Toward Climate Finance Reporting Systems in Latin America

Efforts to track climate finance flows in Latin America have produced incomplete and sometimes conflicting estimates. There is a need for robust reporting systems based on common principles in order to harmonize climate finance information. To be successful, these reporting systems will need to be based on agreed definitions of climate finance, and should include effectiveness indicators. Additionally, capacity must be built to collect and interpret climate finance information and to use it for decision-making.

Policy Pointers

- Clear guidelines must be developed for recipient countries to report climate finance information. Guidance to measure and classify climate finance should be adapted or developed to fit various national circumstances, and countries should be provided with implementation support as capacities are built.
- Mutually agreed definitions are needed for key terms like climate finance, climate mitigation, and climate adaptation, and should form the basis of budget coding frameworks for climate finance classification.

Latin America is both highly vulnerable to the impacts of climate change and is a contributor to global greenhouse gas emissions, so climate finance is critical to help the region build resilience and pursue low-carbon development. However, despite the importance of climate finance, it has proved difficult to effectively track its flows.

This difficulty is partly related to the fragmented nature of global climate finance; public funding is provided through multiple channels operating at national and international levels. International climate finance may flow bilaterally between nations, via multilateral climate funds or multilateral development banks, while national governments may allocate climate finance across the budgets of relevant ministries and authorities. In addition to tracking these four primary public flows, there is a need to link information on the provision of international finance (top-down information) to receipt of the finance (bottom-up information).

No existing assessment of climate finance in Latin America provides complete coverage of these four public sources, and estimates from different assessments may conflict. A comparison of estimates in four reports finds that the discrepancies between them are a result of differing definitions of key terms like 'climate finance' and 'climate adaptation', as well as differing timelines for reporting (e.g. fiscal year vs. calendar year). Additionally, data is sometimes highly aggregated, and little information is available on finance disbursed or received. These factors make it difficult to harmonize information and to produce a comprehensive picture of climate finance in the region.

Using a unique methodology that draws from both top-down and bottom-up financial information, recent work by the Climate Finance Group for Latin America and the Caribbean (GFLAC) draws attention to these issues and clarifies how much climate finance is available from international and national public sources across eight countries in Latin America.

In line with global reports on this topic, the research finds that the majority of international climate finance flowing to Latin America is received as loans, and is more often for mitigation than adaptation (Table 1). National governments allocated between

Table 1: International public climate finance in eight Latin American countries

COUNTRY	PERIOD	AMOUNT RECEIVED	LOANS	GRANTS	ADAPTATION	MITIGATION	OTHER
Argentina	2010-14	283	164	118	127	66	90
Bolivia	2010-14	318			261	6	52
Chile	2010-14	304	203	101	15	287	
Ecuador	2010-14	2,223	1,959	228	362	830	1,030
Guatemala	2010-15	338	237	101	38	30	268
Honduras	2010-15	227	79	148	62	91	74
Nicaragua	2010-15	322	131	192			
Peru	2010-13	1,554	1,159	396	498	761	296
Total		5,570	3,931	1,284	1,364	2,071	1,809
			74.9%	24.2%	26.0%	39.5%	34.5%

Source: GFLAC country reports. 2014-2015. Figures in million USD.

0.03% and 2.94% of their annual budgets for climate-related work, though in some cases this figure is growing as climate action is mainstreamed into government activities.

The GFLAC assessment also underscores the need to develop robust climate finance reporting systems across Latin America. While several countries have begun to make progress on this front, guidance is needed on what information should be reported and how it should be presented. In particular, mutually-agreed definitions of climate finance that can be applied in multiple contexts are critical for the accurate comparison of data. Additionally, it is necessary to develop indicators that capture the extent to which climate finance is effective in building resilience or achieving emissions reductions. Finally, capacity must be built within national governments in order to collect and interpret climate finance information, and this data should be combined with assessments of climate risk to inform decisions on how to allocate these scarce and critically important resources.

To read the full chapter on this research, look for the 2017 AdaptationWatch Report, to be released at COP23 in November 2017.

Authors

Sandra Guzmán, Tania Guillen, Mariana Castillo and Alin Moncada

Climate Finance Group for Latin America and the Caribbean (GFLAC)

AdaptationWatch Partners

Adaptify (Netherlands)
Both ENDS (Netherlands)
Brown University’s Climate and Development Lab (USA)
Centre d'Etudes du Développement durable, Université Libre de Bruxelles (Belgium)
ENDA Tiers Monde (Senegal)
Grupo de Financiamiento Climático para América Latina y el Caribe (LAC Region)
International Centre for Climate Change and Development (Bangladesh)
Institute for Social and Environmental Transition (Nepal & USA)
Nur University (Bolivia)
Oxford Climate Policy (UK)
Pan African Climate Justice Alliance (Kenya)
Stockholm Environment Institute (Sweden)
Transparency International (Germany)
University of Colorado-Boulder's Environmental Studies Program (USA)

SEI STOCKHOLM ENVIRONMENT INSTITUTE

Publication and outreach support provided by the Stockholm Environment Institute.