Climate Finance: Sources of Funding and Instruments

Inter-American Development Bank
Infrastructure and Environment Sector
Climate Change and Sustainability Division
Where are we right now?

http://www.climatefundsupdate.org/

About us

Climate Funds Update is a joint initiative of the Heinrich Böll Stiftung (HBF) and the Overseas Development Institute (ODI). Our team monitors dedicated climate change funds from the stage when donors pledge funding, through to the actual disbursement of financing for projects, in an effort to increase the transparency of climate finance flows.

Methodology

Our data is updated on a quarterly basis, and the managers and administrators of the funds we monitor play an invaluable role in helping us access and improve the quality of our information. ODI and HBF retain sole responsibility for the analysis and presentation of information on Climate Funds Update. Learn more about the protocols used to collect information on this site on our notes and methodology page.

Terms and conditions

The Climate Funds Update website provides independent information and analysis on bilateral and multilateral climate change funding initiatives. We do not provide direct assistance or advisory services to organisations and governments who seek to apply for funding.

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We are also grateful for the generous support that we have received from the Climate and Land Use Alliance (CLUA), the European Climate Foundation, and UK DFID.

Subpages (2): Notes and methodology Our team
**USD 40bl total pledges to date**

**Sources:**
- Multilateral (GCF, CTF, GEF)
- Bilateral (UK, Norway)

**Scopes**
- International (Adaptation)
- Regional (Congo Basin)
- National (Amazon)

**Instruments**
- Grants
- Concessional Loans
- Guarantees

Source: Climate Funds Update
[http://www.climatefundsupdate.org](http://www.climatefundsupdate.org)
Global Climate Finance

GLOBAL LANDSCAPE OF CLIMATE FINANCE 2015

Source: CPI 2015
Climate Finance Actors: Public Sector

• Majority of funding from Development Financing Institutions (DFIs)
• Role and mandate is to focus on mobilizing the private sector by:
  - Higher appetite for innovation
  - Higher Risk Tolerance
  - Covering early-stage sunk costs
  - Creating or scaling up markets

Source: CPI 2015
Climate Finance Actors: Private Sector

- Largest source of climate finance: $243bl in 2015
- Vast majority of funds from dedicated project developers and corporations
- Commercial financial institutions increasing funding (mostly lending)
- Institutional Investors and Infrastructure Funds still relatively small, but poised to become more relevant in the short term

Source: CPI 2015
Emerging Framework
Keep Global Temperature Rise Well below 2°C and aim 1.5°C

New Transparency & Accounting System In Place

Review every 5 years Each country’s contributions To GHG emissions

Calls for aligning all financial Flows to a pathway for low-carbon and climate-resilient development

Developed countries to Provide $100 BN climate Finance per year until 2025

Entered into force In NOVEMBER 2016

#PARISAGREEMENT
From Billions to Trillions

- In next 15 years we will **develop more infrastructure than entire current stock: US$90 trillion**

  The **global South will account for roughly 2/3 of these needs**

- Must align all financial flows towards low carbon and climate resilient pathways

- **Paris Agreement and the Sustainable Development Goals** implies redirecting the trillions towards sustainable infrastructure and landscapes:
  - Clean and efficient energy systems, public transport, efficient buildings, water supply and sanitation
  - Natural infrastructure (such as forest landscapes, wetlands and watershed protection)
  - Ensure communities access and benefit appropriate resources
NEWER Climate Finance Instruments

- Development Impact Bonds / Green Bonds
- Risk sharing instruments
- Blended Finance
- Global innovation finance lab initiatives
- Provides some interesting models to consider

Provides some interesting models to consider
Results Based: Climate Finance

Building upon COP16 and the REDD+ experience

- Inputs
- Activities
- Outputs
- Outcomes
- Impacts

Partner provides measures to verify results

Disbursement upon verified results

Results
Climate Finance Actors: MDBs

- **ADB**: Double Climate Finance to US$6 billion (30% portfolio) by 2020

- **AfDB**: Triple Climate Finance to 40% of investments by 2020

- **EBRD**: Increase Green Financing to about 40% total annual investments by 2020

- **EIB**: Set annual minimum of 25% total lending volume for climate action; also 35% for climate action in developing countries, starting 2020

- **WBG**: One-third increase in climate finance to potentially ~28% in 2020
New approaches and partnerships for NDC support
NDC Partnership and Initiatives to

The NDC Partnership is developing global knowledge products to help countries achieve their NDCs, starting with the launch of an online knowledge portal that will enable countries to access information to support their national climate plans and sustainable development objectives. Launching at COP22, the NDC Funding and Initiatives Navigator provides easy access to information about public finance and other support initiatives. More tools will be released in the future.

Source: NDC Partnership
http://www.NDCpartnership.org

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IDBG: integrated approach through NDC Invest

**NDC PROGRAMMER**
Bringing our vast experience and network, we help public and private sector stakeholders to develop investment plans and programs that reflect today's and tomorrow's climate needs and circumstances.

**NDC PIPELINE ACCELERATOR**
We support priority studies and additional activities to ensure technical and financial feasibility for bankable and sustainable projects.

**NDC MARKET BOOSTER**
We will use additional non reimbursable and reimbursable grants for innovative business models, financial instruments and other market development services.

**NDC FINANCE MOBILIZER**
We will mobilize funding from internal and external sources to help countries enhance credit and reduce risks in the priority investments needed to meet their NDC commitments.
Gender: Pioneering Experiences

Climate change and gender
Since 2014, the IIC, through the Canadian Fund, has approved more than $25 million in concessional loans directly attached to gender outcomes in renewable energy and agriculture projects.

IIC AND C2F
The Canadian Climate Fund (C2F), administered by the IIC, is a US$250 million fund that co-finances climate-friendly private sector projects in Latin America and the Caribbean.

- Improving gender equality in the workplace (Mexico)
- Including women farmers in supply chain finance (Nicaragua)
- Training and hiring more women in solar energy (Panama)
- Supporting women’s training in solar energy (Uruguay)
Let’s talk about climate change and sustainability

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