

# GCF REGIONAL DIALOGUE WITH AFRICA

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## Climate Finance in Africa

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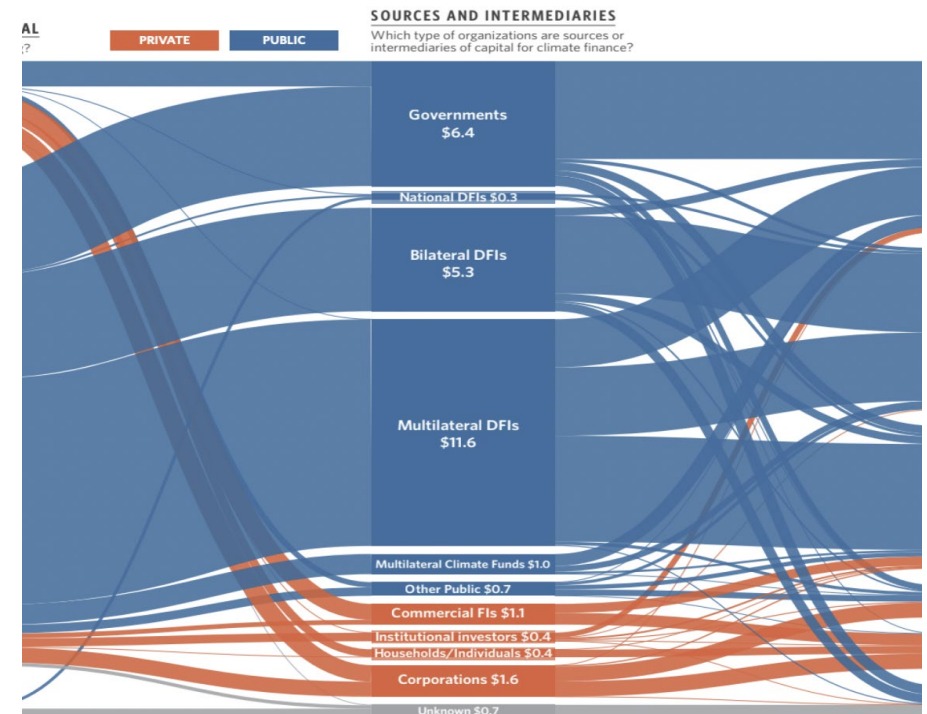
AUC

Sustainable Environment & Blue Economy (SEBE)

# Introduction

- ❖ The need for ambitious and more urgent climate action is more acute than ever.
- ❖ Establishing climate finance needs in developing economies is critical to identifying financing gaps and opportunities.
- ❖ These gaps and opportunities help guide stakeholders to effectively access, allocate and mobilize climate finance.

Climate finance flows in Africa, 2019/2020 (USD billion)



# Intro...,

- ❖ Data on gaps and opportunities will help support international policy processes, like operationalization of a new collective and quantified goal on climate finance (NCQG) to accelerate action.
- ❖ The process of estimating needs also helps in assessing the effectiveness of climate finance flows.



# Intro...,

- ❖ 51 out of 53 African countries that submitted Nationally determined contributions have provided data on the costs of implementing their NDCs.
- ❖ Collectively, they represent more than 93% of Africa's GDP.
- ❖ Based on this data, it will cost around USD 2.5 trillion between 2020 and 2030 to implement Africa's NDCs.
- ❖ However African countries may not be able to provide as much domestic public finance given high debt levels amid unanticipated budgetary pressures — for example, from the COVID 19 crisis.

# Status of Climate Finance in Africa

**Current levels of climate finance in Africa fall far short of needs to implement NDCs**

- ❑ The financing gap in Africa is significant.
- ❑ Africa's USD 2.5 trillion of climate finance needed between 2020 and 2030 requires, on average, USD 250 billion each year.
- ❑ Total annual climate finance flows in Africa for 2020, domestic and international, were only about USD 30 billion -12% of the amount needed.

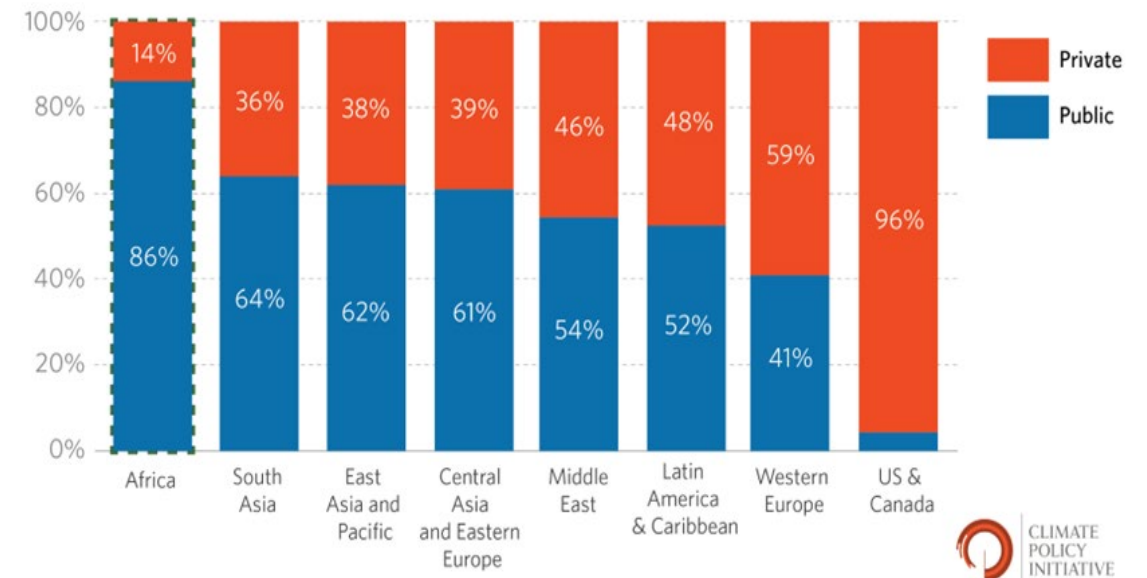
**Adaptation accounts for only 24% of total climate finance needs identified, despite Africa being highly vulnerable to climate change and calls for a better balance of finance between mitigation & adaptation**

- ❑ The AU Climate Change and Resilience Strategy (2022-2032) underscores the need for increased climate financial flows, particularly on adaptation.
- ❑ The L&D fund also seeks to bridge the adaptation gap.

**The private sector has significant potential to meet Africa's climate finance needs, but NDCs rarely discuss its role**

Public funding alone will not be sufficient, given the magnitude of investments needed, and current and future constraints on public domestic resources in Africa.

Figure 10: Share of private climate finance to total climate finance by region (2019/2020 average)



**To mobilize private finance, public actors need to improve policy frameworks and investment environments and deploy concessional financing to target investment barriers**

- ❖ Investment barriers need to be managed effectively.
- ❖ They include technology specific barriers such as uncertainty with respect to performance; policy barriers such as uncertain permitting processes; investment environment barriers such as lack of liquid financial markets; and bankability barriers such as off-taker creditworthiness and high debt costs.



## The UNFCCC should develop guidance to support countries to determine their needs in a more comprehensive and robust way

- ❖ Improving the quality of data on climate finance needs would support financing roadmaps that effectively target needs and mobilize capital.
- ❖ Although NDCs typically distinguish between mitigation and adaptation needs, many do not further disaggregate by economic sector and subsector.
- ❖ More granular information on the role and magnitude of external finance needed from different private and international sources would be useful.



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## **COP28 offers opportunities at the international, national, and regional levels to improve the determination of climate finance needs and accelerate implementation of NDCs**

- ❖ Countries need stronger guidelines, for example as part of the Enhanced Transparency Framework agreed at COP 26, as well as the capacity support — through direct technical assistance as well as knowledge sharing initiatives — to implement them.
- ❖ Guidelines should explain how to assess needs using bottom-up approaches based on sector and project plans, in addition to the top-down macroeconomic approaches often used to generate aggregated data.



## Robust estimates of needs can be an important driver of financing and policy decisions

❖ While most African countries have taken initial steps to understand their climate finance needs, there is significant scope to improve the quality of those estimates and translate them into clear financing roadmaps – both national and international – that can underpin NDCs and ultimately implementation of the Paris Agreement.



# Conclusion

- ❖ The AUC acknowledges and appreciates GCF's international access modality and its groundbreaking innovation of Direct Access.
- ❖ This path allows developing countries to access finance without having to go through the international intermediaries that dominate other sources of funds.
- ❖ Unfortunately, African Direct Access Entities (DAEs) have significant capacity constraints in accessing GCF resources effectively and efficiently.
- ❖ They are also unable to address these capacity gaps with their current resources and capabilities.
- ❖ DAEs need information and technical support to improve the robustness of the climate science basis in developing financing concept notes and funding proposals for the GCF.

*Thank You!*

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