

Bilateral Finance Institutions and Climate Change:

A Mapping of Public Financial Flows for Mitigation and Adaptation to Developing Countries in 2010

Context

For the past three years, the members of the United National Environment Programme (UNEP) Bilateral Finance Institutions Climate Change Working Group ('UNEP BFI CCWG')¹ have collectively reported their climate change financial flows to developing countries. These financing institutions act, and provide financing, on behalf of their respective governments. 'Climate finance' as used by this group of public financing institutions is broadly defined as finance flowing from developed to developing countries, including support for mitigation, adaptation, policy and capacity-building.

Bilateral climate change finance in the context of global climate change financial flows

Global climate change financial flows originate from a complex set of public and private sources (e.g. government budgets and capital markets), and they are channelled through a variety of agents (e.g. bilateral finance institutions, multilateral finance institutions, development cooperation agencies, the UNFCCC, private sector), using different instruments and designations (e.g. official development assistance, conventional loans, non-concessional loans, carbon finance, foreign direct investment). By annually disclosing the size and nature of climate change financing from member bilateral finance institutions (BFIs), the UNEP BFI CCWG aspires to greater clarity and comparability of data across institutions and over time.

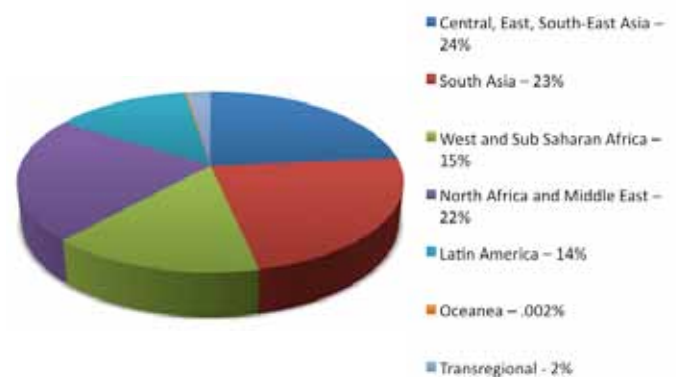
The reporting of climate change finance from BFI members of the UNEP BFI CCWG has been done annually according to mitigation and adaptation objectives, and is distinguished by region, sector, and financial instruments.

Table 1 summarises the total BFI climate change financing for 2010, at USD 15.5 billion. It also demonstrates an annual increase in total climate change financing from BFIs from 2008 to 2010, but a decrease in financing for adaptation in 2010. The decrease in adaptation financing is attributable in part to the application of a more robust classification of what counts as adaptation in the water supply and treatment sector. The pie charts summarise the regional and sectoral distribution of the USD 15.5 billion in 2010 BFI climate change financing.

TABLE 1.
Committed UNEP BFI CCWG climate finance for mitigation and adaptation 2010 (USD millions)

	Total 2008	Total 2009	Total 2010
Mitigation	7 249	8 926	12 865
Adaptation	3 029	3 963	2 854
Total	10 278	12 889	15 719

FIGURE 1:
Regional distribution of BFI climate finance – 2010



Summary of 2010 BFI financial flows

- It is estimated that the global climate finance committed by bilateral and multilateral banks and agencies to support developing countries in 2010 was USD 39 billion (order of magnitude).²
- Approximately USD 15.5 billion was committed by the BFI members of the UNEP BFI CCWG in 2010. This represents an increase of approximately 22% over BFI climate finance in 2009.
- Sectorally and consistent with 2008 and 2009 data, BFI mitigation finance flowed primarily to the energy and transport sectors, and adaptation finance predominately to water supply and treatment.

FIGURE 2:
Regional distribution of mitigation finance – 2010

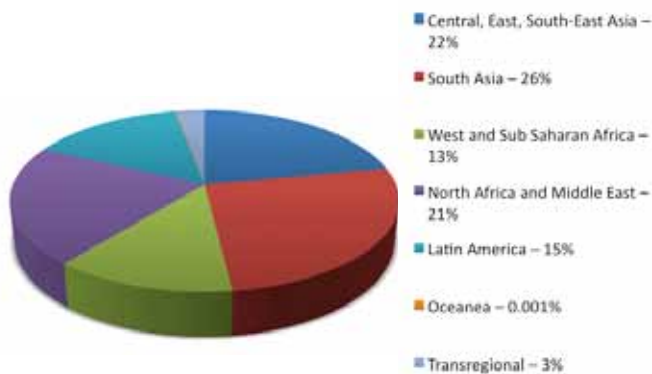


FIGURE 3:
Sectoral distribution of mitigation finance – 2010

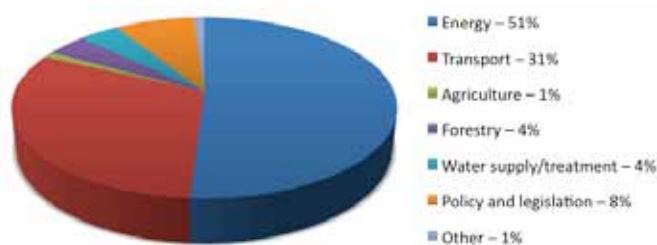


FIGURE 4:
Regional distribution of adaptation finance – 2010

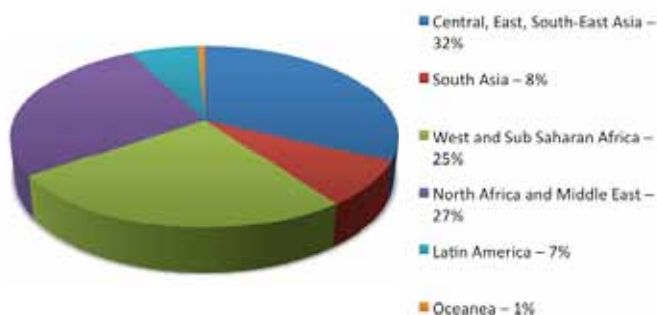
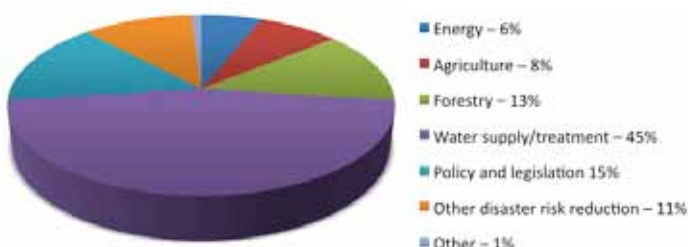


FIGURE 5:
Sectoral distribution of adaptation financing – 2010



- Regionally in 2010, Asia received 50% of BFI mitigation financing, while adaptation financing was destined predominantly to North Africa and the Middle East (27%) and West and Sub-Saharan Africa (25%).
- By financial instrument, BFI financing for adaptation was delivered primarily through concessional loans. Grants nearly doubled in absolute value, from USD 837 million in 2009, to USD 1628 million in 2010; 47% were for adaptation and 53% for mitigation.

Conclusions

- The UNEP BFI CCWG remains 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.
- At an estimated 34% of all financing committed by bilateral and multilateral banks and agencies in 2010 (USD 15.5 billion of USD 39 billion), the climate change finance flowing from the UNEP BFI CCWG is a significant portion of global public climate change financing in 2010.
- In order to deliver more certain, transparent and comparable climate finance data in the future, it is necessary to continue the global dialogue on what constitutes 'climate finance', and the means of tracking finance through proliferating channels will need to be addressed.
- In their 2010 report, the BFIs revised, in part, what is counted as adaptation financing in the water sector. This type of transparent review of the definition of 'climate financing' is as important as demonstrating total amounts.
- Cooperation of financial institutions, including the BFIs and multilateral banks, must continue, 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.

1 The UNEP BFI CCWG is composed of the Agence Française de Développement (AFD), European Investment Bank (EIB), Japan International Cooperation Agency (JICA), KfW Entwicklungsbank (Germany's Development Bank), Nordic Environment Finance Corporation (NEFCO), and the United Nations Environment Programme (UNEP). UNEP facilitates the operation of the UNEP BFI CCWG, providing the opportunity for closer interaction and coordination of BFIs' climate change activities and investment modalities.

2 Please refer to Buchner, B. et al, 2011, The Landscape of Climate Finance, Climate Policy Initiative at p.5, available at http://climatepolicyinitiative.org/generic_datas/view/publication/117.

For more detail, please refer to the report on which this summary is based: Bilateral Finance Institutions and Climate Change: A Mapping of Public Financial Flows for Mitigation and Adaptation to Developing Countries in 2010. This mapping exercise is an annual initiative of the UNEP Bilateral Finance Institutions Climate Change Working Group. For more information, please contact dean.cooper@unep.org or rachel.hodas@unep.org.