

THINGS TO KNOW ABOUT

CLIMATE FUNDS UPDATE
MULTILATERAL CLIMATE FUNDS

ADAPTATION
MITIGATION
REDD+

HBS10TTKACF2021

10

10

10



SERIES
2021

TEN

Using Climate Funds Update data collated from the major multilateral climate funds that are designed to help developing countries address the challenges of climate change

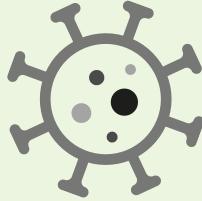
CLIMATE FINANCE

1

THE GREEN CLIMATE FUND

PUSHED ON WITH PROJECT APPROVALS

In spite of the COVID-19 pandemic complicating in-person processes for approving climate finance

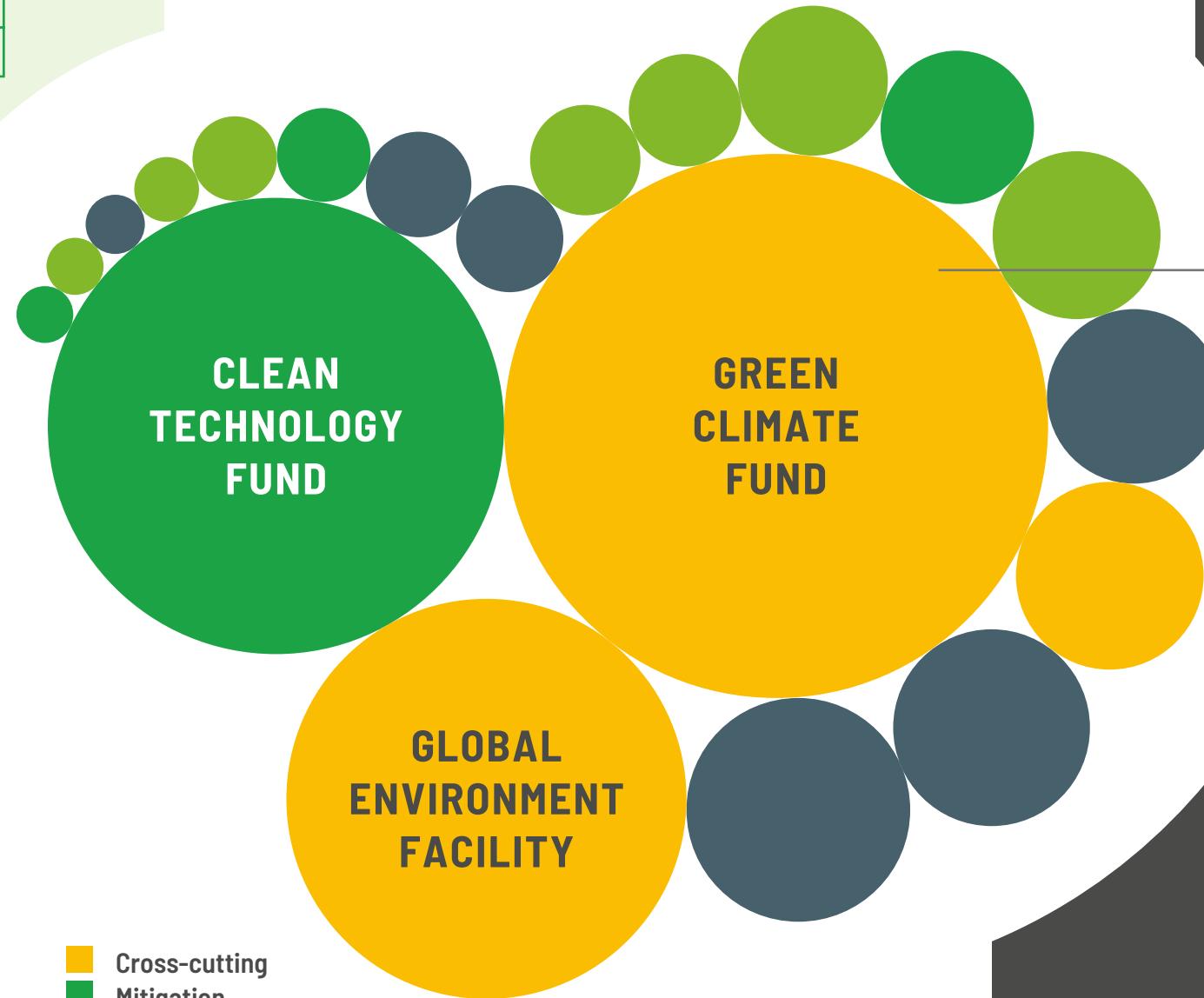


2020

SAW CLIMATE FINANCE APPROVALS OF

USD 3.4 BILLION

by major multilateral climate funds for **220 PROJECTS AND PROGRAMMES** across **151 COUNTRIES**.



THE GREEN CLIMATE FUND (GCF), now in its first replenishment phase (GCF-1, 2020-2023), is responsible for the increase in approvals in recent years, and its cumulative approvals of **USD 7.4 BILLION**, including more than **USD 2.2 BILLION** for 2020, now dwarf other major multilateral climate funds.

2

PROJECTS FOR CLIMATE CHANGE MITIGATION

TOOK THE LION'S SHARE

IN 2020

USD 1.6 BILLION

was approved by multilateral climate funds for **MITIGATION PROJECTS** in developing countries.

The GCF approved over **USD 1 BILLION**, with the remainder coming from the Clean Technology Fund (CTF) dedicated private sector programme, the GEF-7 Trust Fund, and the Scaling Up Renewable Energy Program in Low-income Countries (SREP).

USD 309 MILLION

was approved for projects with **REDD+** in 2020.

USD 894 MILLION

was approved for projects concurrently supporting adaptation and mitigation, or **CROSS-CUTTING**, showing an increasing share of such multi-purpose proposals over the last few years, especially in the GCF and the Global Environment Facility (GEF).

USD 586 MILLION

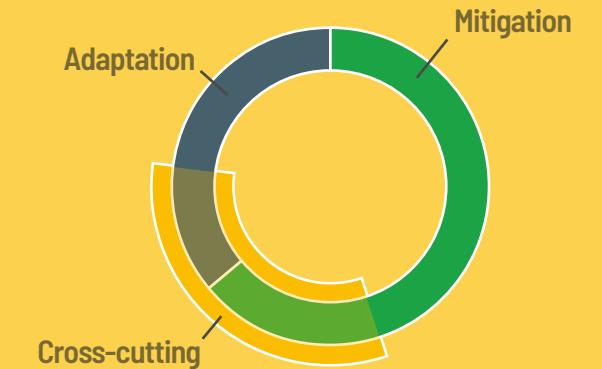
was approved for **ADAPTATION PROJECTS** (at face value) in 2020.

- Mitigation
- REDD+
- Cross-cutting
- Adaptation

CROSS-CUTTING FINANCE

GCF accounted for **57%** in 2020

While the GCF determines the exact amount of each project credited to the component themes



other funds do not, complicating the pursuit of 'balance' between adaptation and mitigation finance.



3

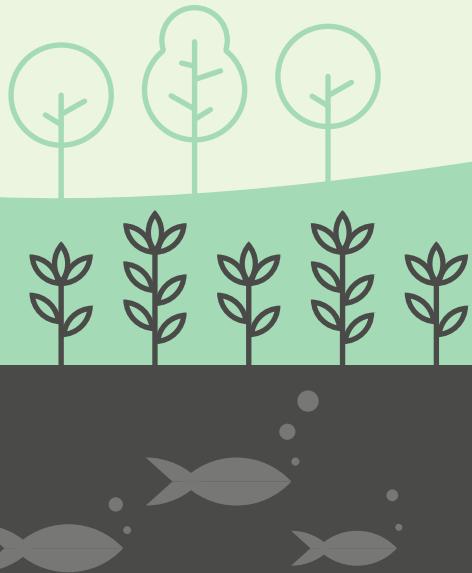
AGRICULTURE AND FORESTRY

SAW THE MOST ADAPTATION FINANCE APPROVALS

In 2020

40%

of approved **ADAPTATION FUNDING** from multilateral climate funds was directed at the **AGRICULTURE, FISHERIES AND FORESTRY** sector with a heavy focus on food security and acknowledgement of support needed for rural communities.



236

AGRICULTURE,
FORESTRY AND
FISHERIES

MULTISECTOR projects followed, illustrating the prioritisation of comprehensive, not compartmentalised, adaptation approaches and how inseparable adaptation activities are from general development and economic growth pathways.

158

OTHER
MULTISECTOR

74

DISASTER
PREVENTION AND
PREPAREDNESS

60

WATER
SUPPLY AND
SANITATION

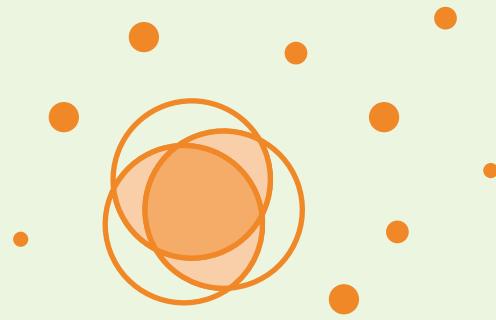
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GENERAL
ENVIRONMENT
PROTECTION

13

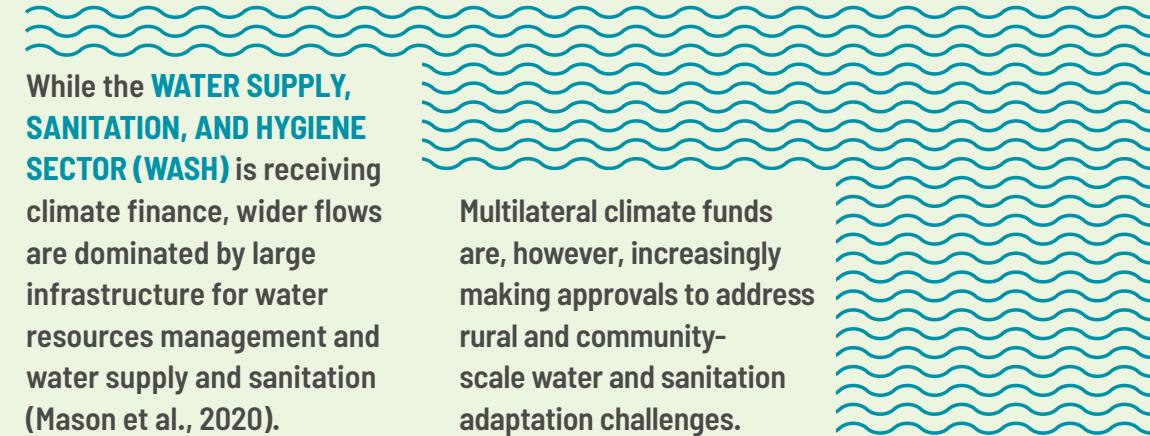
OTHER
SECTORS
COMBINED

USD MILLION



While the **WATER SUPPLY, SANITATION, AND HYGIENE SECTOR (WASH)** is receiving climate finance, wider flows are dominated by large infrastructure for water resources management and water supply and sanitation (Mason et al., 2020).

Multilateral climate funds are, however, increasingly making approvals to address rural and community-scale water and sanitation adaptation challenges.



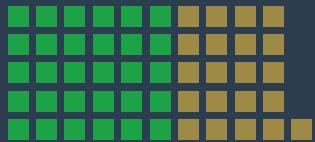
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RENEWABLE ENERGY AND ENERGY EFFICIENCY

CONTINUE TO DOMINATE MITIGATION SECTOR APPROVALS

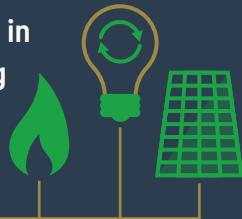
In 2020

30 OF 51

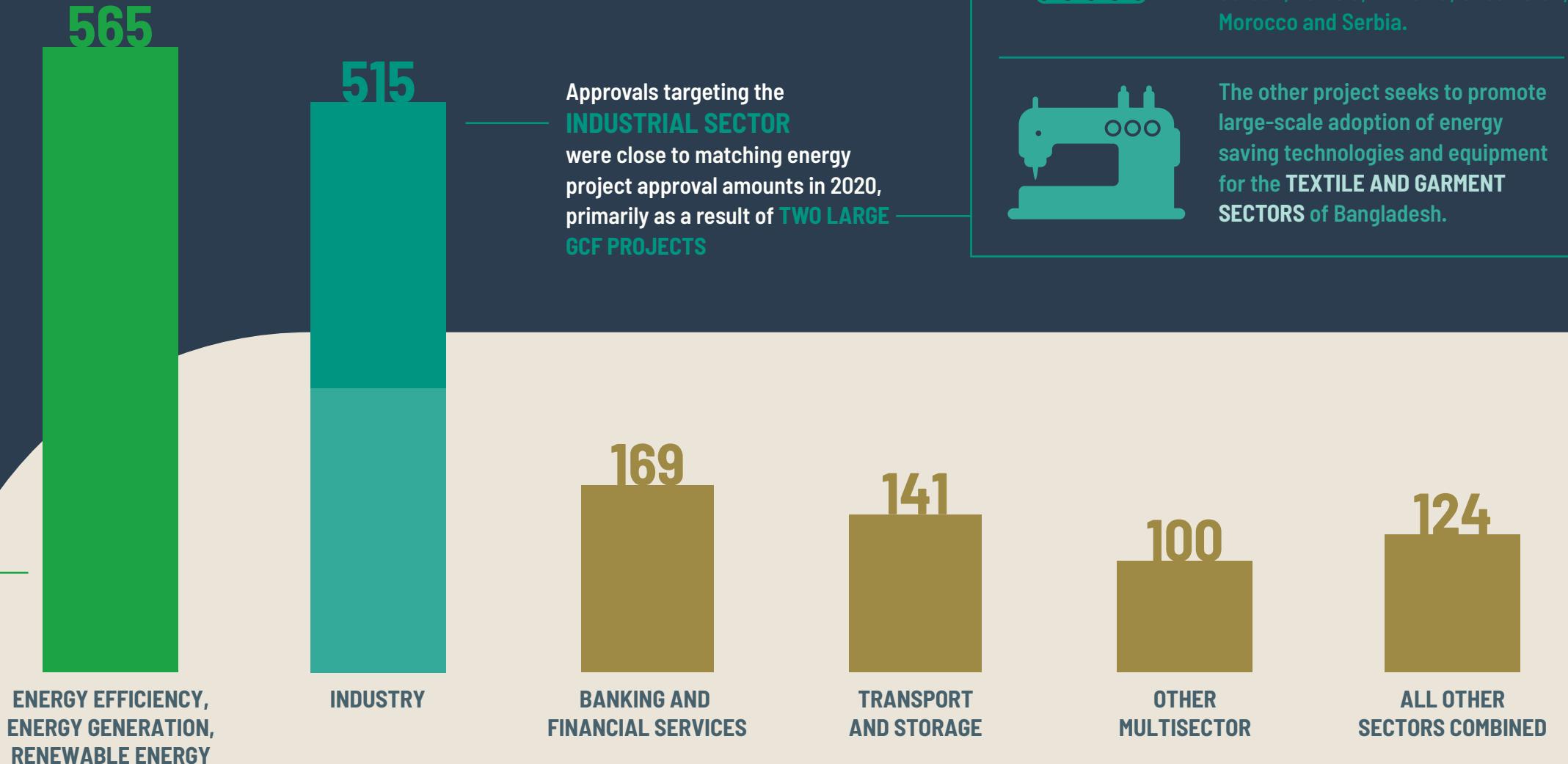


NEWLY-APPROVED

MITIGATION projects from multilateral climate funds are in the energy sector, accounting for over a third of the total approval amount.



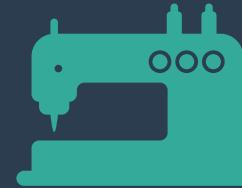
This captures **RENEWABLE ENERGY**, **ENERGY EFFICIENCY**, and **ENERGY GENERATION AND DISTRIBUTION** efforts at many different scales, including decentralised and distributed, and reflects the need for energy transition to low-emission alternatives across sectors and communities in many countries.



Approvals targeting the **INDUSTRIAL SECTOR** were close to matching energy project approval amounts in 2020, primarily as a result of **TWO LARGE GCF PROJECTS**



One project aims to facilitate a transformational shift in **ENERGY-INTENSIVE INDUSTRY, AGRIBUSINESS, AND MINING** practices in Kazakhstan, Jordan, Tunisia, Armenia, Uzbekistan, Morocco and Serbia.



The other project seeks to promote large-scale adoption of energy saving technologies and equipment for the **TEXTILE AND GARMENT SECTORS** of Bangladesh.

USD MILLION

5

REDD+ FINANCE RECEIVED A LARGE BOOST

FROM THE GREEN CLIMATE FUND

400m

200m

2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020

Results-based
Not results-based

USD MILLION

In **2020** approvals by multilateral climate funds for reducing emissions from deforestation and forest degradation, forest conservation, sustainable forest management and the enhancement of forest carbon stocks (REDD+) rose to

USD 309 MILLION

This is an increase over the previous **FIVE-YEAR** average of

USD 263 MILLION

The **GCF** is responsible for **87%** of the 2020 figure, approving **FOUR PROJECTS** under its dedicated REDD+ results-based payments programme, bringing the total to

EIGHT PROJECTS
USD 497 million
in approval amounts.

This exhausts the **USD 500 MILLION** envelope for the pilot programme, raising questions about its continuation and scale in the future.

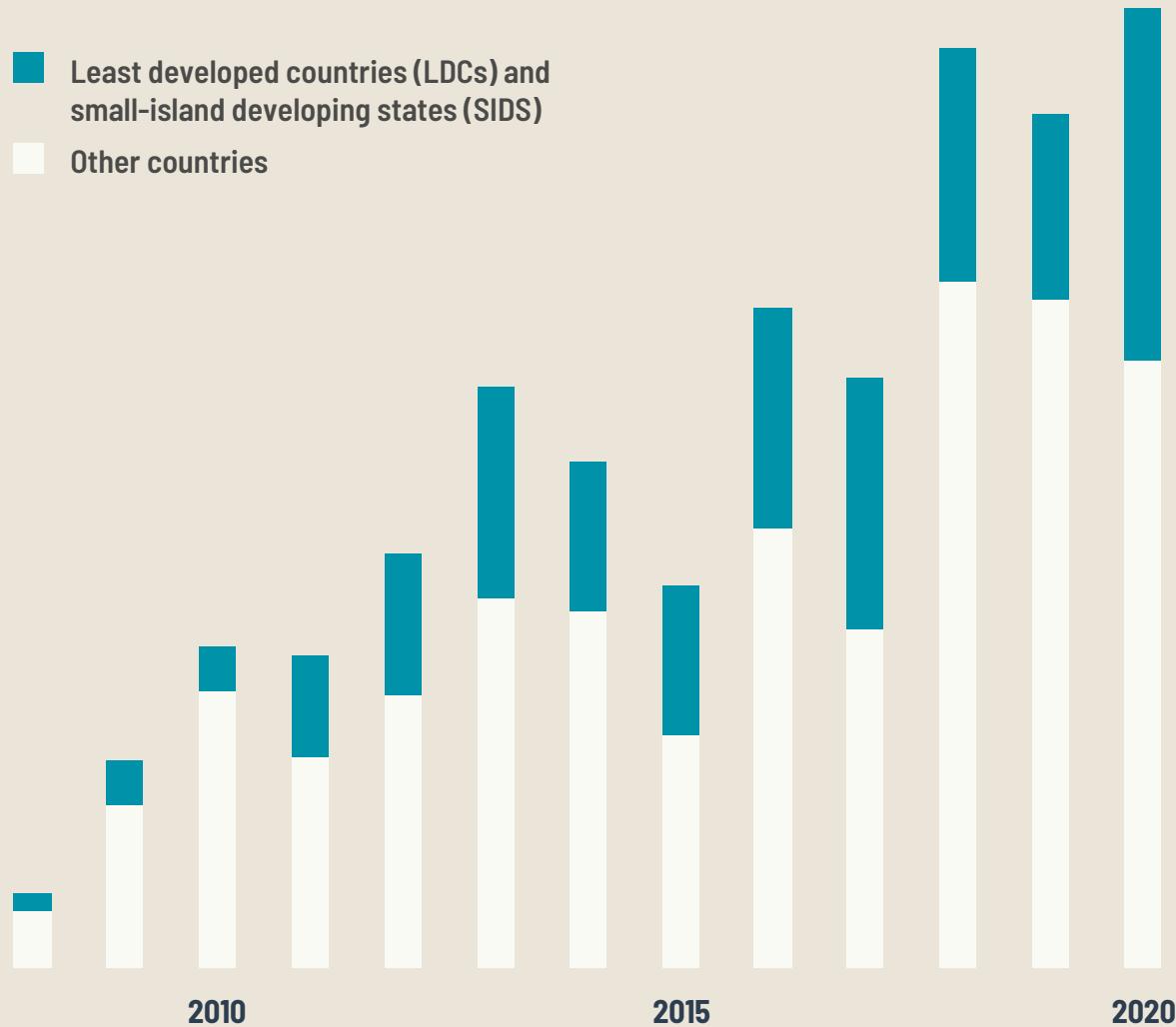
These projects, not without criticism, reflect the largest efforts to date to support developing countries' move beyond REDD+ readiness to emission reductions with payments based on verified results.

6

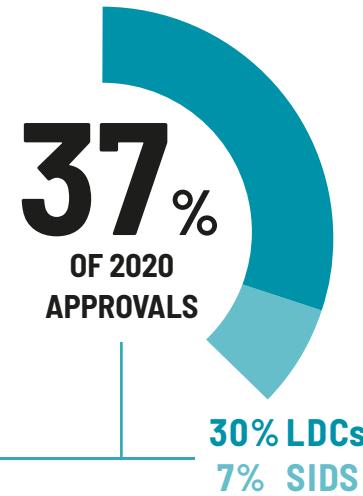
CLIMATE FINANCE TO LDCs AND SIDS

HOVERS AT AROUND A THIRD OF ALL APPROVALS

■ Least developed countries (LDCs) and small-island developing states (SIDS)
■ Other countries



Funding from MULTILATERAL CLIMATE FUNDS for the LDCs and SIDS together amounted to

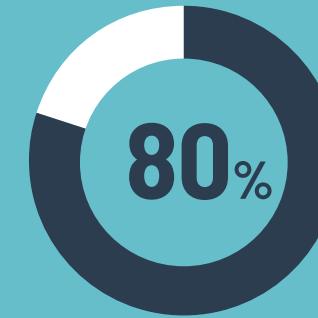


Likely below the share of approvals that LDCs and SIDS SHOULD capture given their climate vulnerability and capacity constraints.

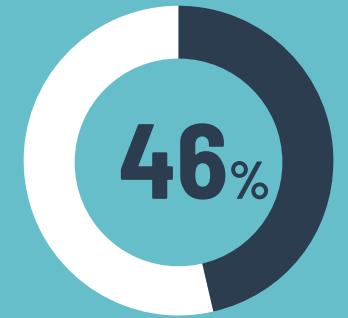
RING-FENCING funding for these country groups, as the GCF does for adaptation, supports their prioritisation under Article 9 of the Paris Agreement.

GRANTS

IN 2019 funding approved for LDCs and SIDS by multilateral climate funds was largely grant based

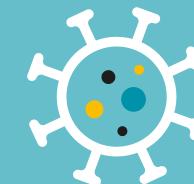


IN 2020 this share fell to



in light of LARGE CONCESSIONAL LOANS as part of mitigation projects approved by the GCF and CTF in LDCs and SIDS.

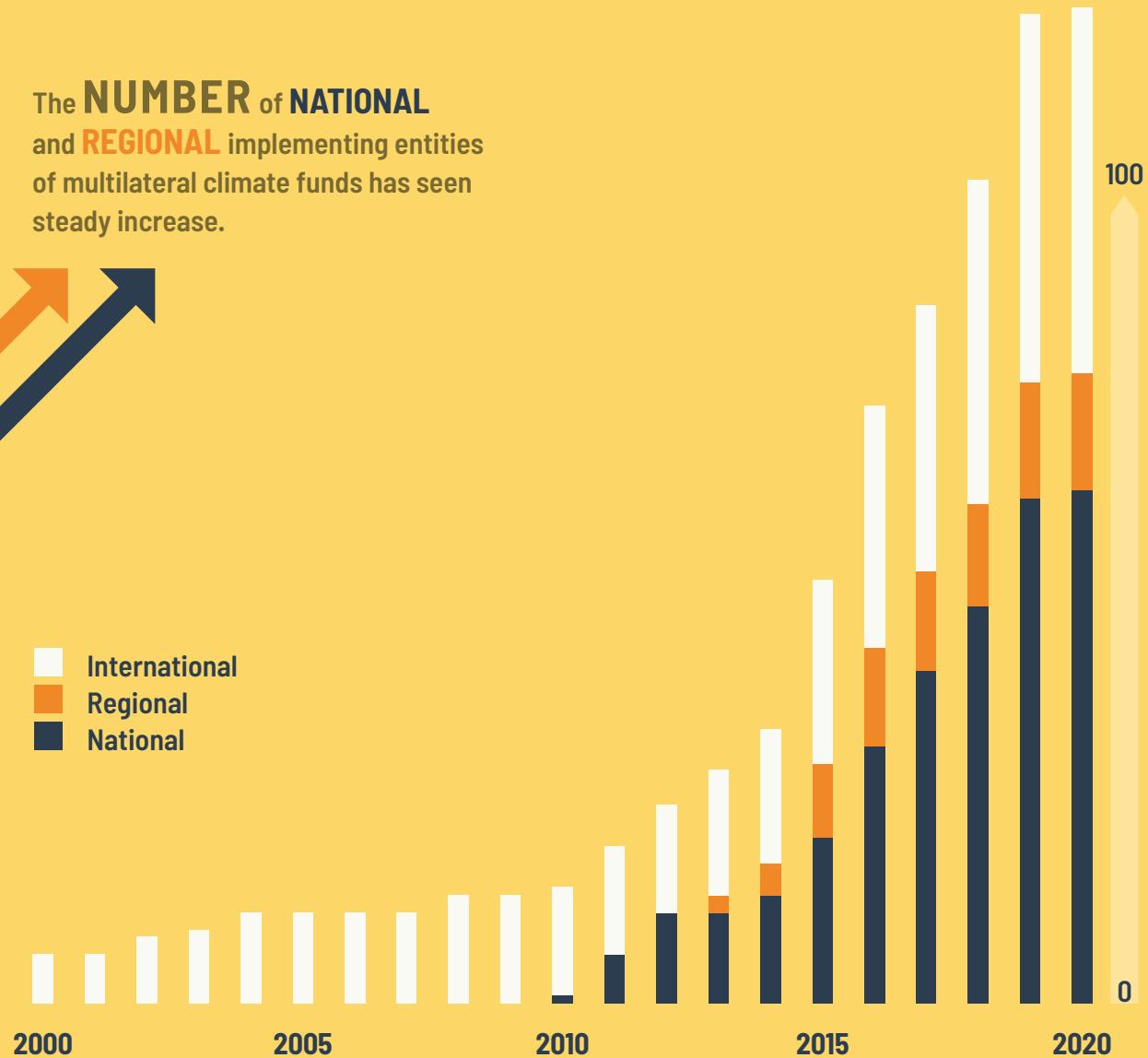
THESE LOANS ARE BEING PROMULGATED IN THE FACE OF COUNTRIES' GROWING DEBT DISTRESS IN THE WAKE OF THE COVID PANDEMIC.



7 GROWING NUMBER OF NATIONAL AND REGIONAL IMPLEMENTING ENTITIES

RECEIVE ONLY A FRACTION OF APPROVED CLIMATE FINANCE

The **NUMBER** of **NATIONAL** and **REGIONAL** implementing entities of multilateral climate funds has seen steady increase.



FAST-TRACK accreditation, direct access, simplified approval processes, and readiness programmes of the funds have supported this growth in the hopes of increasing country ownership and aligning climate finance with national priorities.

The **GCF** **63%** accounts for all **NEW** national and regional implementing entities accredited by multilateral climate funds since **2015**.



The **ADAPTATION FUND** and **GEF** have also made efforts to increase the number of national and regional accredited entities.



8

CLIMATE FINANCE READINESS FUNDS ARE SCALING UP

MAINLY THROUGH THE GREEN CLIMATE FUND

The **GCF** and
ADAPTATION FUND
had collectively approved

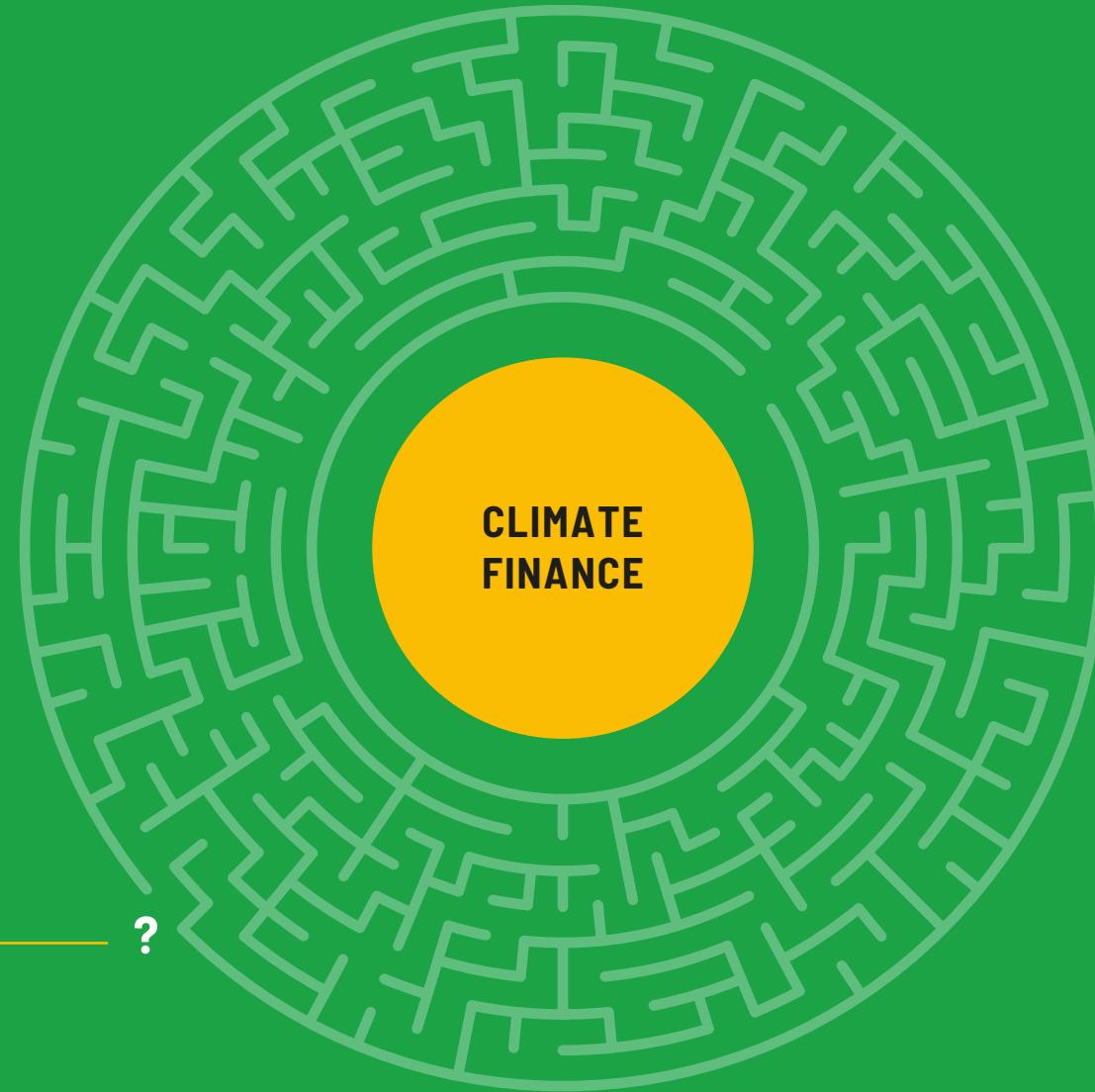
USD 286 MILLION



(with the GCF providing 99% of this funding)
by the end of **2020** for activities across

139 COUNTRIES and
TERRITORIES

to build the capacity
of institutions to
finance and oversee the
implementation of climate
action or climate
finance 'readiness'
(Adaptation Fund, 2021;
GCF, 2021).



EARLY EFFORTS FOCUSED
ON ACCESS TO MULTILATERAL
CLIMATE FUNDS,



but have
since reacted to now

**SUPPORT PLANNING, POLICY, AND
REGULATORY REFORMS TO FACILITATE
WIDER ACCESS TO CLIMATE FINANCE,
INCLUDING PRIVATE FINANCE FLOWS
THAT SUPPORT CLIMATE ACTION**

The **GEF** also provides support
for enabling activities but these
are not earmarked as readiness.

9 THE GENDER-RESPONSIVENESS OF CLIMATE FINANCE REMAINS A WORK IN PROGRESS

Numerous decisions by the Conference of Parties (COP) have emphasised that **EFFECTIVE CLIMATE ACTION** requires a **GENDER-RESPONSIVE APPROACH** in Paris Agreement implementation (Schalatek, 2020).



Cancun Agreement acknowledges gender equality and effective participation of women are critical in climate action.

2010

GEF puts in place a Policy on Gender Equality.

2011

Initial Climate Investment Funds (CIFs) gender review finds significant gender integration challenges.

2013

Lima Work Programme on Gender enhanced how gender issues were addressed in the UNFCCC process.

2014

New gender focal point in CIF Administrative Unit to oversee implementation of initial CIF Gender Action Plan.

2015

GCF starts funding operations with a gender policy and initial gender action plan in place; GEF approves a Gender Equality Action Plan.

2016

Adaptation Fund gender policy and action plan put in place; CIFs approve CIF Gender Action Plan Phase 2.

Multilateral climate funds of the UNFCCC Financial Mechanism must include information on the integration of gender considerations in all aspects of their work in their annual reports to the COP.

2017

In Bonn, a Gender Action plan was approved with UNFCCC-wide priority targets for 2020 including for gender-responsive finance.

Adaptation Fund provides additional guidance to accredited entities on gender responsiveness of projects; GEF revises its Policy on Gender Equality whereby all implementing agencies are assessed with compliance for gender mainstreaming.

2018

GEF approves a Gender Implementation Strategy; new CIF Gender Policy introduces a governance framework for gender integration in the CIFs.

2019

GCF approves revised gender policy and new gender action plan; CIFs approve CIF Gender Action Plan Phase 3.

Enhanced Lima Work Programme on Gender and Gender Action Plan aims for more gender responsiveness in the UNFCCC and in the implementation of the Paris Agreement and its monitoring.

MULTILATERAL climate funds are increasingly **MAINSTREAMING GENDER** into upstream governance and operations.

However, there remains **LITTLE BEST PRACTICE** on gender-responsive budgeting for climate action.

This suggests a focus on **QUALITY-AT-ENTRY** – project consideration and approval – rather than on **QUALITY-IN-IMPLEMENTATION** – monitoring and reporting of gender efforts and outcomes.

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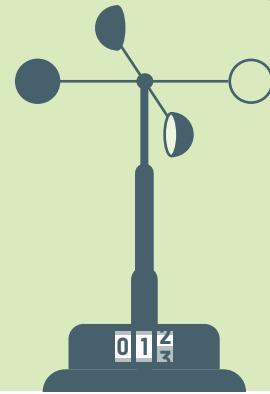
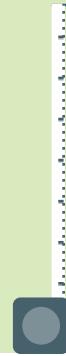
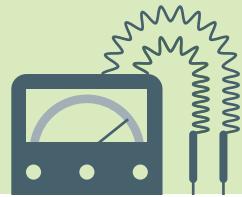
FUNDS STILL NEED TO

REPORT THEIR IMPACTS MORE TRANSPARENTLY

TOTAL CLIMATE FINANCE APPROVAL FIGURES TELL US LITTLE ABOUT HOW EFFECTIVE THIS FINANCE IS

ACTUAL IMPACTS reported across the major multilateral climate funds in 2020 include **36 MILLION** beneficiaries of adaptation funding and **1.6 MILLION** beneficiaries of mitigation finance. Cross-cutting funding by the GCF reaches another **10 MILLION** beneficiaries.

Together funds report emission reductions of **62 Mt of CO₂e** annually.



ADAPTATION FUND

LEAST DEVELOPED COUNTRY FUND

SPECIAL CLIMATE CHANGE FUND

PILOT PROGRAM FOR CLIMATE RESILIENCE

CLEAN TECHNOLOGY FUND

SCALING UP RENEWABLE ENERGY PROGRAM IN LOW-INCOME COUNTRIES

FOREST INVESTMENT PROGRAM

GREEN CLIMATE FUND

GLOBAL ENVIRONMENT FACILITY

SINCE

2009

2002

2002

2008

2008

2010

2009

2015

1991

Portfolio level actual impacts not reported in comparable format

15.7 MILLION direct beneficiaries with reduced vulnerability to climate change

5.7 MILLION direct beneficiaries with reduced vulnerability to climate change

14.6 MILLION direct beneficiaries

0.29 MILLION people per day using low-carbon public transport
5,700 MW installed capacity for renewable energy
4 583 GWh annual energy savings
13.6 Mt CO₂ eq reduced annually (63.7 Mt CO₂ eq reduced cumulatively)

0.35 MILLION beneficiaries with improved access to electricity
0.9 THOUSAND businesses with improved energy access
116,089 MWh annual electricity output from renewable energy
764 MW installed capacity
0.044 MILLION Mt CO₂ eq reduced annually

0.98 MILLION direct beneficiaries with livelihood co-benefits
18.7 Mt CO₂ eq reduced

10 MILLION direct and indirect annual beneficiaries
48 Mt CO₂ eq reduced annually

Portfolio level actual impacts not reported in comparable format

HOWEVER, FUNDS ARE STILL NOT USING THE SAME METRICS OR METHODS TO ASSESS THEIR IMPACT

Monitoring beneficiaries of adaptation finance directly or indirectly accurately is a challenge and hard to verify, few funds are reporting gender disaggregated data, and the timeline for which emission reductions will be achieved is not clear as project duration varies widely.

■ Cross-cutting
■ Mitigation
■ Adaptation

10 THINGS TO KNOW ABOUT CLIMATE FINANCE IN 2021

Charlene Watson and Liane Schalatek

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