

A SNAPSHOT ON CLIMATE FINANCE



Empowered lives. Resilient nations.

Finance for activities targeted at adapting to climate change and mitigating it, including support for policy & technology support, capacity building, forestry etc.

Climate Finance

In Cancun, developed nations pledged to financially assist developing nations with their climate mitigation and adaptation activities while explicitly recognizing that tackling climate change requires "new and additional" funding.

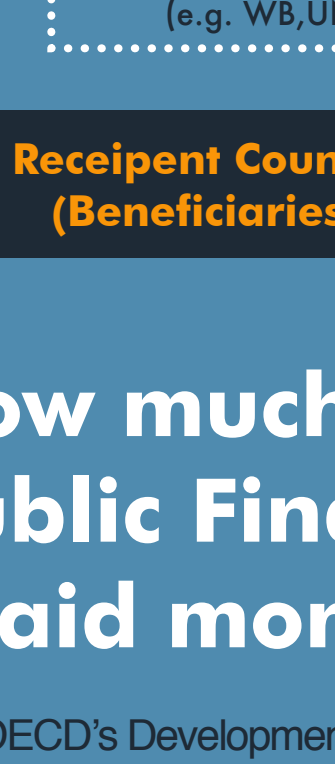
How much does the world need?

There is little agreement on what qualifies as "additional" funding. Under current OECD growth projections, the world will need to invest \$5 trillion annually until 2020 in water, agriculture, power, transport, telecommunications, buildings, industrial, and forestry sectors under business-as-usual scenario (BAU) with an additional \$700 billion required to 'green' the global economy.

Source: Green Investment Report



USD **700** billion per year



USD **359** billion in 2012!

Where do we stand now?

It is estimated that the total public and private sector investments in 2012 towards climate finance stood at USD 359 billion with public finances contributing a little over 1/3rd of the total.

Source: Global landscape of climate finance

How are public finances channeled?



Public Finances constitute money made available by donor countries to beneficiaries either 'bilaterally' or through multilateral organizations and implementation agencies such as the World Bank, UNDP, UNFCCC etc.

How much of Public Finance is aid money?

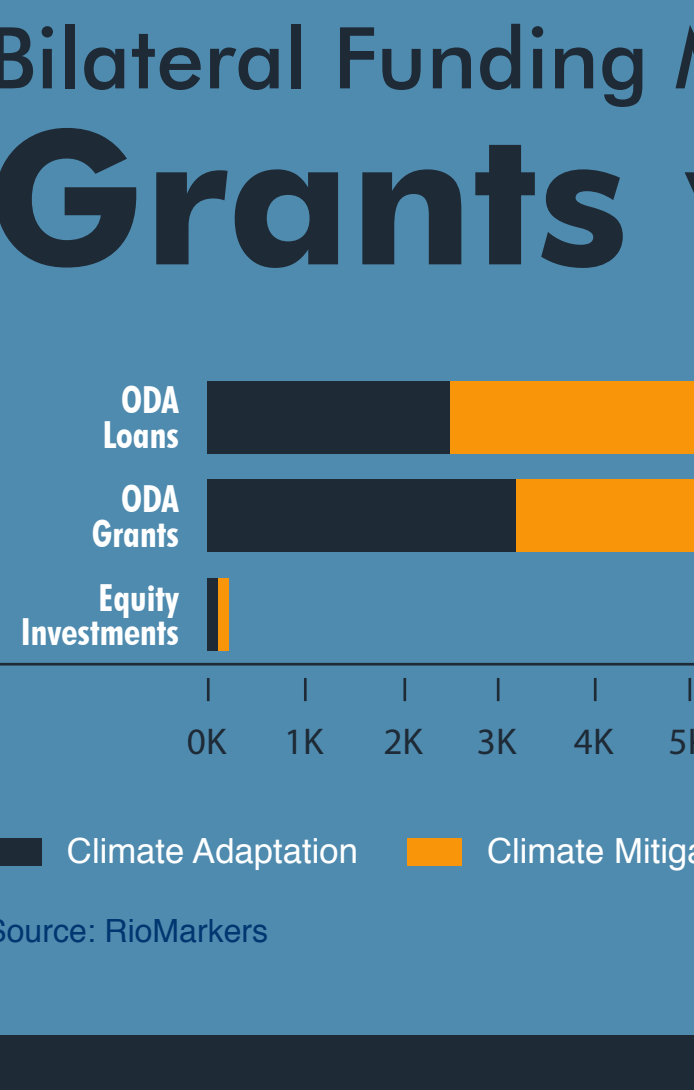
The OECD's Development Assistance Committee (DAC) provides statistics for climate related aid by its member countries. The contributions are primarily bilateral in nature (including contributions channeled through multilateral organizations) with the balance 15% making up specific contributions to multilateral climate funds plus climate related contributions to multilateral organizations.



USD **25.6** billion per year

Source: OECD 1

Bilateral Donors



Total **21623* USD million**

* The OECD-DAC statistics do not report US bilateral funding

Source: OECD 2

Bilateral donor agencies

Member States of the United Nations that provide development assistance directly to recipient countries are often referred to as "bilateral donors".

- Australia (AusAID)
- Austria (Austrian Development Cooperation)
- Belgium (Belgian Development Cooperation)
- Canada (Canadian International Development Agency)
- Denmark (Danish Development Agency)
- European Commission
- Finland (Department for International Development Cooperation)
- France (Agence française de développement)
- Germany (BMZ, GIZ, KfW, BMU)
- Greece (Ministry of Foreign Affairs)
- Ireland (Irish Aid)
- Italy (Ministry of Foreign Affairs)
- Japan (MoFA, JIBC, JICA)
- Luxembourg Lux-Development
- Netherlands (Netherlands Development Cooperation)
- New Zealand (New Zealand Aid Programme (NZAID))
- Norway (Ministry of Foreign Affairs (ODIN))
- Portugal (Ministry of Foreign Affairs)
- Spain (Ministerio de asuntos exteriores y de cooperación)
- Sweden (Swedish International Development Cooperation Agency (SIDA))
- Switzerland (Swiss Agency for Development and Cooperation (SDC))
- United Kingdom (Department for International Development (DFID))
- USA (United States Agency for International Development (USAID))

Source: UNFCCC

Bilateral Funding: MITIGATION VS ADAPTATION

OECD-DAC uses a system known as 'Rio markers' which allows contribution made towards one activity to be reported to address several policy objectives. This results in an overlap of USD 4.1 billion contribution for activities that tackle both mitigation and adaptation.



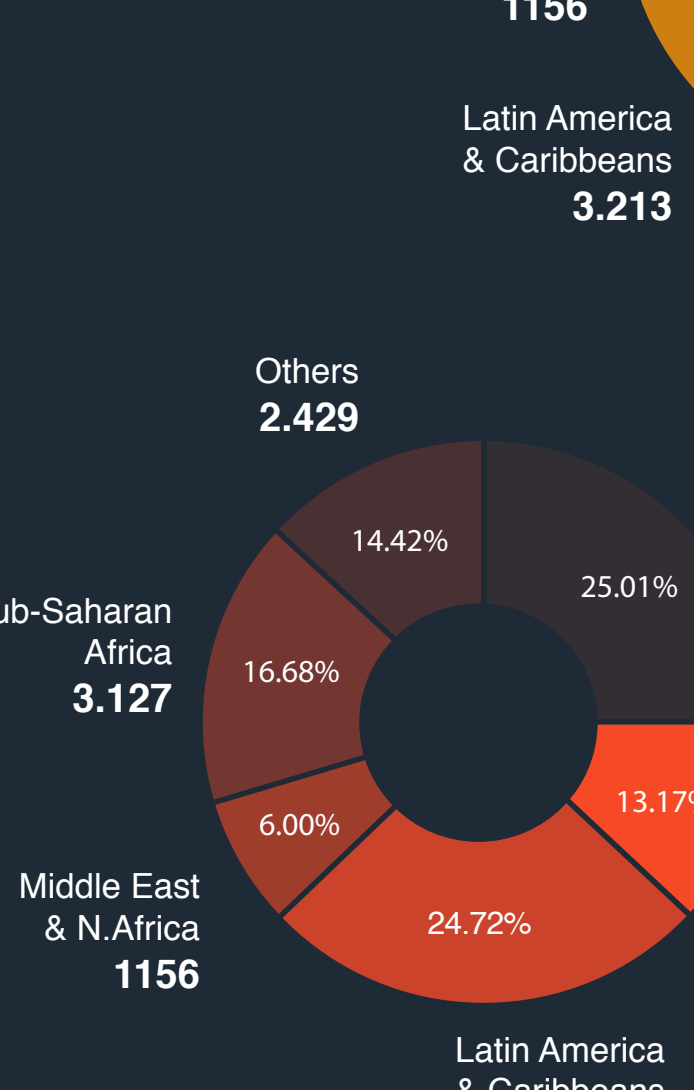
Source: RioMarkers

Bilateral Funding Mechanism: Grants vs Loan



Source: RioMarkers

Multilateral donor agencies



Total **4,015 USD million**

- African Development Bank (AfDB)
- Asian Development Bank (ADB)
- Caribbean Development Bank (CDB)
- Central American Bank of Economic Integration (BCIE)
- European Investment Bank (EIB)
- International Finance Corporation (IFC)
- Inter-American Development Bank
- Islamic Development Bank (IDB)
- World Bank (IBRD - IDA)

Donor countries also contribute "indirectly" by extending contributions to multilateral organizations who are then empowered to extend funding for a variety of (climate) related activities.

Organizations such as UNDP, UNEP and UNIDO are also recipients of these multilateral funds which are then channeled for climate action into recipient countries.

Source: OECD 2

KEY MITIGATION & ADAPTATION funds administered by MULTILATERAL ORGANIZATIONS:

Mitigation Fund	Website	Administered by	Size
Clean Technology Fund	https://www.climateinvestmentsfunds.org/cif/node/2	WB	USD 5.5 Bio
Global Environment Facility (GEF 6)*	http://www.thegef.org/gef/replenishment_meetings/6	WB	USD 4.4 Bio
Scaling Up Renewable Energy in Low Income Countries Program	https://www.climateinvestmentsfunds.org/cif/node/67	WB	USD 0.5 Bio
Global Energy Efficiency and Renewable Energy Fund	http://www.eif.org/who_we_are/geeref.htm?lang=en	EIB	USD 0.2 Bio

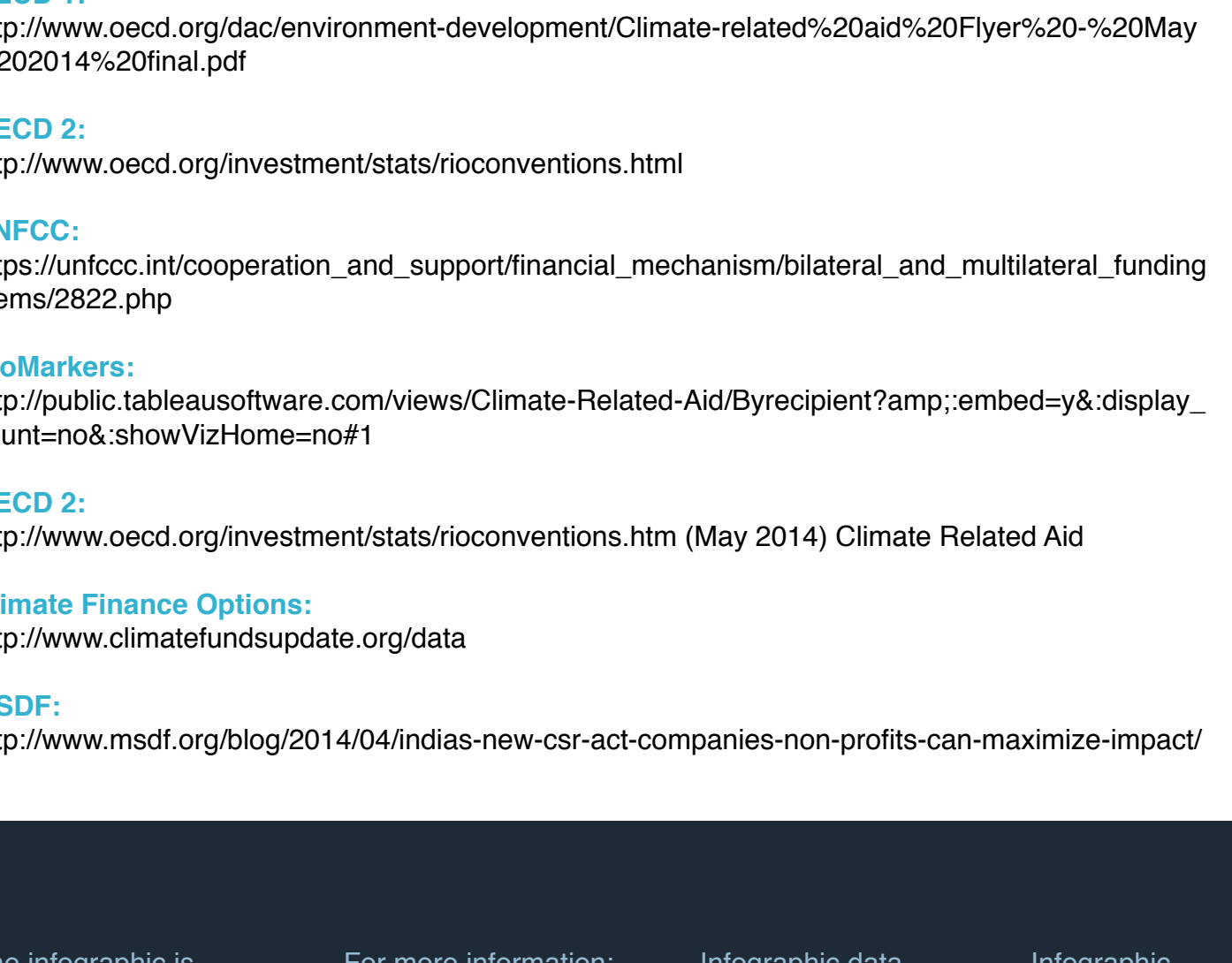
Adaptation Fund	Website	Administered by	Size
Pilot Program for Climate Resilience	https://www.climateinvestmentsfunds.org/cif/Pilot_Program_for_Climate_Resilience	WB	USD 1.3 Bio
Least Developed Countries Fund	http://www.thegef.org/gef/LDCF	WB	USD 0.9 Bio
Global Climate Change Alliance	http://www.gcca.eu/	EU	USD 0.4 Bio
Adaptation Fund	https://www.adaptation-fund.org/	WB	USD 0.25* Bio

* The value of AF is USD 0.235 Bio at the time of creating this infographic

Source: Climate Finance Options

Where is the money spent? (by geography)

Mitigation related finance, primarily consists of concessional loans has benefited the middle income countries in Asia and Latin America – due to the high concentration of infrastructure projects. This is in contrast to adaptation where grants make up for the larger share of the contribution with a relatively larger share made available to lower income countries in Africa and other LDCs.



Total **22,227 USD million APPROVED**

Total **3,102 USD million DISPERSED**

Green Climate Fund and Climate Finance Gap

Potential New Sources of Climate Finance: BRICS

On July 2014, the BRICS countries launched, with emphasis on sustainable development, the 'New Development Bank', or NDB with capital of US100 billion dollars.

- Brazil
- Russia
- India
- China
- South Africa

The countries also announced the signing of a Treaty to establish the BRICS Contingent Reserve Arrangement (CRA) with an initial size of \$100 billion. So that's \$200 billion committed by five countries, in part, to mobilize resources for sustainable development in emerging economies.

Furthermore, China is mobilizing support for another brand new \$100 billion international institution, the Asian Infrastructure Investment Bank (AIIB).

Together, the NDB, the CRA and the AIIB have the potential to raise \$300 billion of additional funds completely outside the current UN climate construct. This considerable funding creates a potential new source for climate finance.

Private Sector Participation

India passed a new Companies Act in 2013 that legally mandates Corporates Social Responsibility (CSR) reporting. This is tied to a provision that directs covered companies to spend a percentage of their profits on CSR activities in India. What makes the India story particularly interesting is the potential to generate USD 2-3 billion/year of additional finance for the development sector through CSR. Private sector led CSR especially in middle income countries provides another opportunity to fund climate actions and sustainable development.

Source: MSFD

Source links:

- Green Investment Report: http://www3.weforum.org/docs/WEF_GreenInvestment_Report_2013.pdf
- Global landscape of climate finance: <http://climatepolicyinitiative.org/publication/global-landscape-of-climate-finance-2013/>
- OECD 1: <http://www.oecd.org/dac/environment-development/Climate-related%20aid%20Fiyer%20-%20May%202014%20final.pdf>
- OECD 2: <http://www.oecd.org/investment/stats/rioconventions.html>
- UNFCCC: https://unfccc.int/cooperation_and_support/financial_mechanism/bilateral_and_multilateral_funding/items/2822.php
- RioMarkers: http://public.tableausoftware.com/views/Climate-Related-Aid/Byrecipient?amp;embed=y&display_count=no&showVizHome=no#1
- OECD 2: <http://www.oecd.org/investment/stats/rioconventions.htm> (May 2014) Climate Related Aid
- Climate Finance Options: <http://www.climatefundsupdate.org/data>
- MSFD: <http://www.msfd.org/blog/2014/04/indias-new-csr-act-companies-non-profits-can-maximize-impact/>

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For more information: Dr. Alexandra Soezer, MDG Carbon, UNDP www.mdgcarbon.org

Infographic data collated by: Arindam Basu, Grue + Hornstrup A/S

Infographic designed by: Debarpan Das