

CLIMATE CHANGE CASE STUDY: UK International Climate Finance in Action

Investing in Innovation: Climate Investment Funds

The UK Government is supporting a range of ambitious global actions on climate change, including through the Climate Investment Funds (CIFs).

The CIFs are 4 trust funds that aim to deliver large scale finance to **support at least 48 developing countries** in realising their plans for low carbon, climate resilient development. Funds are delivered through multilateral development banks (MDBs), including the African Development Bank, Asian Development Bank and World Bank.

UK International Climate Finance

The UK Government established the **International Climate Fund (ICF)** in 2011 as part of its commitment to reduce poverty by helping developing countries adapt to climate change, take up low carbon growth and tackle deforestation. The ICF will provide **£3.87 billion of climate finance** from within the existing UK aid budget from **2011 to 2016**.

The ICF contributed to the UK delivering its pledge of almost **£1.55 billion “Fast Start” finance between 2010 - 2012**.

Stimulating additional finance

The CIFs provide developing countries with finance (including grants and concessional loans) through a range of investment vehicles. This helps to stimulate additional financing from the private sector, multilateral development banks and other public sources.

Transformational change

The CIFs enable developing countries to pilot new, innovative and transformational approaches at scale. These include new low carbon or renewable technologies such as concentrated solar power, or the use of climate resilient crops or reforestation measures to stabilize coastal embankments and protect them against tidal surges.

UK support

The UK has committed over **£1.1 billion to the CIFs, including over £800 million ICF finance**.

The UK is actively involved in the design and the governance of the funds. For example, the UK and other donor countries encouraged the CIFs to develop rigorous results frameworks,

which have now been agreed. The UK will continue to consider options for further support to the CIFs under the International Climate Fund.

Country-owned plans

Funding is designed to be responsive to country needs. Large scale investment in the form of grants and loans enable developing countries to find their own solutions to climate change and to develop new markets that bring about transformational change at the policy and institutional levels. This means action on climate change is integrated into all development and poverty reduction plans.

“This funding from the Pilot Programme for Climate Resilience offers us a critical lifeline at a time when we face serious risk from climate impacts.”

- Tajikistan Department of Environment, Protection and Emergency

Over **\$7.5 billion** has been pledged to the CIFs by 13 donor countries and over **50 developing countries** are involved as equal partners in decision making or as recipients of finance.

Governance

The CIFs are administered by the World Bank. Decisions on the distribution of funds are made by Trust Fund Committees. Donors and recipients have equal representation on the committees, with others, including the UNFCCC, civil society, local communities, the private sector and UN bodies involved as active observers.

		UK funding to the Climate Investment Funds					
	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14 **	Total
Clean Technology Fund	£60m	£170m	£155m	£150m	£64m	£11m	£610m
Pilot Programme for Climate Resilience	£17.5m	£5.5m	£202m	£57m	£30m	£13m	£325m
Scaling-up Renewable Energy Programme in Low Income Countries	£5m	£10m	£35m	£25m	£25m	0	£100m
Forest Investment Programme	£12m	£0m	£88m	0	0	0	£100m

**** Provisional figures as at 21 October 2013**

Examples of programmes

Tanzania Poised to Transform National Energy Sector with Influx of Renewables

In Tanzania, the Scaling-Up Renewable Energy Programme (SREP) is helping to scale-up the development of renewable energy resources.

The investment aims to transform the country's energy sector, to move away from an increasing dependence on fossil fuels and climate-sensitive hydro resources, by making use of the country's abundant, reliable and cost efficient geothermal and solar resources.



The SREP investment is expected to catalyze **development of more than 100 MW of geothermal power** and establish an enabling environment for large-scale geothermal development. It also aims to develop a renewable based rural electrification system that is efficient and responds to local energy needs, as well as supporting private sector investments in off-grid electricity enterprises.

A total of **\$50 million** of SREP funding has been endorsed, with the remaining balance being provided by the African Development Bank (AfDB), World Bank, Government, private sector, commercial sources and other development partners.

Increasing Climate Resilience in Bangladesh

In Bangladesh, the Pilot Programme for Climate Resilience (PPCR) is helping to provide storm and cyclone-proof housing, emergency shelters, coastal defences and improved water and food security in **12 vulnerable coastal communities**. This could potentially benefit over **one million people**.

The investment is supporting the construction of disaster-resilient homes, with safe drinking water, suitable sanitation systems and detachable solar systems for electricity. Small grain storage areas can be converted to livestock refuges when a storm hits. Roads and bridges connecting the communities will also be improved.

The PPCR investments blend other sources of finance including small contributions from homebuyers, substantial government grants and private sector investment, enabling the programme to continue independently of funding from the PPCR.

A total of **\$110 million** of PPCR funding has been endorsed for climate resilience programmes in Bangladesh.

CIFs in Action: What is being delivered

Fund	Purpose
Clean Technology Fund	<p>Finances scaled-up deployment of clean technologies, such as solar, wind and geothermal, energy efficiency, urban transport or heating. The CTF is expected to support actions that contribute to the installation of over 12.5GW of renewable energy, enough for the equivalent of nearly 16 million households.</p> <p style="text-align: center;"><u>Progress reporting on early investments (as at October 2013)</u></p> <p>Progress reporting from 28 projects that have been approved (including 14 private sector projects and 14 public sector projects) show:</p> <ul style="list-style-type: none"> • Direct finance leveraged: Over \$3.5 billion co-financing from various sources leveraged. This equates to 21% of the total expected co-financing (\$17.1 billion). 44% came from the implementing MDBs and 33% from the private sector. • Installed capacity from renewable energy: 2,626 MW of installed renewable energy capacity achieved to date. This equates to 28% of the target (9,014MW) indicated for relevant projects and programmes approved to date. • Annual energy savings: Over 6,800 GWh of annual energy savings as a result of CTF interventions have been reported. This equates to 5% of the total target (103,779 GWh) for energy efficiency projects and programmes approved to date. • GHG emissions reduced or avoided: To date, 10 Mt CO₂e have avoided or 2% of the targets (582 Mt CO₂e) over the lifetime of the investments. <p>We expect the achieved results from these initial projects to increase over the lifetime of the investments, and to reach their expected targets. Reporting against projects will be added once they have also received MDB Board approval.</p>
Pilot Programme for Climate Resilience	<p>Provides funding to new approaches to climate resilient development, such as drought resistant crops, improved irrigation systems, redesign of water storage infrastructure, flood protection or hydropower. As at October 2013, the PPCR is supporting Strategic Programmes for Climate Resilience (SPCRs) in 9 countries and 2 regions: Bangladesh, Bolivia, Cambodia, Mozambique, Nepal, Niger, Tajikistan, Yemen and Zambia, and the Caribbean and Pacific regions.</p> <p>Expected results include:</p> <ul style="list-style-type: none"> • Improved agricultural productivity through the development of climate resilient technologies, irrigation systems and reduced soil salinity. • Increased water supplies for almost 500,000 people in Bangladesh through improved water management. • Increased food production in 10 rural districts in Niger.
Scaling-up Renewable Energy Programme	<p>Provides funding to scaled-up deployment of renewable energy and expansion of renewable energy markets in some of the world's poorest countries. SREP will increase access to energy for poor people, helping to improve respiratory health and improve energy security for poor communities and countries. As at October 2013, the SREP is supporting Investment Plans (IPs) in 8 countries: Ethiopia,</p>

	<p>Honduras, Kenya, Liberia, Mali, Maldives, Nepal and Tanzania.</p> <p>Expected results include:</p> <ul style="list-style-type: none"> • 500,000 households to gain access to solar energy. • 300,000 businesses in Kenya to gain energy access through Kenya's Memengai Geothermal Project. • 250,000 households to gain energy access through 30 MW of micro/mini hydropower.
Forest Investment Programme	<p>Finances innovative approaches to sustainable forest management. This will reduce deforestation and forest degradation and enhance the wellbeing of forest dependent communities, by increasing their resilience to climate change and providing new sources of income. As at October 2013, the FIP is supporting Investment Plan (IPs) in 8 countries: Brazil, Burkina Faso, Democratic Republic of Congo, Ghana, Indonesia, Lao People's Democratic Republic, Mexico and Peru.</p> <p>Expected results include:</p> <ul style="list-style-type: none"> • Avoidance of up to 8.2 million of CO₂ in Lao People's Republic. • Up to 4,000 forest communities to directly benefit from Mexico's Forest and Climate Change project. • Up to 35,000 hectares of land to benefit from climate smart production practices and agroforestry under Ghana's Engaging Local Communities in REDD+ project.