

Climate Finance Regional Briefing: Asia

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Climate Finance Fundamentals 8

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Climate Funds Update (CFU) data shows that for 18 countries in Asia¹ a total of USD 6.5 billion for 577 projects and programmes has been approved by 17 multilateral climate funds and initiatives. 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 nations at considerable risk to climate change, such as Sri Lanka, have received relatively little. USD 835 million was newly approved in 2021, with mitigation receiving greater approval value than adaptation, REDD+ and cross-cutting projects. The Green Climate Fund (GCF), funding the second year under its first replenishment period (GCF-1), was the biggest contributor in the region in 2021, accounting for 79% of new approvals.

Introduction

Asian countries have diverse needs in terms of economic and human development, climate mitigation and adaptation. Per capita emissions in most countries are still very low, and the countries bear limited historical responsibility for the accumulation of greenhouse gas (GHG) emissions. Today, however, demand for cheap energy from fossil fuels in major Asian economies is one of the leading causes of growth in global GHG emissions. China is the largest GHG emitter in the world (World Bank, 2014; Rhodium Group, 2021). 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. As part of the update to their nationally determined contribution (NDC), several countries in the region have already committed to carbon-neutrality by 2050, with China promising to reach it before 2060 (ESCAP, 2020). 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). Already severe and accelerating climate impacts (IPCC, 2021) are compounded by the multiple stresses brought on by rapid urbanisation, industrialisation and economic growth in the region (Hijioka et al., 2014).

Where does climate finance come from?

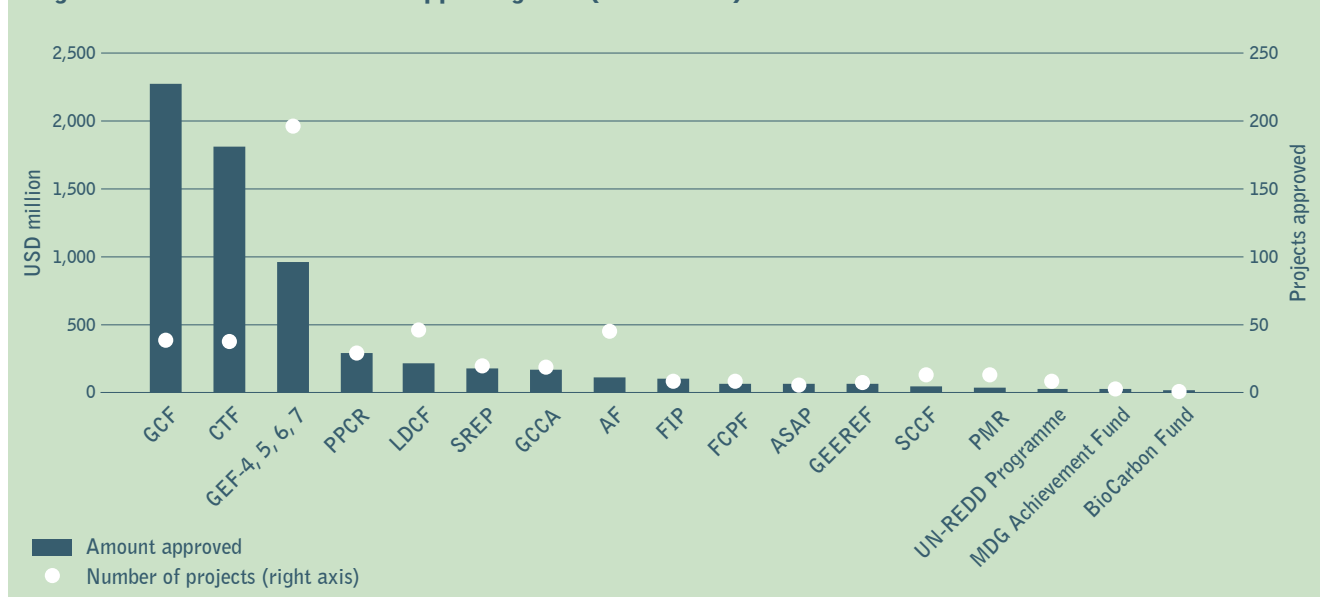
Most of the major multilateral climate funds and initiatives tracked by CFU are active in Asia (Figure 1 and Table 1), although a few funds dominate the funding landscape in the region. The largest contributions are from the GCF, which has been actively funding in the area only since 2015 and has approved a total of USD 2.27 billion for 39 projects and programmes, including for a number of grant-supported adaptation measures. The Clean Technology Fund (CTF) had previously led in support for Asia but is second in 2021 with 38 projects approved for USD 1.81 billion, provided mostly in the form of concessional loans. The Global Environment Facility (GEF) with USD 959 million for 196 largely grant-financed smaller-scale mitigation projects is a distanced third.

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 all active in the region.² Bilateral funds are not tracked by CFU, however, given their relative lack of transparently available detailed information of current activities and spending.

Table 1: Climate funds supporting Asia (2003–2021, USD millions)

Fund or initiative	Amount approved	Projects approved
Green Climate Fund (GCF-IRM, GCF-1)	2,274.5	39
Clean Technology Fund (CTF)	1,809.2	38
Global Environment Facility (GEF-4, 5, 6, 7)	959.3	196
Pilot Program for Climate Resilience (PPCR)	295.7	29
Least Developed Countries Fund (LDCF)	217.9	46
Scaling Up Renewable Energy Program in Low Income Countries (SREP)	177.0	20
Global Climate Change Alliance (GCCA)	168.5	19
Adaptation Fund (AF)	109.3	45
Forest Investment Program (FIP)	100.0	8
Forest Carbon Partnership Facility (FCPF)	63.0	8
Adaptation for Smallholder Agriculture Programme (ASAP)	62.4	6
Global Energy Efficiency and Renewable Energy Fund (GEEREF)	60.3	7
Special Climate Change Fund (SCCF)	47.2	13
Partnership for Market Readiness (PMR)	32.3	13
UN-REDD Programme	29.4	8
Millennium Development Goals Achievement Fund (MDG-F) ³	25.0	3
BioCarbon Fund	19.0	1

Figure 1: Funds and initiatives supporting Asia (2003–2021)



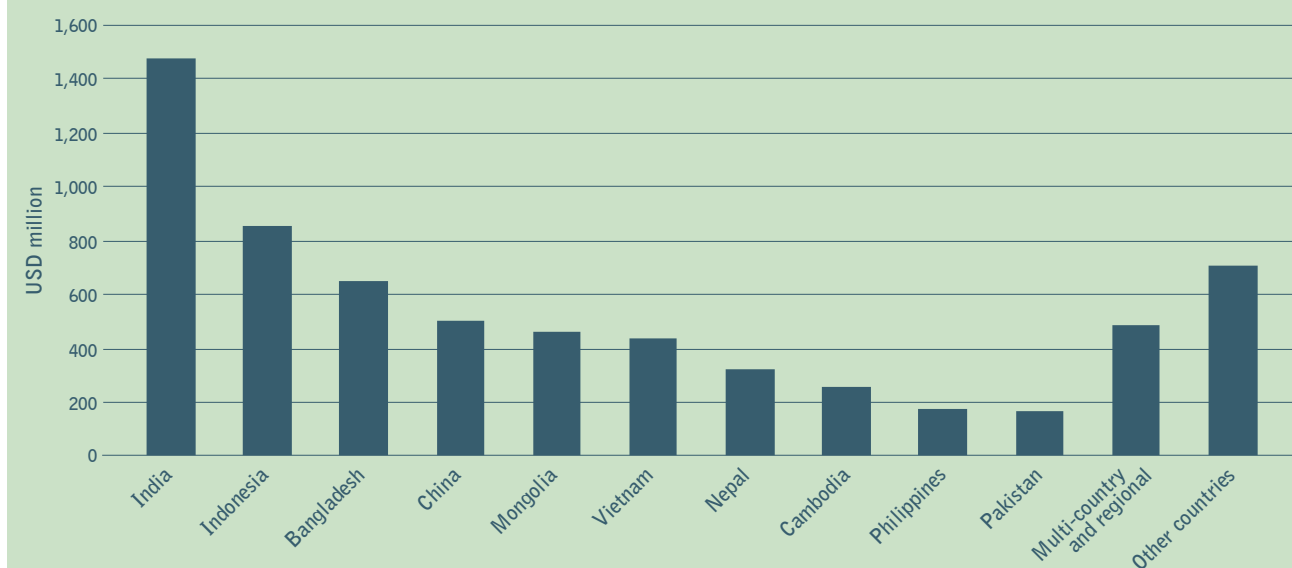
Box 1: Climate finance for LDCs in Asia

Climate funds provide finance to seven LDCs in Asia. 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.

The USD 1.6 billion approved for projects in these countries equates to 25% of total climate finance flowing to Asia. Bangladesh has received the highest funding to date with USD 652 million in project approvals, while Nepal and Cambodia have approvals of USD 324 million and USD 260 million, respectively, from multilateral climate funds.

As one might expect, 45% of the funding approved for Asian LDCs has been for adaptation projects. This funding has been delivered primarily through the GCF, 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.

Figure 2: Top ten recipient countries by amount approved (2003–2021)



Who receives the money?

India, Indonesia, Bangladesh, China and Mongolia have together received 61% of the funding approved for Asia since 2003 (Figure 2). There are also a number of regional and multi-country projects, which represent 7.5% or USD 488 million of the total funding approved. Most mitigation funding supports large-scale renewable energy, energy efficiency and transport projects.

Box 1 describes the climate finance provided to Least Developed Countries (LDCs) in Asia. A number of multilateral climate funds also support countries in the Europe and Central Asia regional classification – these are not included in the 'Asia' categorisation, although there are a number of projects, as illustrated by Box 2.

What is being funded?

Mitigation finance accounts for 62% of finance from the multilateral funds in the Asian region (USD 4.0 billion), while adaptation projects and programmes in the region receive 18% (USD 1.2 billion) (Figure 3, Table 2). The CTF, GCF, GEF and Scaling up Renewable Energy Program in Low Income Countries (SREP) are the largest funders of mitigation in the region. The largest amounts for adaptation projects are being provided by the GCF for a total approval amount of USD 355 million, the PPCR to support programmes in Bangladesh, Cambodia and Nepal for a total approved amount of USD 296 million and the LDCF with a total approved amount of USD 214 million.

The approval of 39 projects (USD 2.27 billion) and 78 readiness programmes (USD 52 million) by the GCF so far in the region could signal the potential for a more balanced climate finance provision in the future, especially through the rise of multi-foci projects and programmes. Of the GCF projects in the region, 12 are adaptation focused while 13 are mitigation focused. There are a further 13 multi-foci projects and one REDD+ project, in addition to the GCF readiness programmes.

Figure 3: Approved funding across themes (2003–2021)

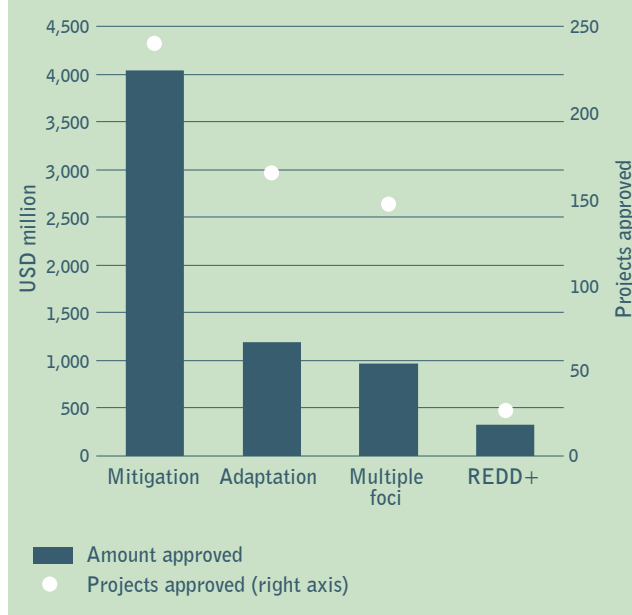


Table 2: Approved funding across themes (2003–2021)

Theme	Amount approved (USD millions)	Projects approved
Mitigation	4,037.2	240
Adaptation	1,189.7	165
Multiple foci	959.9	146
REDD+ (reducing emissions from deforestation and forest degradation, forest conservation, sustainable forest management and the enhancement of forest carbon stocks)	315.2	26

The two largest projects approved in the region were through the GCF. Approved in 2021 for USD 300 million (of which USD 280 million is a concessional loan), the ASEAN Catalytic Green Finance Facility aims to promote low-emission investments to support economic recovery following COVID-19 in five eastern Asian countries. The second largest project was approved in 2020 for an amount of USD 256 million (of which USD 250 million is a concessional loan) supporting private sector investment through large scale adoption of energy saving technology and equipment in the textile and garment industry in Bangladesh. This exceeds the USD 195 million for the Rajasthan Renewable Energy Transmission Investment Program approved in 2020 by the CTF in India. In 2021, the GCF also approved two more mitigation projects in the region, one project for adaptation and one multi-foci project (in addition to 11 new readiness programmes totalling USD 6.9 million). The 2021 GCF approvals make up 79% of the USD 835 million in new approvals for the region which include projects from the CTF, FIP, SREP, PPCR, Adaptation Fund (AF), GEF and LDCF.

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

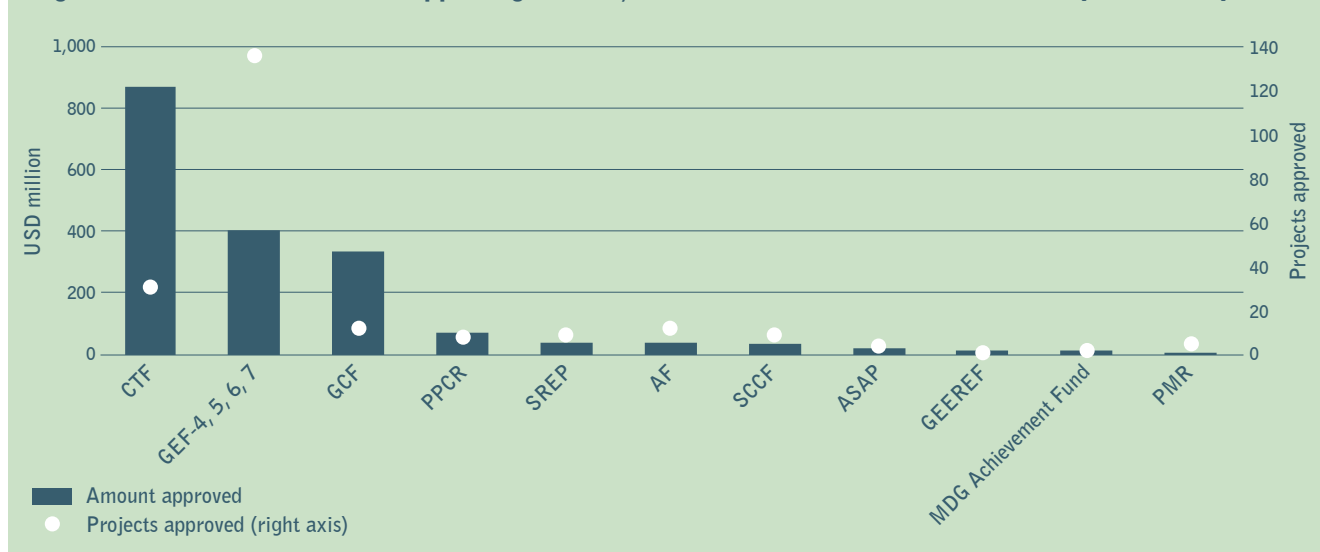
Multilateral climate funds also support countries of Central, Eastern and Southeastern Europe (CESEE), the South Caucasus and Central Asia.⁴ Eleven funds have approved USD 1.88 billion between 2003 and 2021 across 266 projects. Of these countries, 20 receive funding for approved projects and 10 countries do not receive funding – Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Kosovo, Latvia, Lithuania, Poland and Slovenia – all of which are CESEE countries.

Turkey (USD 507 million), Ukraine (USD 397 million) and Kazakhstan (USD 224 million) are the biggest recipients of multilateral climate fund approvals. Together these three countries receive 60% of approved funds in the wider region. These countries all have support from the CTF for renewable energy and energy efficiency projects.

Over 76% of approved finance across all countries is for mitigation, with just 12% going to adaptation activities. In terms of financial instrument, 53% of approved finance is in the form of concessional loans, while 47% is grant finance.

In 2021, 15 projects (USD 165 million) were approved in CESEE, the South Caucasus and Central Asia. These included eight for mitigation, three for adaptation and four for projects with both adaptation and mitigation objectives (including readiness programmes). The three largest new approvals in the region were CTF projects in the energy sectors, totalling USD 139 million. The GCF approved a project in Uzbekistan (USD 10 million) plus four readiness programmes (USD 2.8 million). The AF approved one regional project aiming to reduce the vulnerabilities of population in Central Asia (USD 6.5 million). The GEF approved USD 3.3 million for two new projects in Georgia and Serbia while the PPCR approved one and SREP three projects (with approvals of USD 2 million and 1.2 million, respectively).

Figure 4: Funds and initiatives supporting CESEE, the South Caucasus and Central Asia (2003–2021)



References and further reading

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End notes

1. World Bank Asia and Pacific and South Asia classification, excluding Small Island Developing States (SIDS): 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 Internationale Klimaschutzinitiative (IKI, international climate initiative), USD 130 million from Australia's International Forest Carbon Initiative (IFCI) and USD 109 million from the UK's International Climate Finance (ICF).
3. The Millennium Development Goal Achievement Fund (MDG-F) was operational from 2007-2013. As of May 2019, all of its projects had been financially closed.
4. 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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