Climate Funds Update

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ODI

Climate Finance Regional Briefing: Latin America

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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 half of the region's funding. Mitigation activities receive more than six times that of adaptation from multilateral climate funds, at USD 2.5 billion and USD 0.4 billion respectively. Since 2003, a total of USD 3.1 billion has been approved for 335 projects in the region from multilateral climate funds tracked by the CFU website[1] and 26 new projects were approved in 2017 totalling USD 261 million. The World Bank administered Climate Investment Funds (CTF, FIP, PPCR and SREP), the Global Environment Facility and the Green Climate Fund collectively funded 69% 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 935 million for 27 projects in Mexico, Chile, Colombia, Honduras and Nicaragua. Almost all of this finance has been approved as concessional loans. The second biggest provider of climate finance in the region is the Amazon Fund, with USD 640 million in grant finance allocated to 94 projects within Brazil. The Global Environment Facility, which provides exclusively grants, and the Green Climate Fund, with a mixture of financial instruments used for projects in Latin America, are the next biggest funders, with 78% of the total funding for the region coming from these four sources (Table 1).

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 (2003-2017)

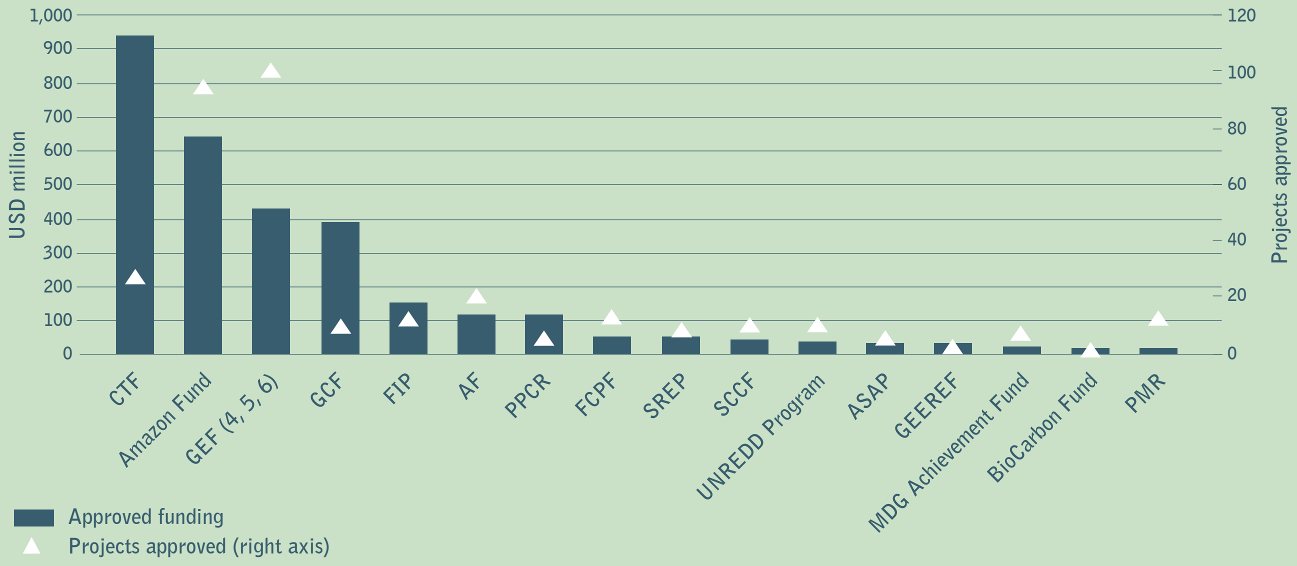
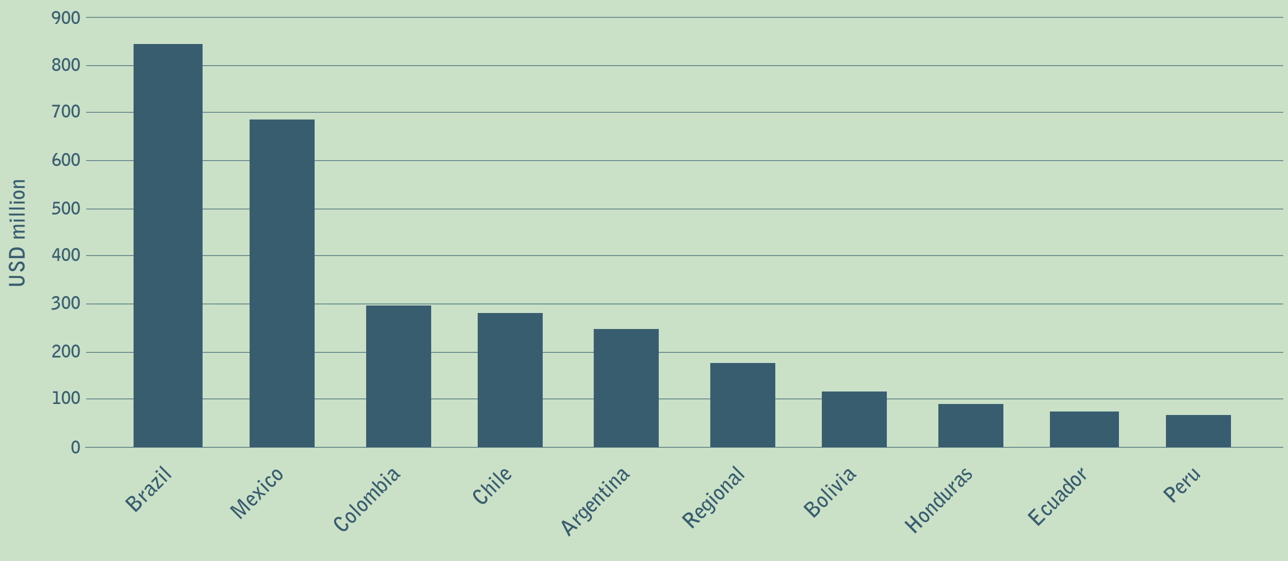


Table 1: Funds supporting Latin American countries (2003-2017)

Fund	Amount Approved (USD millions)	Projects approved
Clean Technology Fund (CTF)	935	27
Amazon Fund	640	94
Global Environment Facility (GEF 4, 5, 6)	429	100
Green Climate Fund (GCF)	390	9
Forest Investment Program (FIP)	151	12
Adaptation Fund (AF)	118	20
Pilot Programme for Climate Resilience (PPCR)	116	5
Forest Carbon Partnership Facility (FCPF)	54	13
Scaling-Up Renewable Energy Program (SREP)	51	8
Special Climate Change Fund (SCCF)	43	10
UNREDD Program	39	10
Adaptation for Smallholder Agriculture (ASAP)	32	5
Global Energy Efficiency and Renewable Energy Fund (GEEREF)	31	2
MDG Achievement Fund	24	7
Biocarbon Fund	20	1
Partnerships for Market Readiness (PMR)	17	12

Figure 2: Top ten recipient countries by amount approved (2003-2017)



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 845 million) and Mexico (USD 686 million), with a combined 49% share of all climate finance approved (Figure 2). Colombia, Chile and Argentina – all countries with high or upper-middle incomes – follow as top recipients.

What is being funded?

Eighty four percent of funding to date has supported mitigation activities in the region (54% for energy and 30% for REDD+) (Figure 3). Only 13% of funding supports adaptation projects and the remaining 3% supports projects with multiple foci.

Of the 26 new projects in Latin America in 2017, significant support was forthcoming from the CIFs, the GCF, the GEF and the AF. These funds have largely complementary funding strategies in the region, with the CIFs and the GCF focused on larger, transformative projects and programmes and broader policy framework reform, whilst the GEF and AF target support to smaller project interventions. For example, the GEF continued its support to country's National Communications and Biennial Update Reports, with new projects in Chile, Colombia, Costa Rica, Guatemala and Paraguay.

The CTF's Clean Energy Development Project in Colombia provided USD 40 million in second loss guarantees to help scale up renewable energy and energy efficiency in the country by enhancing the creditworthiness of clean energy investments. Regional support in the amount of USD 119 million (including USD 99 million for adaptation) from the GCF was approved for three new investments spanning four countries (Colombia, Argentina, Mexico and Guatemala), using a range of financing instruments to support actions in the agriculture, water and sanitation sectors.

Figure 3: Approved funding across themes (2003-2017)

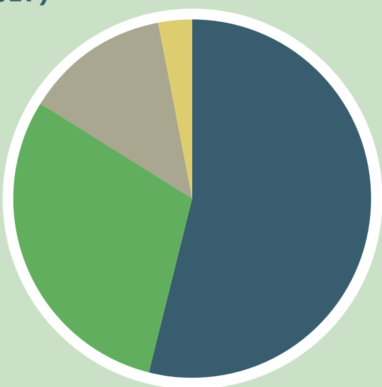


Table 2: Approved funding across themes (2003-2017)

Theme	Amount Approved (USD millions)	Projects approved
Mitigation - general	1,659	115
Mitigation - REDD	913	134
Adaptation	419	46
Multiple foci	99	40

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

- **Six development finance proposals to expand climate investment**. Ilmi Granoff, Darius Nassiry, Neil Bird, Chris Humphrey, Paddy Carter, Alberto Lemma and Annalisa Prizzon describe six promising finance proposals to support greater ambition for low-carbon development. Available at: **http://bit.ly/2n4VLm8**
- **Budgeting for NDC action: initial lessons from four climate-vulnerable countries**. Neil Bird examines the evidence of resourcing NDC policies and actions in four sub-Saharan African countries; Ethiopia, Ghana, Kenya and Uganda. Available at: **http://bit.ly/2EtPkWC**
- **Resource Guide for NDC Finance**. James Rawlins with Matthew Halstead and Charlene Watson present a selection of resources on financing nationally determined contributions (NDCs). Available at: **http://bit.ly/2EbuPKU**
- **Financing our shared future: navigating the humanitarian, development and climate finance agendas**. Charlene Watson outlines what we know about the financing targets and needs, where there is agreement between the agendas on financing issues and where tensions may emerge. Available at: **http://bit.ly/2FTADcD**
- **Promoting Rights-Based Climate Finance for People and the Planet.** A joint discussion paper by hbs and the OHCHR's Right to Development Division outline how existing climate financing mechanisms, including the GCF as a case study, can strengthen their integration of human rights considerations. Available at: **http://bit.ly/2nQPsFq**
- **Financing Loss and Damage: A Look at Governance and Implementation Options.** Julie-Anne Richards and Liane Schalatek discuss categorizations of loss and damage approaches, financing options and whether existing climate funds could channel loss and damage financing. Available at: **http://bit.ly/2nT55wa**
- **Contracts for Sustainable Infrastructure.** In this joint publication by hbs and IISD, Martin Dietrich Brauch outlines how public private partnership (PPP) contracts need to be constructed to ensure the economic, social and environmental and climate co-benefits of infrastructure investments. Available at: **http://bit.ly/2nQNBjQ**

Contact us for more information at **info@climatefundsupdate.org**

References

Climate Funds Update Website: www.climatefundsupdate.org (data accessed in December 2017)

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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**

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