Climate Funds Update

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ODI

Climate Finance Regional Briefing: Latin America

Charlene Watson, ODI, and **Liane Schalatek**, HBS

Climate Finance Fundamentals 6

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Latin America is a highly heterogeneous region, with differences in levels of economic development and social and indigenous history, both among and within countries. The impacts of climate change, in particular glacial melt and changes in river flows, extreme weather events and risks to food production systems affect development in both rural and urban areas in the region (World Bank, 2014). Climate finance in the Latin American region is highly concentrated, with Brazil and Mexico receiving close to half of the region's funding. Mitigation activities, including forest protection and reforestation, receive more than six times that of adaptation from multilateral climate funds, at USD 3.2 billion and USD 0.5 billion respectively. Since 2003, a total of USD 4.0 billion has been approved for 470 projects in the region from multilateral climate funds tracked by the CFU website[1]. 38 new projects were approved in 2019 totalling USD 415 million. The Green Climate Fund funded 81% of these new projects.

Introduction

Climate change could cost Latin America between 1.5% to 5% of GDP per year (ECLAC, 2014). Agriculture is predicted to be the most affected economic sector, with a range of impacts including heightened erosion, moving growing zones and a proliferation of pests (FAO/ECLAC/ALADI, 2016). A further threat is the retreat of Andean glaciers, on which much of the region relies for its water supply, and continued deforestation of tropical forests. Adaptation needs in the region will have to be made more central within national sustainable development strategies, given the region's persistent income inequality and poverty in even its most developed economies.

Latin America is also 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 development pathway. Latin American countries have been leaders in committing to ambitious climate targets. Mexico, for instance, was the first developing country to release its national climate plan under the Paris Agreement, with a commitment to reduce its greenhouse gas emissions by 22% by 2030 irrespective of international support. Forest conservation regimes in many countries (such as Brazil, Peru and Ecuador) are an important part of the region's climate ambition.

Where does climate finance come from?

The largest contributions of climate finance in the region are from the Clean Technology Fund (CTF), a World Bank-administered multilateral fund which has approved USD 930.1 million for 31 projects in Brazil, Mexico, Chile, Colombia, Honduras and Nicaragua. Almost all of this finance has been approved as concessional loans. In 2019, the Green Climate Fund (GCF) has become the second biggest provider of climate finance in the region, pulling almost equal with the CTF, but committing funding to benefit a larger number of countries in the region. It has approved USD 929.7 million across 20 projects for twelve countries in addition to 58 readiness projects (USD 39 million). The Amazon Fund, with USD 720 million in grant finance allocated to 103 projects within Brazil, comes in third (Table 1). These three funds make up 65% of the total funding for the region.

Bilateral climate finance also flows to Latin America. Such climate finance complements the multilateral climate fund flows. This includes the bilateral climate funds of Germany and the United Kingdom, who are active in the region[2]. Bilateral funds, however, are not tracked by Climate Funds Update given their relative lack of transparently available detailed information of current activities and spending.

Figure 1: Funds supporting Latin American countries (2003-2019)

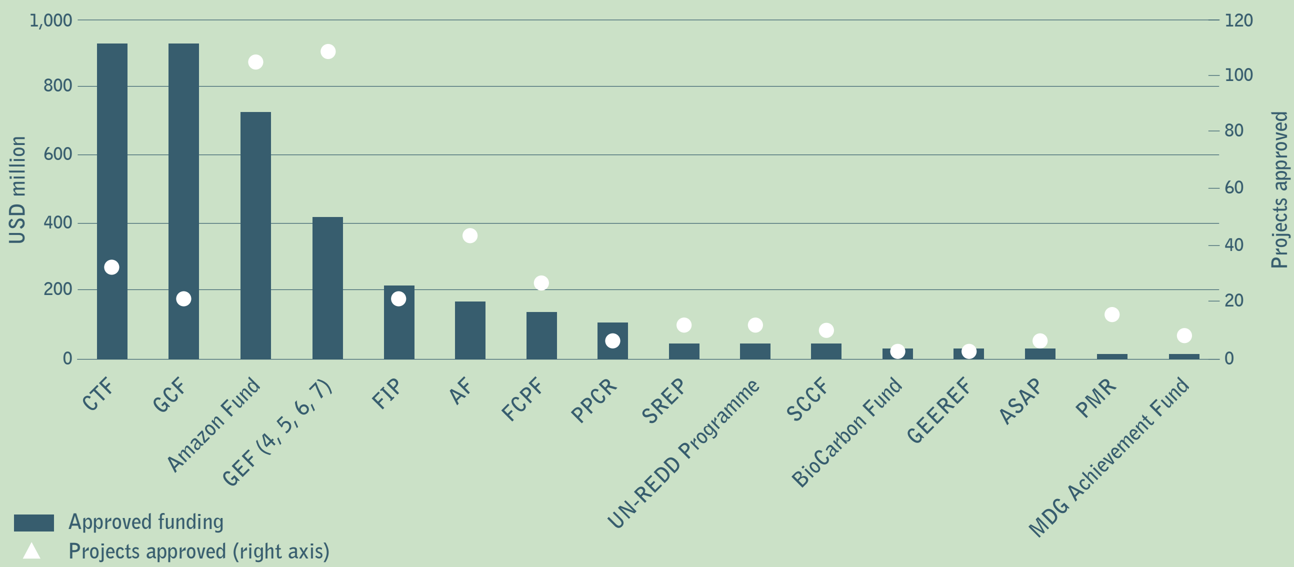
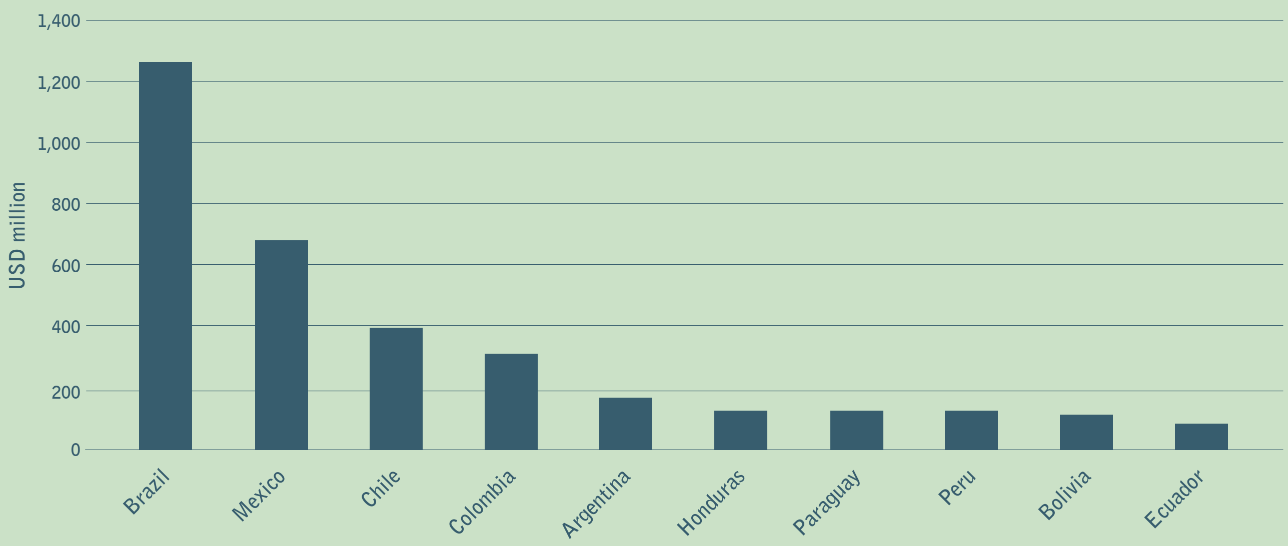


Table 1: Funds supporting Latin American countries (2003-2019, USD millions)

Fund	Amount approved	Projects approved
Clean Technology Fund (CTF)	930.1	31
Green Climate Fund (GCF)	929.7	20
Amazon Fund	720.4	103
Global Environment Facility (GEF 4, 5, 6, 7)	418.2	107
Forest Investment Program (FIP)	221.9	19
Adaptation Fund	165.0	41
Forest Carbon Partnership Facility (FCPF)	143.4	26
Pilot Program for Climate Resilience (PPCR)	112.4	5
Scaling-Up Renewable Energy Program (SREP)	55.8	10
UN-REDD Programme	46.6	10
Special Climate Change Fund (SCCF)	42.2	9
BioCarbon Fund	35.8	2
Global Energy Efficiency and Renewable Energy Fund (GEEREF)	30.8	2
Adaptation for Smallholder Agriculture Programme (ASAP)	30.4	5
Partnerships for Market Readiness (PMR)	25.9	15
MDG Achievement Fund	24.4	7

Figure 2: Top ten recipient countries by amount approved (2003-2019)



Who receives the money?

The distribution of multilateral climate fund flows in the region continues to be highly concentrated in the largest economies of Brazil (USD 1,254 million) and Mexico (USD 685 million), with a combined 49% share of all climate finance approved in the region (Figure 2). Chile, Colombia and Argentina – all countries with high or upper-middle incomes – are other top recipients.

What is being funded?

Eighty-one percent of funding to date has supported mitigation activities in the region (45% for mitigation general and 35% for mitigation from forestry and land use) (Figure 3). Only 12% of funding supports adaptation projects and the remaining 8% supports projects with multiple foci.

Of the 24 new projects in Latin America in 2019, significant support was forthcoming from the GCF. The GCF approved six projects (USD 324 million) in addition to USD 11 million across 14 readiness programmes. The Adaptation Fund followed with USD 30 million across 5 projects. In 2019, the Climate Investment Funds saw the addition of a FIP project in Guatemala and a CTF project in Brazil for energy efficiency in cities. The GCF and Climate Investment Funds are more focused on larger, transformative projects and programmes and broader policy framework reform in the region, while other active funds target support to smaller project interventions. For example, GEF-7 continued its support to countries' National Communications and Biennial Update Reports, approving USD 16 million across eight new projects in 2019.

The five largest projects approved in the region in 2019 were through the GCF. Three of these largest projects were for forestry and land use. Brazil (USD 96.5 million), Chile (USD 64 million) and Paraguay (USD 50 million) received support for REDD+ results based payments.

Figure 3: Approved funding across themes (2003-2019)

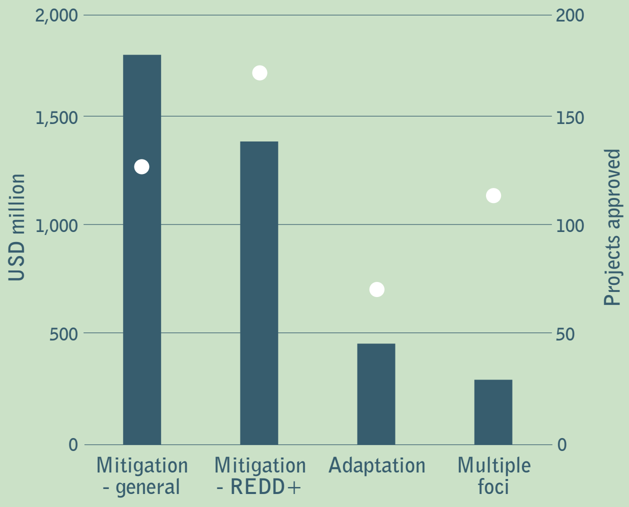


Table 2: Approved funding across themes (2003-2019)

Theme	Amount Approved (USD millions)	Projects approved
Mitigation - general	1,800	124
Mitigation - REDD+	1,406	168
Adaptation	460	68
Multiple foci	307	110

References

Climate Funds Update Website: www.climatefundsupdate.org (data accessed in December 2019)

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FAO/ECLAC/ALADI (2016). Food and nutrition security and the eradication of hunger: CELAC 2025. Available at: http://www.fao.org/americas/noticias/ver/en/c/428177/

World Bank (2014). Turn Down the Heat: Confronting the New Climate Normal. World Bank, Washington DC, USA.

End Notes

1. The Caribbean is excluded from this regional analysis. Caribbean countries are featured in a separate SIDS briefing (CFF 12).
2. In 2014, the last year when CFU was able to track bilateral climate funds, cumulative bilateral flows to Latin America since 2008 included USD 234 million from Germany's International Climate Initiative and USD 82 million from UK's International Climate Fund.

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