has recently approved its first eight projects, including a USD 40 million project to promote investment in climate resilient infrastructure in Bangladesh. Many countries across Asia will have high expectations for the GCF as a major new source of funding for both mitigation and adaptation.

As one might expect, over 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.

Figure 2: Top ten recipient countries by amount approved (2003-2015)



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 716 million approved for projects in these countries equates to over 25% of total climate finance flowing to Asia. Bangladesh has received by far the highest funding to date, with over USD 270 million in project approvals, while Nepal and Cambodia have received USD 144 and USD 158 million, respectively. Lao PDR, Bhutan, Afghanistan and Myanmar have all received between USD 26 – 55 million.

What is being funded?

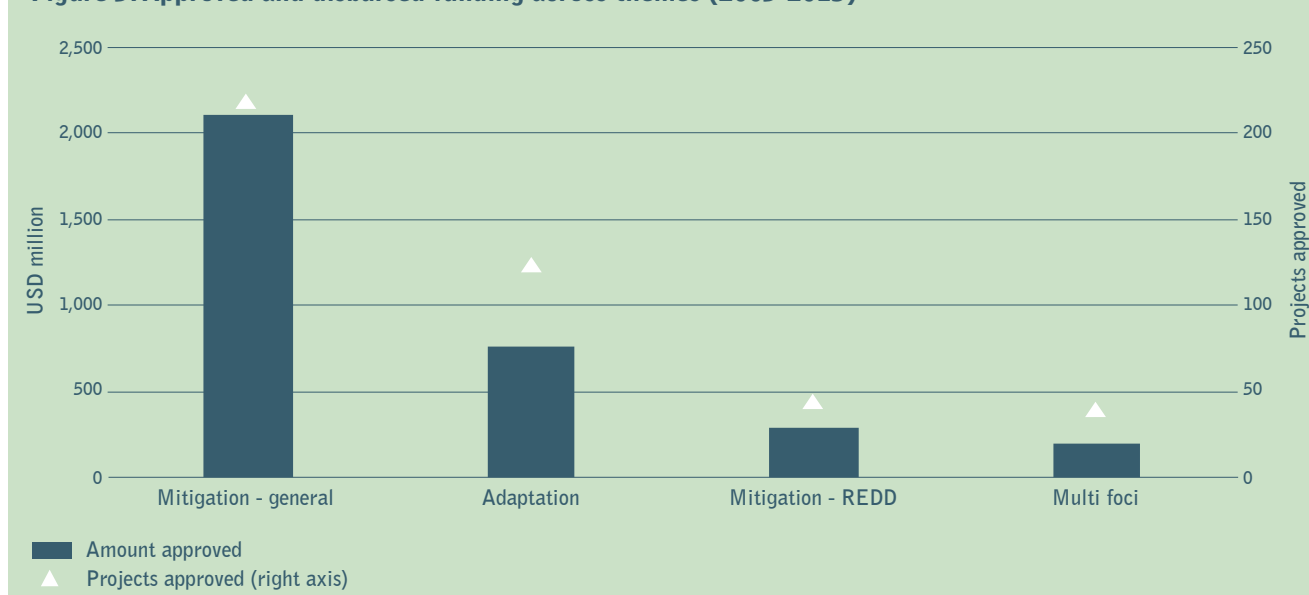
The largest project in the region approved to date is the USD 200 million *Rajasthan Renewable Energy Transmission Investment Program* in India supported by the CTF. In 2015, twice as much climate finance has been approved for adaptation projects than for mitigation projects from the multilateral climate 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).

Table 2: Approved and disbursed funding across themes (2003-2015)

| Theme | Approved Amount (USD millions) | Projects approved |
|----------------------|--------------------------------|-------------------|
| Mitigation - general | 2103.67 | 218 |
| Adaptation | 763.98 | 122 |
| Mitigation - REDD | 287.29 | 43 |
| Multiple foci | 193.03 | 39 |

Figure 3: Approved and disbursed funding across themes (2003-2015)



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

- **Financing Intended Nationally Determined Contributions (INDCs): Enabling Implementation.** Meryl In Hedger and Smita Nakhoda analyse the current and potential role for finance in INDCs published to date (October 2015). Available at: <http://bit.ly/1PzzKqc>
- **Climate Finance for Cities: How can climate funds best support low-carbon and climate resilient urban development?** Sam Barnard reviews the approaches taken by multilateral climate funds to support climate action in cities (June 2015). Available at: <http://bit.ly/1eTq23L>
- **What counts: tools to help define and understand progress towards the \$100 billion climate finance commitment.** With Paul Bodnar, Jessica Brown, ODI's Smita Nakhoda, layout five simple tools to consider what should count to the 2020 target (August 2015). Available at: <http://bit.ly/1PzzQ0Y>
- **10 things to know about climate change and financing for development.** Smita Nakhoda and Charlene Watson highlight what you need to know about climate change and development finance (July 2015). Available at: <http://bit.ly/1RuUVgr>
- **From Innovative Mandate to Meaningful Implementation: Ensuring Gender-Responsive Green Climate Fund Projects and Programmes.** Liane Schalatek looks at the potential for the GCF to support gender responsive climate action (November 2015). Available at: <http://bit.ly/1HtEyMB>

Contact us for more information at info@climatefundsupdate.org

References and useful links

Climate Funds Update Website: www.climatefundsupdate.org (data accessed in November 2015)

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 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>

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

Overseas Development Institute

203 Blackfriars Road | London | SE1 8NJ | UK
Tel: +44 (0)20 7922 0300

Heinrich Böll Stiftung North America

1432 K Street | NW | Suite 500 Washington | DC 20005 | USA
Tel: +1 202 462 7512