Bilateral Financial Institutions and Climate Change

A Mapping of 2009 Climate Financial Flows to Developing Countries

Context

As of 2009, the UNEP Climate Change Working Group for Bilateral Finance Institutions ('UNEP Working Group')[1] annually and collectively reports climate change financial flows to developing countries. The term 'climate financing' is broadly defined as finance flowing from developed to developing countries, including support for mitigation, adaptation, policy and capacity-building.

Global climate change financial flows

Mapping global climate change financial flows involves a diversity of public and private sources (e.g. government budgets and capital markets), agents (e.g. bilateral finance institutions, multilateral finance institutions, development cooperation agencies, the UNFCCC, private sector), and channels (e.g. official development assistance, non-concessional loans, carbon markets, financing specifically for climate change, foreign direct investment). By annually disclosing the size and nature of BFI financing – reported according to region, sector, financial instrument, and distinguishing between mitigation and adaptation objectives – the UNEP Working Group aspires toward greater clarity and comparability of data across institutions in the future.

Regional distribution of total climate finance – 2009

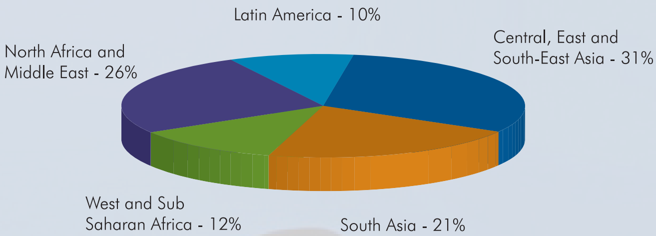


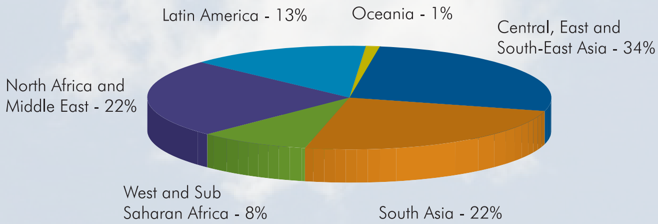
Table 1: Committed BFI climate finance for mitigation and adaptation 2009 (USD millions)

	Total 2008	Total 2009
Mitigation	7249	8926
Adaptation	3029	3963
Total	**10278**	**12889**

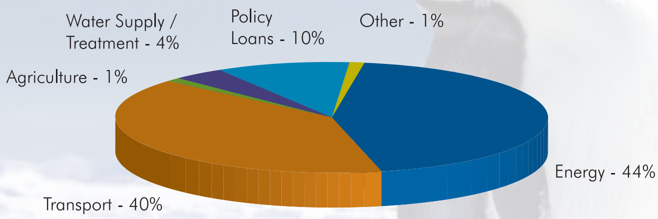
Summary of 2009 financial flows

- It is estimated that the global public climate finance committed to support developing countries was at least 29 billion USD in 2009.[2]
- Of this estimated 29 billion USD minimum global total, nearly 13 billion USD was channelled through the BFI members of the UNEP Working Group (see Table 1). This 13 billion USD represents an approximate 25% increase over BFI climate finance in 2008.
- Sectorally, and comparable to 2008 data, BFI mitigation finance flowed primarily to the energy and transport sectors, and adaptation finance predominately to the water sector.
- Regionally, West and Sub-Saharan Africa received increased adaptation financing in 2009, having also received significant mitigation financing – demonstrating that BFIs are able to respond to the needs for low carbon development in Least Developed Countries (LDCs). Asia, North Africa and the Middle East were the largest recipients of climate finance from the BFI members of the UNEP Working Group.

Regional distribution of mitigation finance – 2009



Sectoral distribution of mitigation finance – 2009



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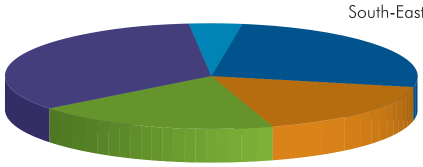
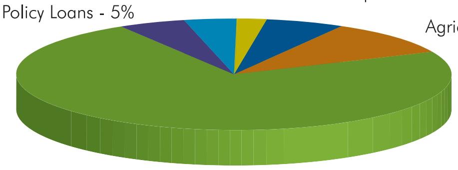
1. The UNEP Working Group is at present comprised of Agence Française de Développement (AFD), KfW Entwicklungsbank (Development Bank, Germany), Japan International Cooperation Agency (JICA), Nordic Environment Finance Corporation (NEFCO), European Investment Bank (EIB), and the United Nations Environment Programme (UNEP). UNEP facilitates the operation of the UNEP Working Group, providing the opportunity for closer interaction and coordination of BFIs' climate change activities and investment modalities.
2. Please refer to the Bilateral Finance Institutions and Climate Change report for an explanation of this 29 billion USD minimum in public climate finance for 2009. It includes $13 billion from the UNEP Working Group, and an approximated $16 billion from multilateral development banks and specialised climate funds. Not included is an indeterminate amount from other sources including bilateral government contributions.

Regional distribution of adaptation finance – 2009



Sectoral distribution of adaptation finance – 2009



- BFI financing for adaptation was delivered primarily through concessional loans (81%), followed by grants (14%). Mitigation financing was delivered also through concessional loans (58%), non-concessional loans (31%) and grants to a much lesser extent (3%).

Conclusions

- The UNEP Working Group is increasingly involved in a wide range of countries and sectors, and makes use of innovative financial instruments to deliver and leverage climate change financing to support developing countries to reduce vulnerability and emissions.
- The BFI members of the UNEP Working Group in 2009 contributed a significant portion of global public climate change financing perhaps as much as 45%.
- In order to deliver more certain, transparent and comparable climate finance data in the future, both the standardisation of what constitutes 'climate finance' and the means of tracking finance through multiple channels will need to be addressed.
- A next step should be broader cooperation of financial institutions, including the BFIs and MDBs, supported by UNEP and other relevant organisations like OECD with an aim to develop a common and prescribed definition of climate finance for mitigation and adaptation, and means to map and track data that are comparable temporally, and across regions, sectors and financial instruments.

For more detail, please refer to the report on which this summary is based: Bilateral Finance Institutions and Climate Change: A Mapping of 2009 Climate Financial Flows to Developing Countries. This mapping exercise is an annual initiative of the UNEP Climate Change Working Group for Bilateral Finance Institutions. The initiative is open to other like-minded finance institutions who wish to take part.

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