

CLIMATE FINANCE REGIONAL BRIEFING: ASIA

CLIMATE FINANCE 8 FUNDAMENTALS

FEBRUARY 2024

Charlene Watson, ODI, Liane Schalatek, hbs, and Aurélien Evéquoz

Climate Funds Update (CFU) data shows that for 18 countries in Asia¹ a total of USD 7.3 billion for 627 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 414 million was newly approved in 2023, with adaptation receiving greater approval value than mitigation, REDD+ and cross-cutting projects. The Green Climate Fund (GCF), funding the last year under its first replenishment period (GCF-1), was again the biggest contributor in the region in 2023, accounting for 72% 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 (CarbonBrief, 2023). However, the manufacturing and technological innovations that have driven economic growth may well prove essential to realising the cost reductions, modernisation and efficiency gains that render widespread deployment of low-carbon technologies feasible, including in China where the energy transition builds momentum (Climate Action Tracker, 2023). 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, and with South Korea and Vietnam standing out with enhanced climate ambition targets (ESCAP et al., 2023). 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 intensifying impacts of climate change, which threaten an increase in food insecurity and undernourishment in South and Southeast Asia and increase multiple health hazards (IPCC, 2022). Already severe and accelerating climate impacts including glacier melts, extreme weather events, heat waves, droughts

and floods (IPCC, 2021) are compounded by the multiple stresses brought on by rapid urbanisation, industrialisation and economic growth in the region, with Asian urban areas considered high-risk locations as by 2050 64% of Asia's population, including hundreds of millions of people living in informal settlements, will be urban (Shaw et al., 2022).

Where does climate finance come from?

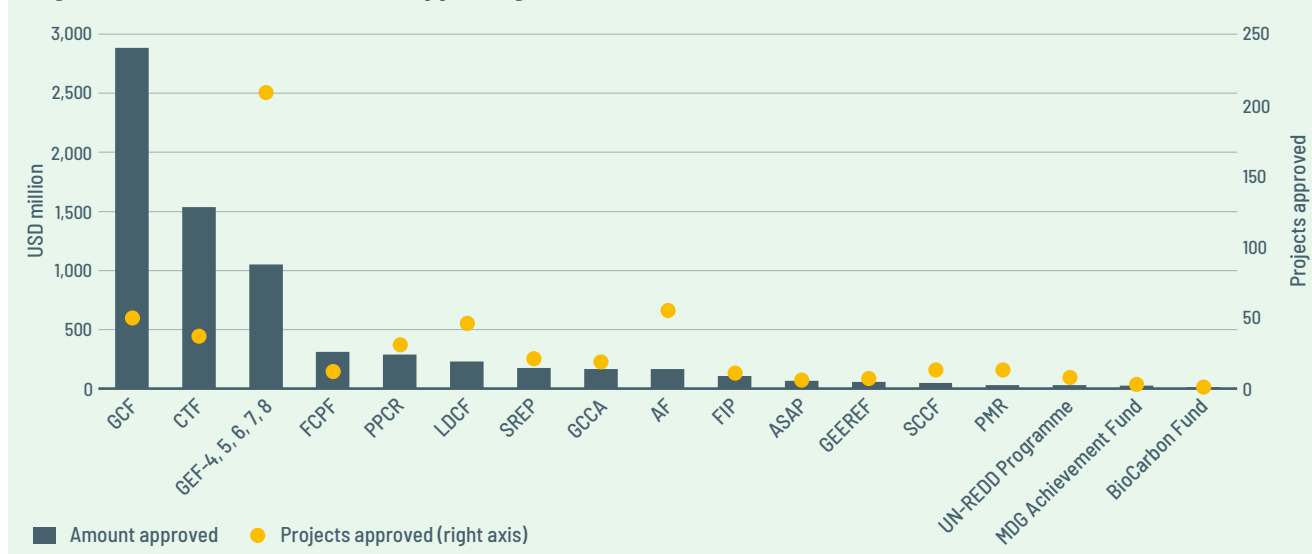
Most of the major multilateral climate funds and initiatives tracked by CFU are active in Asia (Figure 1 and Table 1), although a few funds dominate the funding landscape in the region. The largest contributions are from the GCF, which has been actively funding in the area only since 2015 and has approved a total of USD 2.88 billion for 50 projects and programmes, including for a number of grant-supported adaptation measures. The Clean Technology Fund (CTF) had led in support for Asia before 2021 but is still second in 2023 with 37 projects approved for USD 1.54 billion, provided mostly in the form of concessional loans. The Global Environment Facility (GEF) with USD 1.05 billion for 209 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 (2003–2023, USD millions)

Fund or initiative	Amount approved	Projects approved
Green Climate Fund (GCF-IRM, GCF-1)	2,883.8	50
Clean Technology Fund (CTF)	1,535.0	37
Global Environment Facility (GEF-4, 5, 6, 7, 8)	1,049.8	209
Forest Carbon Partnership Facility (FCPF)	311.5	12
Pilot Program for Climate Resilience (PPCR)	291.0	31
Least Developed Countries Fund (LDCF)	228.5	46
Scaling Up Renewable Energy Program in Low Income Countries (SREP)	174.7	21
Global Climate Change Alliance (GCCA)	168.5	19
Adaptation Fund (AF)	165.8	55
Forest Investment Program (FIP)	108.6	11
Adaptation for Smallholder Agriculture Programme (ASAP)	67.5	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	15.0	1

Figure 1: Funds and initiatives supporting Asia (2003–2023)



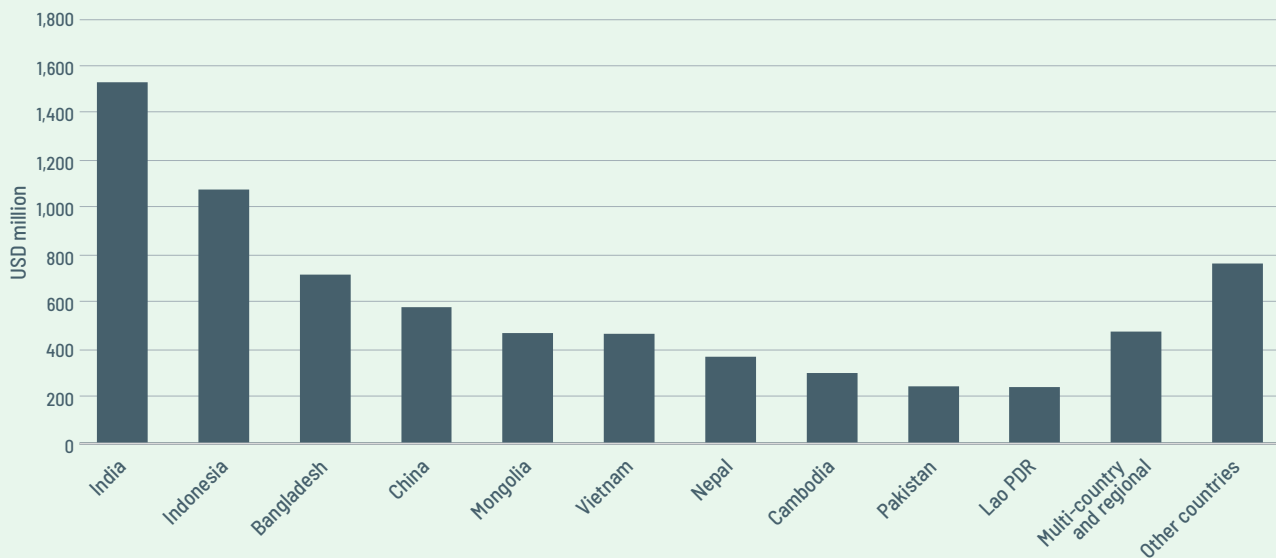
Box 1: Climate finance for LDCs in Asia

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 1.9 billion approved for projects in these countries equates to 26% of total climate finance flowing to Asia. Bangladesh has received the highest funding to date with USD 720 million in project approvals, while Nepal and Cambodia have approvals of USD 371 million and USD 300 million, respectively, from multilateral climate funds.

As one might expect, 46% 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 (2003-2023)



More recently, in November 2022, a group of bilateral funders, the International Partners Group (IPG), co-led by the United States and Japan, and including Canada, Denmark, France, Germany, Italy, Norway and the United Kingdom as well as the European Union have committed to contribute USD 10 billion to a USD 20 billion package of public and private financing for Indonesia over five years for decarbonisation projects, using a mix of grants, concessional loans, market-rate loans, guarantees, and private investments, under the new Just Energy Transition Partnership (JETP) initiative announced at COP26 (EC, 2022a; JETP Indonesia, 2023). The IPG in December 2022 concluded another JETP agreement with Vietnam for a total package of USD 15.5 billion over three to five years, with USD 7.75 billion in pledged public contributions by IPG members and USD 7.75 billion to be mobilized by the private sector (EC, 2022b). Announcements for JETPs in India and the Philippines are expected to follow in the near future.

Who receives the money?

India, Indonesia, Bangladesh, China and Mongolia have together received 60% of the funding approved for Asia since 2003 (Figure 2). As a selected country of the CTF’s new Accelerating Coal Transition (ACT) programme, Indonesia will receive an additional USD 500 million in CTF support as part of a promised multi-year USD 20 billion international investment package to help the country shift away from coal power generation (CIF, 2021 and 2022). There are also a number of regional and multi-country projects, which represent 6.6% or USD 478 million of the total funding approved. Most mitigation funding supports large-scale renewable energy, energy efficiency and transport projects.

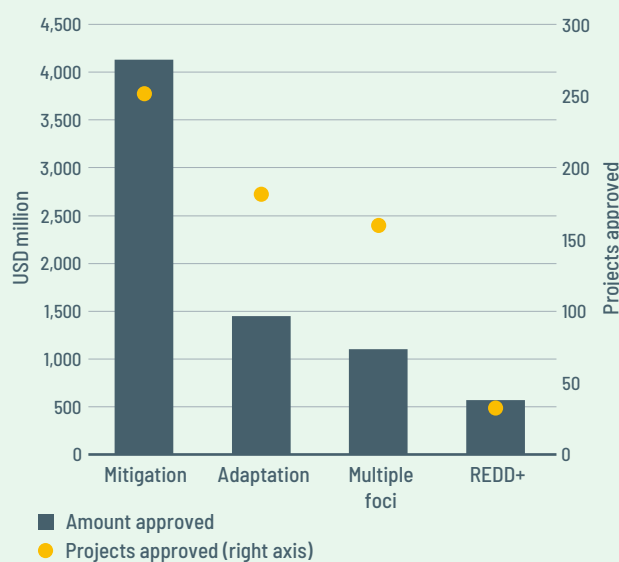
Box 1 describes the climate finance provided to Least Developed Countries (LDCs) in Asia. A number of multilateral climate funds also support countries in the Europe and Central Asia regional classification – these are not included in the ‘Asia’ categorisation, although there are a number of projects,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

What is being funded?

Mitigation finance accounts for 57% of finance from the multilateral funds in the Asian region (USD 4.1 billion), while adaptation projects and programmes in the region receive 20% (USD 1.5 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 549 million, the PPCR to support programmes mainly in Bangladesh, Cambodia and Nepal for a total approved amount of USD 291 million and the LDCF with a total approved amount of USD 225 million.

The approval of 50 projects (USD 2.88 billion) and 85 readiness programmes (USD 57 million) by the GCF so far in the region provides a noticeable shift toward a more balanced climate finance provision, especially through the rise of multi-foci projects and programmes. Of the GCF projects in

Figure 3: Approved funding across themes (2003-2023)



the region, 17 are adaptation focused while 16 are mitigation focused. There are a further 16 multi-foci projects and one REDD+ project, in addition to the GCF readiness programmes.

The three 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 another GCF project, the E-Mobility Financing Program in India for which USD 200 million in equity was approved in 2022. In 2023, the GCF approved five adaptation projects, including one project in Pakistan to transform the country's approach to flood and water resource management (USD 66 million) and one to increase the climate resilience of the vulnerable coastal communities in Bangladesh (USD 42 million). The same

year, GCF approved three cross-cutting projects to adapt and strengthen agricultural systems in Philippines (USD 26 million) and Thailand (USD 38 million) and improve forest landscape management in Lao PDR (USD 36 million). The 2023 GCF approvals make up 72% of the USD 414 million in new approvals for the region which include projects from the CTF, FIP, SREP, PPCR, LDCF, Adaptation Fund (AF) and GEF.

Table 2: Approved funding across themes (2003-2023)

Theme	Amount approved (USD millions)	Projects approved
Mitigation	4,129.9	252
Adaptation	1,451.7	182
Multiple foci	1,101.1	160
REDD+ (reducing emissions from deforestation and forest degradation, forest conservation, sustainable forest management and the enhancement of forest carbon stocks)	568.2	33

Box 2: Central, Eastern and Southeastern Europe, the South Caucasus and Central Asia (2003-2023)

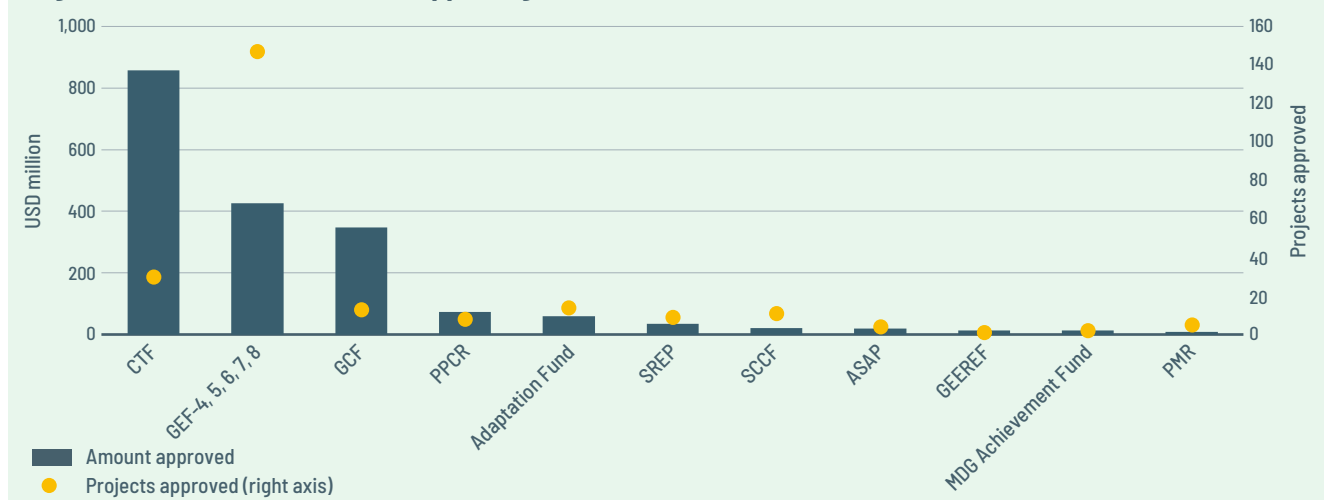
Multilateral climate funds also support countries of Central, Eastern and Southeastern Europe (CESEE), the South Caucasus and Central Asia.⁴ Eleven funds have approved USD 1.9 billion between 2003 and 2023 across 287 projects. Of these countries, 20 receive funding for approved projects and 10 countries do not receive funding – Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Kosovo, Latvia, Lithuania, Poland and Slovenia – all of which are CESEE countries.

Türkiye (USD 501 million), Ukraine (USD 392 million) and Kazakhstan (USD 227 million) are the biggest recipients of multilateral climate fund approvals. Together these three countries receive 59% of approved funds in the wider region. These countries all have support from the CTF for renewable energy and energy efficiency projects.

Over 73% of approved finance across all countries is for mitigation, with just 14% going to adaptation activities. In terms of financial instrument, 51% of approved finance is in the form of concessional loans, while 49% is grant finance.

In 2023, 14 projects (USD 45 million) were approved in CESEE, the South Caucasus and Central Asia. These included one for mitigation, two for adaptation and eleven for projects with both adaptation and mitigation objectives (including readiness programmes). The largest new approval in the region was a GCF project to strengthen the flood risk management in Bosnia and Herzegovina (USD 14 million). The Adaptation Fund and SREP approved one project each in Montenegro (USD 10 million) and Armenia (USD 1 million), respectively. The GEF approved USD 8.5 million for five projects under its 8th replenishment period, including four projects to support countries' National Communication and Biennial Update Reports (totalling USD 5.5 million) and one project promoting transition to electric mobility in Azerbaijan (USD 3 million).

Figure 4: Funds and initiatives supporting CESEE, the South Caucasus and Central Asia (2003-2023)



References and further reading

- CarbonBrief (2023) The CarbonBrief Profil: China. Prepared by Liu, H., Evans, S., Zhang, Z., Song, W., and X. You. <https://interactive.carbonbrief.org/the-carbon-brief-profile-china/>
- Climate Action Tracker (2023) China. November 2023 review. <https://climateactiontracker.org/countries/china/>
- Climate Funds Update: www.climatefundsupdate.org
- CIF (2021) 'CIF Begins Historic \$2.5B Coal Transition Pilot in Four Developing Countries'. Washington, DC: Climate Investment Funds (CIF), Press Release 4 November. <https://www.climateinvestmentfunds.org/news/cif-begins-historic-25b-coal-transition-pilot-four-developing-countries>
- CIF (2022) Factsheet on Accelerating Coal Transition (ACT) Investment Plan for Indonesia. Washington, DC: Climate Investment Funds. https://cif.org/sites/cif_enc/files/knowledge-documents/ACT_IP_Indonesia_Factsheet_0.pdf
- EC (2022a). 'Indonesia and International Partners Secure Groundbreaking Climate Targets and Associated Financing'. Brussels: European Commission, Press Release, November 15, 2022. https://ec.europa.eu/commission/presscorner/api/files/document/print/en/ip_22_6893/IP_22_6893_EN.pdf
- EC (2022b) Political Declaration on establishing a Just Energy Transition Partnership with Viet Nam. Brussels: European Commission, December 14, 2022. https://ec.europa.eu/commission/presscorner/detail/en/statement_22_7724
- ESCAP et al. (2023) 2023 Review of Climate Ambition in Asia and the Pacific. Just transition towards regional net-zero climate resilient development. Bangkok: United Nations Economic and Social Commission for Asia and Pacific, United Nations Environment Programme, United Nations International Children's Emergency Fund, United Nations Sustainable Development Group. <https://www.unescap.org/kp/2023/2023-review-climate-ambition-asia-and-pacific-just-transition-towards-regional-net-zero>
- IMF (2017) Central, Eastern and Southern Europe: a broadening recovery. Washington, DC: International Monetary Fund. <https://www.imf.org/en/Publications/REQ/EU/Issues/2017/05/10/a-broadening-recovery>
- IMF (2022) Feeling the heat: adapting to climate change in the Middle East and Central Asia. Prepared by Duenwald, C., Abdih, Y., Gerling, K., and V. Stepanyan. Washington, DC: International Monetary Fund. <https://www.imf.org/-/media/Files/Publications/DP/2022/English/ACCMECAEA.ashx>
- IPCC (2021) Regional Fact Sheet – Asia. In: Masson-Delmotte, V., P. Zhai, A. Pirani, S.L. Connors, C. Péan, S. Berger, N. Caud, Y. Chen, L. Goldfarb, M.I. Gomis, M. Huang, K. Leitzell, E. Lonnoy, J.B.R. Matthews, T.K. Maycock, T. Waterfield, O. Yelekçi, R. Yu, and B. Zhou (eds.) Climate Change 2021: The Physical Science Basis. Contribution of Working Group I to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change. Geneva: World Meteorological Organization. https://www.ipcc.ch/report/ar6/wg1/downloads/factsheets/IPCC_AR6_WGI_Regional_Fact_Sheet_Asia.pdf
- IPCC (2022) Fact Sheet – Asia. Sixth Assessment Report. Working Group II – Impacts, Adaptation and Vulnerability. Geneva: Intergovernmental Panel on Climate Change, World Health Organization, United Nations Environment Programme. https://www.ipcc.ch/report/ar6/wg2/downloads/outreach/IPCC_AR6_WGII_FactSheet_Asia.pdf
- JETP Indonesia (2023) Just Energy Transition Partnership Indonesia. Comprehensive Investment and Policy Plan 2023. Jakarta, Indonesia. https://jetp-id.org/storage/official-jetp-cipp-2023-vshare_f_en-1700532655.pdf
- Shaw, R., Y. Luo, T.S. Cheong, S. Abdul Halim, S. Chaturvedi, M. Hashizume, G.E. Insarov, Y. Ishikawa, M. Jafari, A. Kitoh, J. Pulhin, C. Singh, K. Vasant, and Z. Zhang, 2022: Asia. In: Climate Change 2022: Impacts, Adaptation and Vulnerability. Contribution of Working Group II to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change [H.-O. Pörtner, D.C. Roberts, M. Tignor, E.S. Poloczanska, K. Mintenbeck, A. Alegría, M. Craig, S. Langsdorf, S. Löschke, V. Möller, A. Okem, B. Rama (eds.)]. Cambridge University Press, Cambridge, UK and New York, NY, USA, pp. 1457–1579. https://www.ipcc.ch/report/ar6/wg2/downloads/report/IPCC_AR6_WGII_Chapter10.pdf

Endnotes

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, Moldova, Montenegro, North Macedonia, Poland, Romania, Russia, Serbia, Slovak Republic, Slovenia, Türkiye, and Ukraine (IMF, 2017); 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 up to 2021 also available in French and Spanish at www.climatefundsupdate.org

© ODI and hbs 2024.
CC BY-NC 4.0.

ODI
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