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## THINGS TO KNOW ABOUT CLIMATE FINANCE IN 2017

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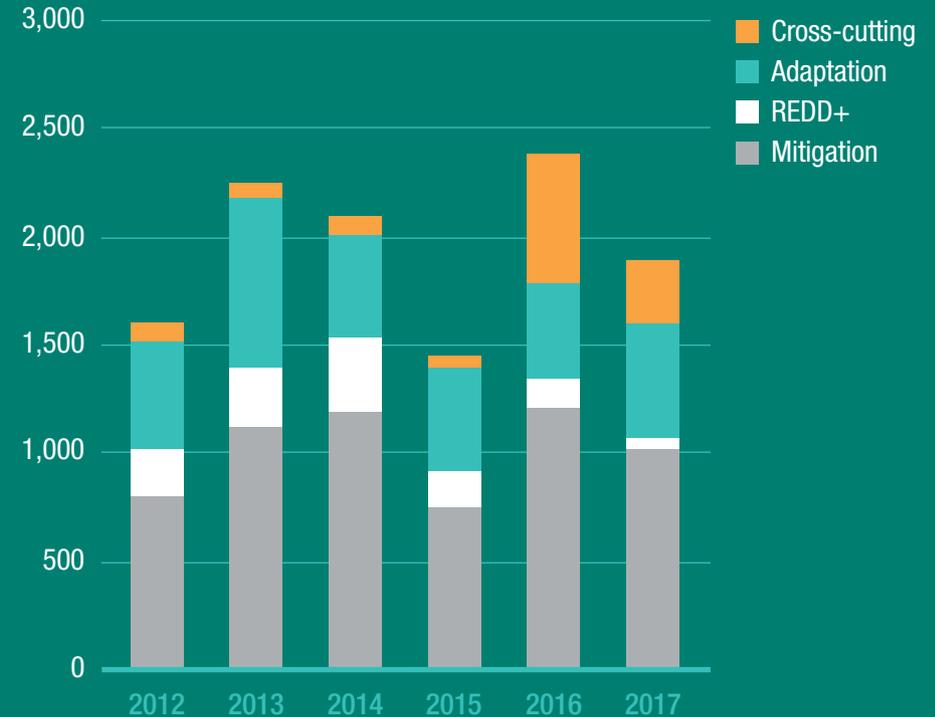
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# 01 \$2 BILLION CLIMATE FINANCE APPROVED IN 2017

In 2017, multilateral climate funds approved close to \$2 billion across 152 projects and 70 countries. This was driven by the accelerating project approvals of the Green Climate Fund (GCF) that alone approved over \$1 billion.

This year, fund approvals did not continue to rise as they did in 2016. Nevertheless, more funding is going towards adaptation, addressing the previous bias towards mitigation projects. However, the significant growth in the number of projects reporting both adaptation and mitigation outcomes,<sup>1</sup> largely driven by the GCF, makes this picture more complicated in the absence of more transparent reporting.

Annual approved finance (\$ millions)



Source: Climate Funds Update, 2017

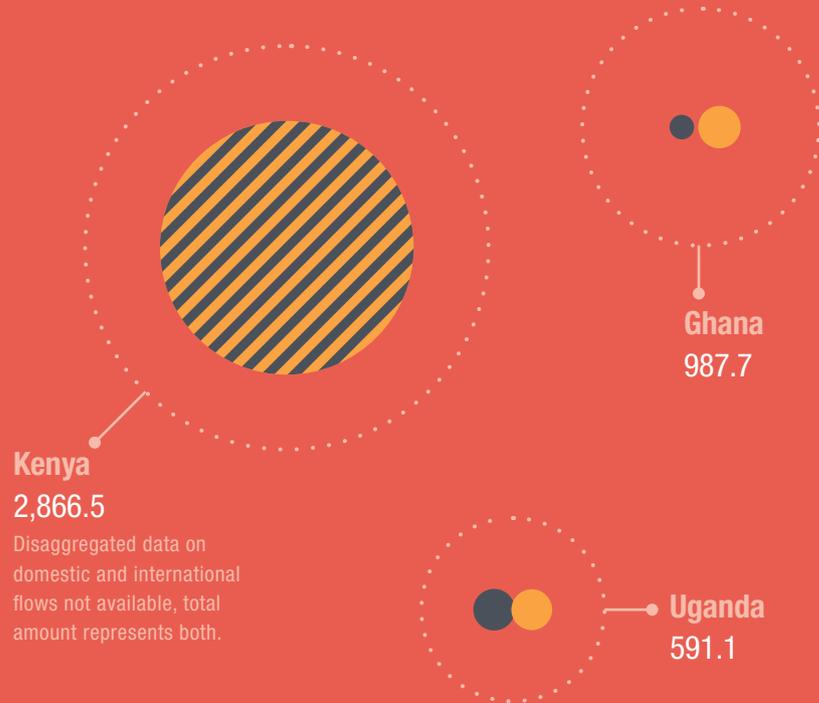
# 02 THERE IS A GAP BETWEEN NATIONAL NEEDS AND CLIMATE FINANCE

In Ghana, Kenya and Uganda Nationally Determined Contribution (NDC) implementation will rely on significant additional international financial support, as already highlighted in the conditional elements of these countries' NDCs.

Analysis also suggests that large NDC-related projects are heavily dependent on international support via the multilateral development banks rather than from multilateral climate funds.<sup>2</sup>

## Estimated annual spending on climate action \$ millions

- Domestic budget finance ■
- International public finance ■
- Total public finance ■
- NDC financing need ⋮

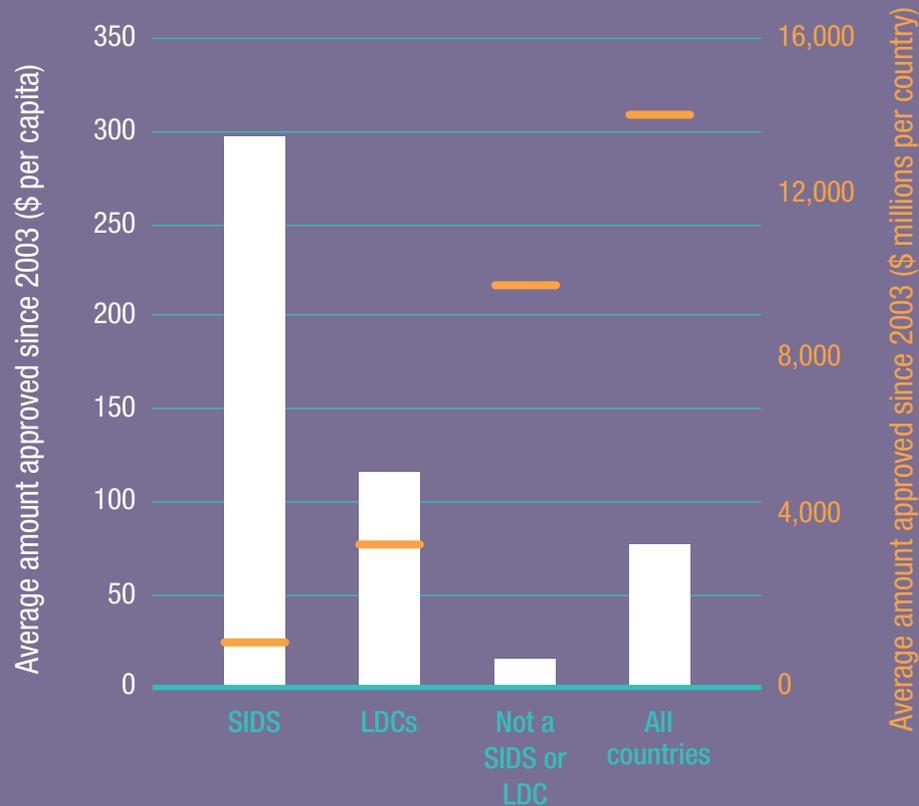


Source: Bird, 2017

# 03 CLIMATE FUNDS HAVE STRENGTHENED THEIR SUPPORT FOR SMALL ISLAND DEVELOPING STATES

In recent years, Small Island Developing States (SIDS) have received increasing support from the multilateral climate funds. On a per-capita basis, over two-thirds of the top 40 countries receiving project funding since 2003 are SIDS.

Least Developed Countries (LDCs), although also given priority in the UNFCCC Paris Agreement, receive much less approved funding in per-capita terms from the multilateral climate funds.



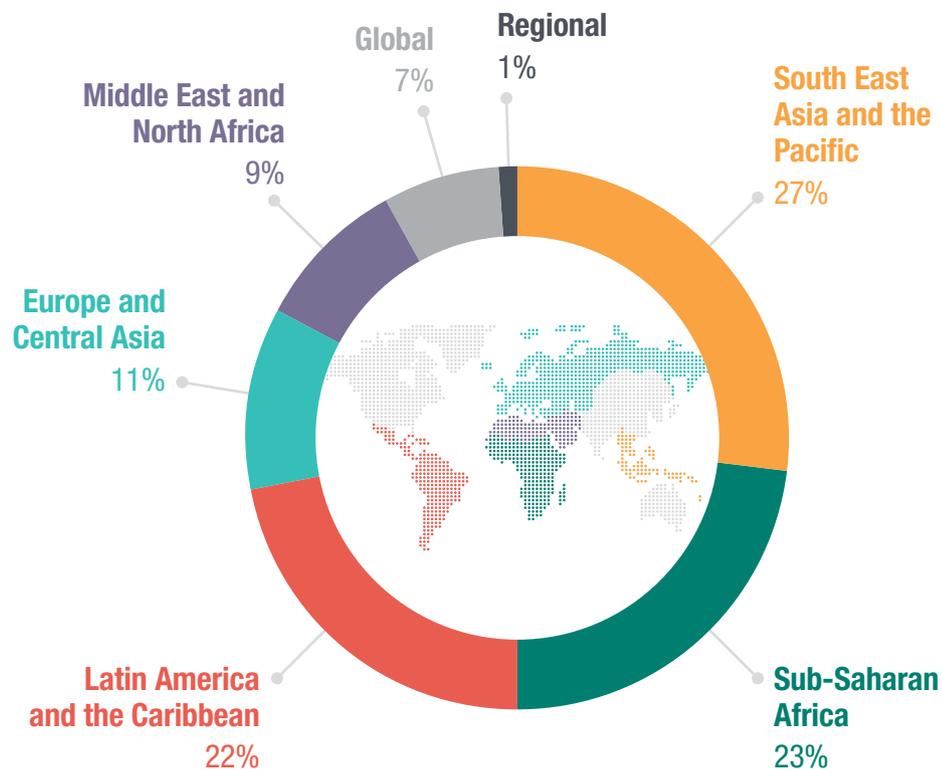
Source: Climate Funds Update, 2017

# 04 ASIA AND THE PACIFIC RECEIVE OVER A QUARTER OF APPROVED FUNDS

South Asia, East Asia and the Pacific receive over a quarter of approved finance from the multilateral climate funds. Sub-Saharan Africa and Latin America and the Caribbean (LAC) follow closely behind.

The nature of climate finance is not the same between regions, however. While both Asia and LAC receive around 40% of their finance as concessional loans, sub-Saharan Africa receives over 75% as grant finance.

Percentage of total project approvals of the multilateral climate funds (2003–2017)

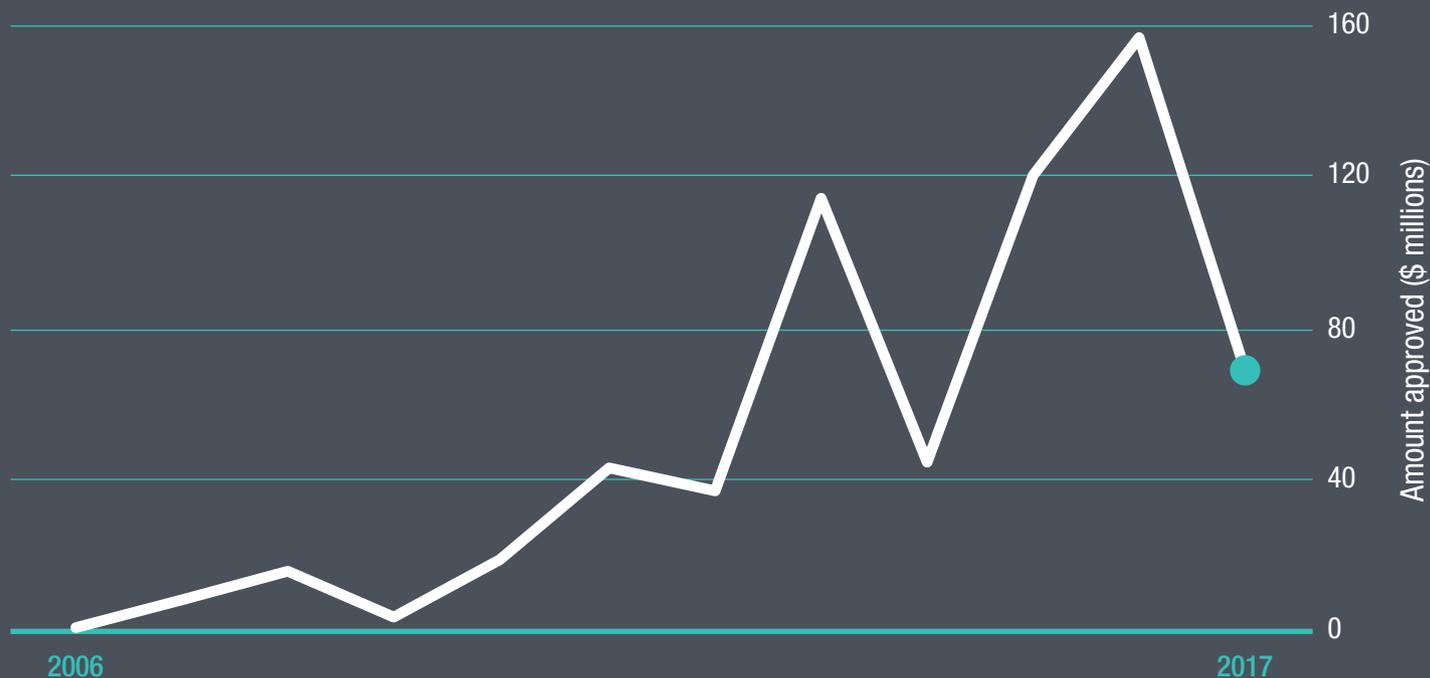


Source: Climate Funds Update, 2017

# 05 CLIMATE FUNDS' SPENDING IN THE WATER SECTOR REMAINS LIMITED

A fraction of total multilateral climate fund spending has been allocated to water projects – just \$639 million, or 4%.<sup>3</sup> The Green Climate Fund and Pilot Programme for Climate Resilience comprise over half of this funding.

Water issues feature within many sectors, however. Support for the sector could be larger than this figure suggests and better ways to report projects' water objectives are needed.

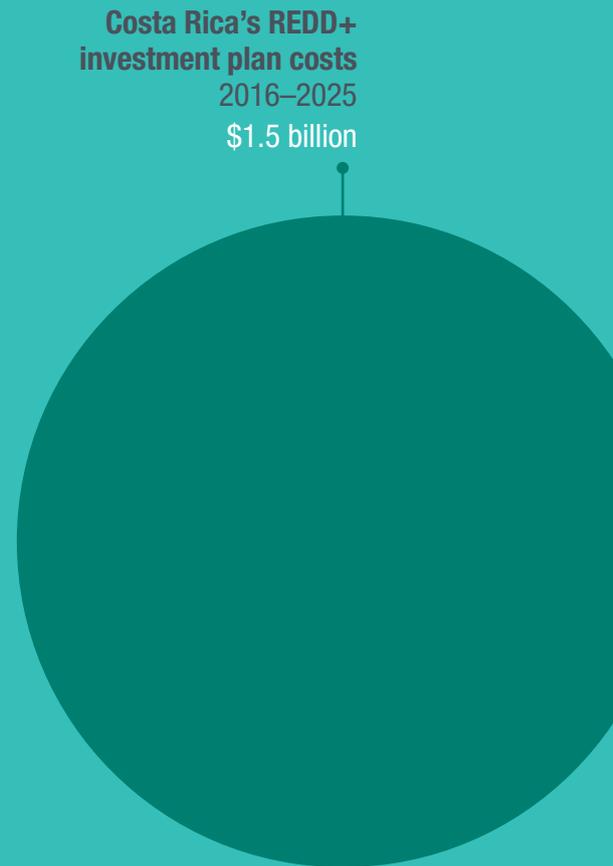
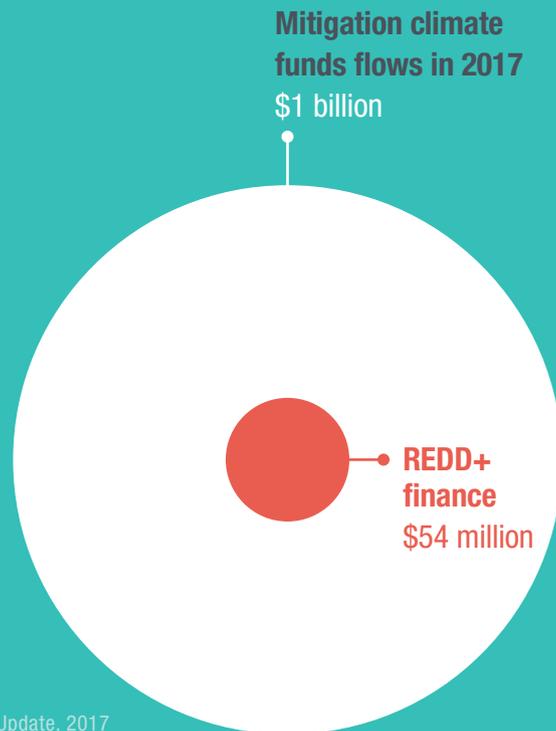


Source: Climate Funds Update, 2017

# 06 REDD+ SPENDING SLOWS BUT GREEN CLIMATE FUND SUPPORT IS PROMISING

Finance for reducing emissions from deforestation and degradation (REDD+) reached a total of \$1.7 billion since 2003 this year, one fifth of the funding received for all other mitigation sectors. But in 2017, climate fund spending on REDD+ slowed down to a trickle with only \$54 million approved. Costa Rica alone will need \$1.5 billion to fulfil its REDD+ investment plan.<sup>4</sup>

2017 did provide a glimmer of hope, with the Green Climate Fund putting aside \$500 million for results-based REDD+ projects. This GCF pilot programme could reinvigorate REDD+ spending.



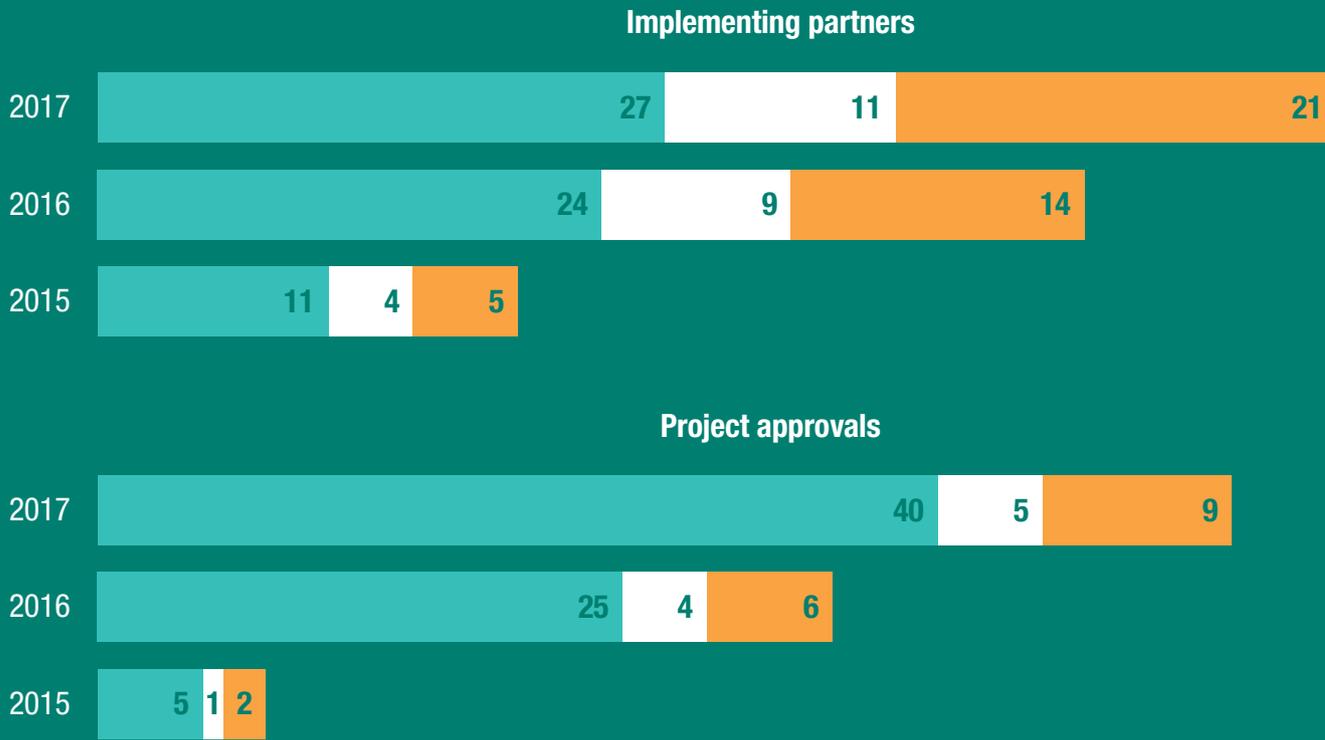
Source: Climate Funds Update, 2017

# 07 NATIONAL AND REGIONAL INSTITUTIONS MAKE UP OVER HALF OF GREEN CLIMATE FUND IMPLEMENTING ENTITIES

To complement project management by international agencies the Green Climate Fund is increasing direct climate finance access to regional and national implementing entities. These now constitute more than half of its current 59 accredited partners.

However, project approvals and approved funding continue to be dominated by international agencies, with UNDP, EBRD and IDB managing 54% of GCF approved projects and programmes by the 2017 year end.

International entities ■  
 Regional entities ■  
 National entities ■

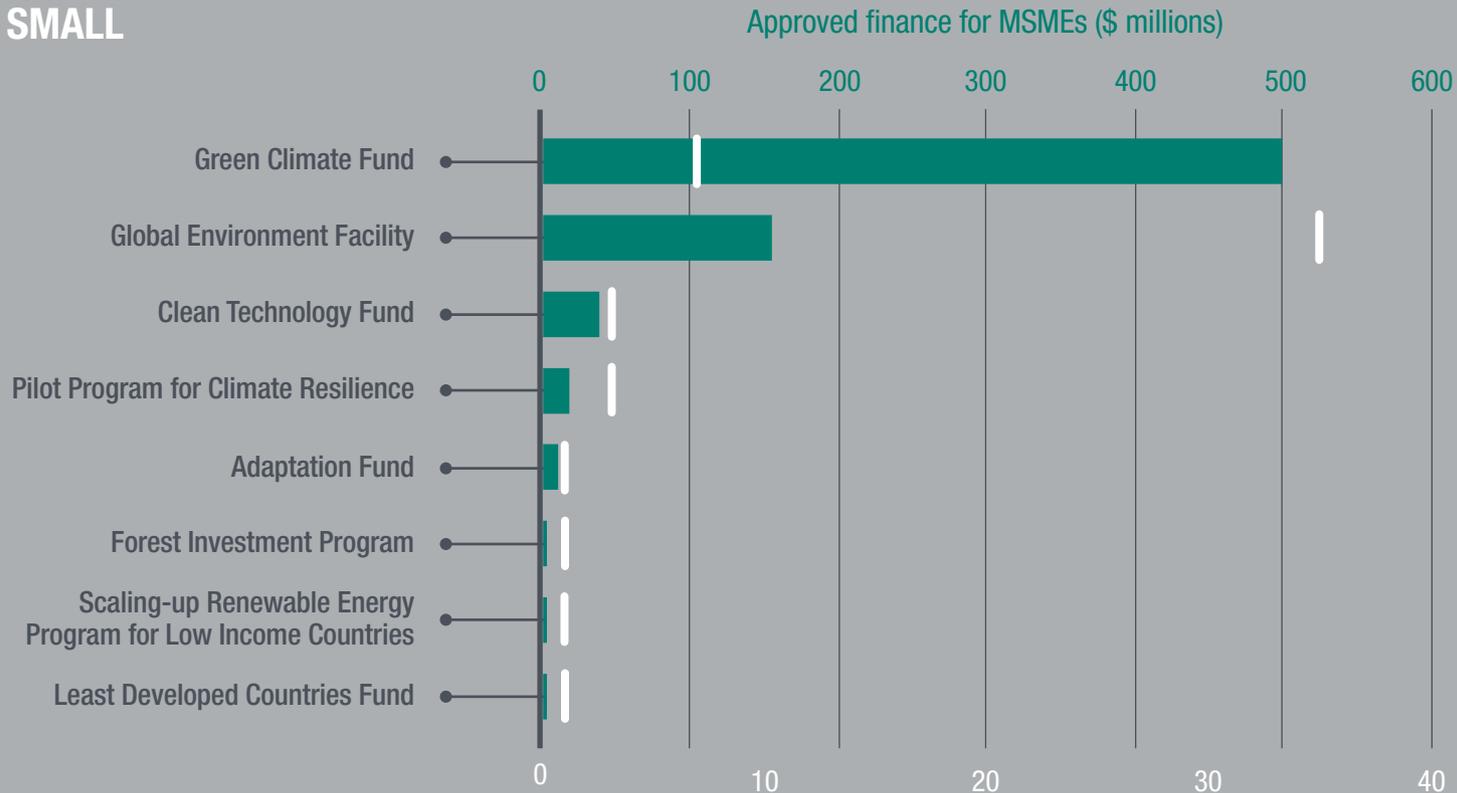


Source: Climate Funds Update, 2017

# 08 CLIMATE FUNDS ARE SUPPORTING CLIMATE ACTION BY SMALL BUSINESSES

The Global Environment Facility (GEF) has the most sustained engagement with micro, small and medium enterprises (MSMEs). The Green Climate Fund has programmed the greatest volumes, predominantly through its \$387 million global project that will pass on funds to borrowers including MSMEs.<sup>5</sup>

Support has been concentrated in renewable energy and energy efficiency sectors. Support for MSME adaptation is given a further boost by their recent inclusion in the Adaptation Fund portfolio. The GEF has also committed to increase adaptation actions in the private sector.



Source: Climate Funds Update, 2017

# 09 TRACKING OF NON-CLIMATE ALIGNED FLOWS IS INCREASING

Reporting and tracking of non-climate aligned financial flows increased this year. Between 2013 and 2015<sup>6</sup> G20 countries spent \$72 billion annually on fossil fuel energy production, in some cases dwarfing 'green' spending.

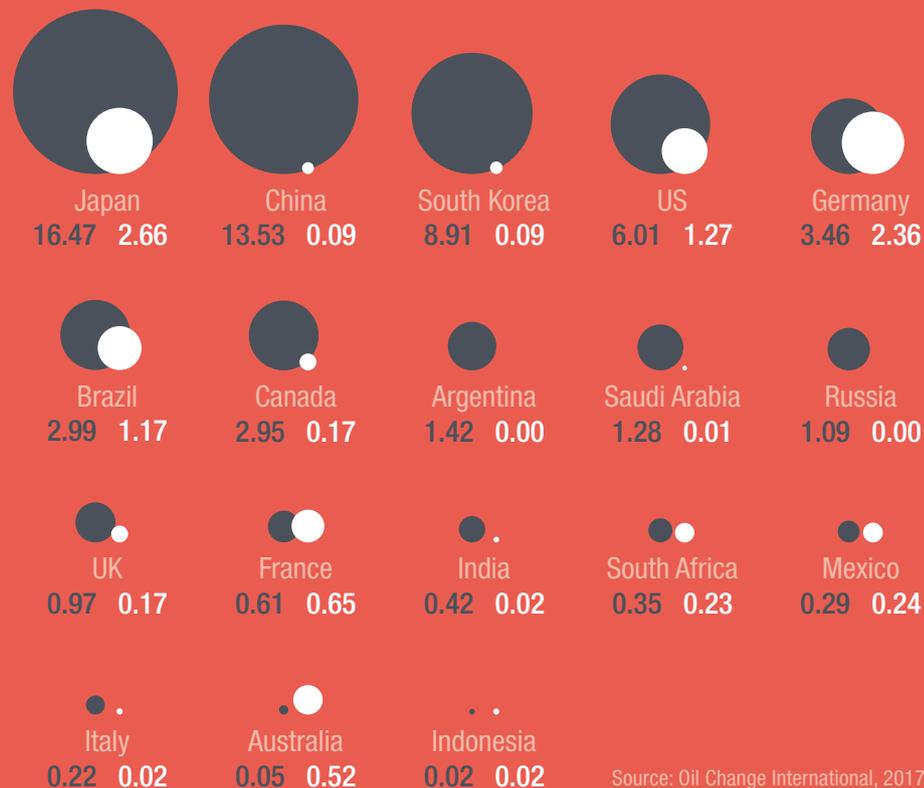
Multilateral development banks are increasingly shifting to whole portfolio reporting, but investments resulting in high levels of emissions remain embedded in their portfolios.<sup>7</sup> It remains to be seen whether the World Bank's commitment to end funding for exploration and extraction of oil and gas by 2019 will set an example to other public finance institutions.<sup>8</sup>

Fossil fuel energy projects ■

Renewable energy projects ■

Nuclear and large hydro are not included given their overall environmental impact is not always positive

Annual average public investment (\$ billions, 2013-2015)



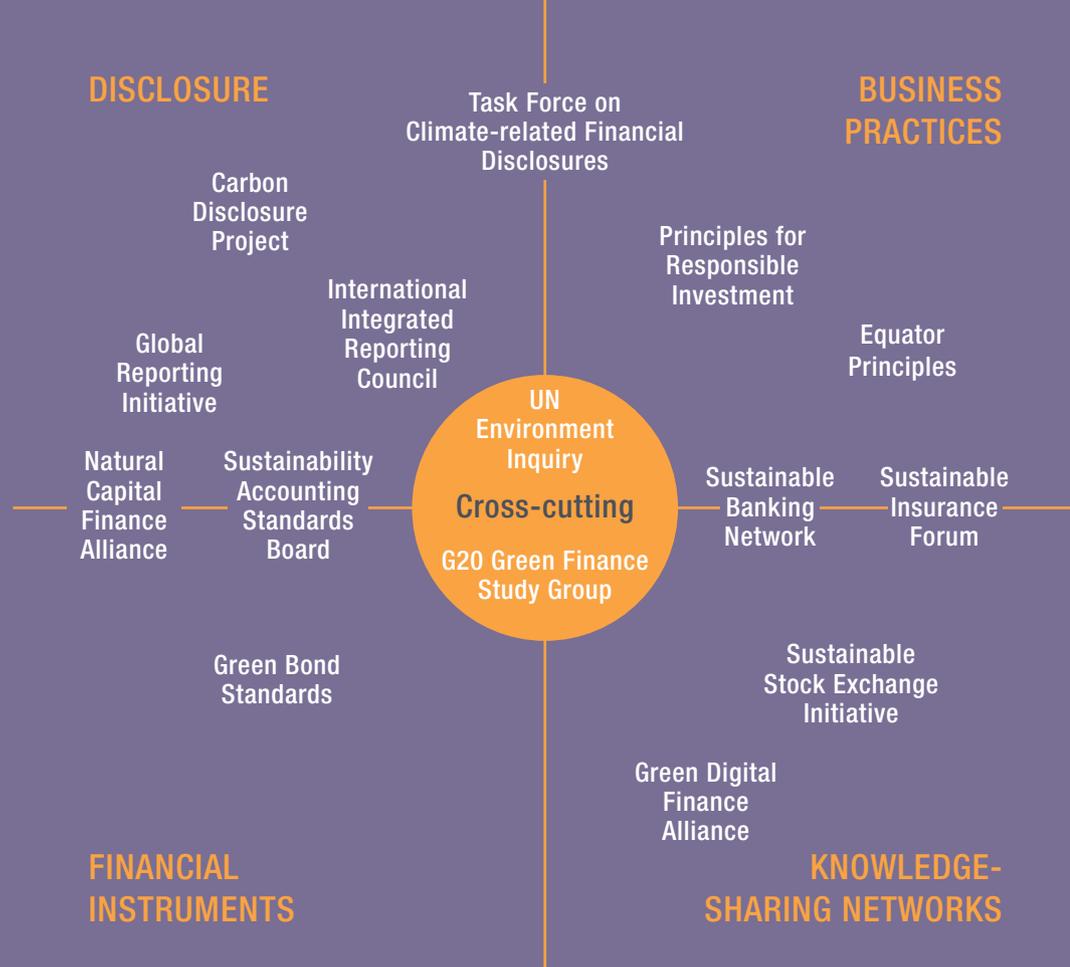
Source: Oil Change International, 2017

# 10 INITIATIVES SUPPORTING A SUSTAINABLE FINANCIAL SYSTEM ARE GROWING

Initiatives encouraging a sustainable financial system have strengthened over the past year,<sup>9</sup> accelerating the shift from brown to green finance.

National actions are also accelerating across banking, capital markets, insurance and investment.<sup>10</sup> In 2017, the London Stock Exchange Group released guidance on how to incorporate the recommendations of the Task Force on Climate-related Financial Disclosures and the French Treasury supported banks in developing climate-related risk expertise. It is not just developed countries leading the way: the Brazilian Central Bank issued guidelines on integrated risk management this year and the Securities and Exchange Board of India (SEBI) issued disclosure requirements for the issuing and listing of green debt securities.

Adapted from UN Environment Inquiry into the Design of a Sustainable Financial System 2017



## REFERENCES

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2. Bird (2017) *Budgeting for NDC action: initial lessons from four climate-vulnerable countries*. CDKN Working Paper. Available at: <http://bit.ly/2EtPkWC>
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