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Climate Finance Fundamentals

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Brief 7

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Regional Briefing: Sub-Saharan Africa

Sub-Saharan Africa has contributed the least to the global accumulation of greenhouse gas emissions, but is the most vulnerable to the impact of climate change. It is estimated that the total cost of Africa's adaptation to climate change will be at least $18-billion a year by 2030, and that current funding is far from fulfilling these needs. A number of actors are involved in adaptation, mitigation and REDD activities within the region, although mitigation projects dominate current activity. South Africa is the largest recipient of climate finance, with almost $400 million directed primarily to mitigation projects. A relatively small amount of global climate finance has reached Sub-Saharan African countries, particularly the poorest countries. The most disenfranchised and therefore the most vulnerable people in the region have therefore received limited benefits so far. A significant barrier to investment is the transaction costs of small-scale projects that are often required in the poorest areas, and the difficulty of designing and implementing such programs in ways that are financially viable and replicable. Public sector grant finance will play a crucial role in realising the significant environmental, developmental and social, including gender, co-benefits of climate actions.

Overview

Sub-Saharan Africa (SSA) has contributed the least to the global accumulation of greenhouse gas emissions: less than 4% of global CO_2 emissions come from the African continent. However, it will be more vulnerable to the impacts of climate change than any other region. In particular, there is a worrying interaction between climate change, food production and food prices and extreme weather conditions, which combined may result in serious famines across the continent. The World Bank estimates that between 2010 and 2050, the annual cost to adapt to climate change in SSA will be at least $18 billion, and there is a general consensus that the current level of financing reaching African countries is nowhere near enough to meet demonstrated needs. These circumstances make a compelling case for SSA countries to receive significantly scaled-up climate finance, particularly for adaptation.

Funding delivery

Climate finance to SSA has been limited, when compared with other regions of the world. The Climate Funds Update website reports that a total of $1.16 billion[1] has been approved for SSA, of which only $379 million[2] has been disbursed to date. The large gap between funding approved and funding spent on projects suggests serious bottlenecks in program implementation.

The failure of the Clean Development Mechanism (CDM) of the Kyoto Protocol to support projects in SSA has been controversial. In Africa, 72 CDM projects were registered in 2011, accounting for only 2% of CDM projects. Although this represents a significant increase from 2010, when only

[1] This amount also includes $73 million being approved for multiple themes.
[2] This amount also includes $44 million being disbursed for multiple themes.

48 projects were registered, most current CDM projects reside in South Africa and Egypt, rather than in less developed countries of SSA.

The distribution of finance

The top recipients of climate finance in SSA are South Africa ($488 million), Mozambique ($30million) and Congo-Kinshasa and Tanzania (with $25 million each). Many poorer countries appear to have been neglected by international climate finance support, due to the focus on mitigation funding to date. For example, Uganda and Chad together received less than $0.50 million over the last three years from dedicated climate funds monitored by CFU. However, a growing number of adaptation projects in SSA have been approved in 2011.

Adaptation

The region's vulnerability to climate change suggests an urgent need to finance adaptation activities. In the past, very little financing for adaptation has been directed to SSA. Between 2004 and 2011, $328 million was approved for 75 projects. $132 million has been disbursed to date. However, the proportion of global adaptation finance directed to SSA remains relatively low: 30% of finance disbursed for adaptation globally ($439 million). Finance was disbursed to 31 projects in 2011, 9 of which were in SSA. While most adaptation finance for the region is in form of grants, there has been some use of concessional loans. Some groups have raised concerns that the use of loans may add to poor countries' debt burdens, and have negative implications for climate justice given that adaptation finance can be seen as compensation for damage caused by developed countries under the polluter pays principle.

The **Least Developed Country Fund (LDCF)** has approved the largest volume of adaptation finance for SSA to date ($90 million) and disbursed $60 million to 49 projects. While project size is small, it has also been uniform and evenly distributed across a large number of countries. The **Pilot Program on Climate Resilience (PPCR)** is the largest fund with $114 million pledged, but so far it has only disbursed finance for administrative fees ($27 million). It works only with a small number of pilot countries, including Niger, Mozambique and Zambia in Africa; the African Development Bank is a regional implementing partner in these programmes. It recently approved $86 million for Mozambique to improve the resilience of its roads and coastal cities, transform its hydro-meteorological services and enhance climate-resilient agricultural production and food security. The **European Global Climate Change Alliance (GCCA)** and the **Special Climate Change Fund (SCCF)** have also been active in the region with $52 and $20 million approved, respectively. The **Adaptation Fund (AF)** has directed less support to SSA to date, largely because it only began funding in 2010. Senegal, Benin and South Africa have been first movers in establishing national implementing agencies to seek direct access to the AF.

Mitigation

Climate Funds Update data suggests that a total amount of $645 million from dedicated climate funds for 60 mitigation projects in SSA has been approved, and $156 million for the implementation of 42 projects has been disbursed. The **Global Environment Facility (GEF 4)** has been the longest standing source of finance for mitigation in SSA and has disbursed $92 million to date. In 2011, the GEF approved 5 new projects. The year's biggest project ($18 million) is the African Rift Geothermal Development Facility, which will be implemented as a UNEP Technical Assistance program with six African recipient countries (Ethiopia, Eritrea, Djibouti, Kenya, Uganda, and Tanzania) to facilitate the development of 1000 MW of geothermal energy.

South Africa and Nigeria are the two SSA recipients of Clean Technology Fund (CTF) programs, which focus on large emission reductions. In addition, the Scaling Renewable Energy Program (SREP) of the CIF has initiated pilot programs in the low-income countries of Kenya, Mali, and Ethiopia to help address energy poverty and access through the deployment of renewable energy and energy efficiency technologies. Mali's SREP investment plan was approved in 2011.

Reducing Emissions from Deforestation and Degradation (REDD+)

Forests and woodlands occupy more than 20% of the land area in Africa, particularly in Central Africa where the Congo Basin holds the world's second largest continuous block of tropical rain forest. Climate Funds Update data reports that funds have been disbursed over 32 projects for a total amount of $47 million. The main dedicated funding initiative is the **Congo Basin Forest Fund (CBFF)**. Some 13 projects for a total amount of

Chart: Breakdown of activities in Sub-Saharan Africa and contribution from each fund

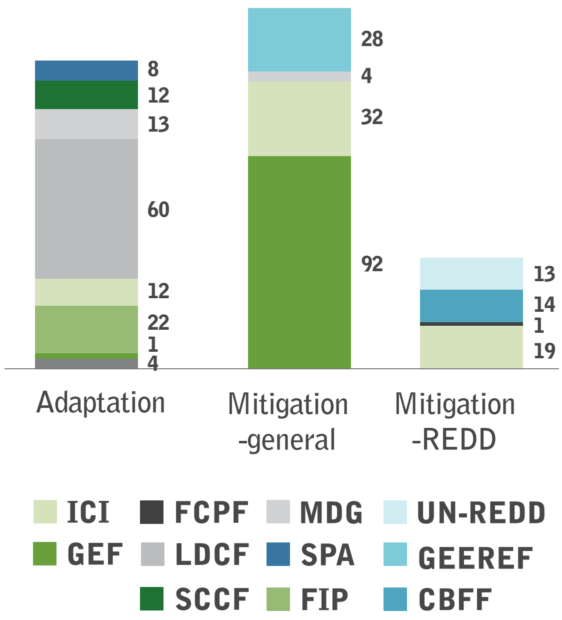
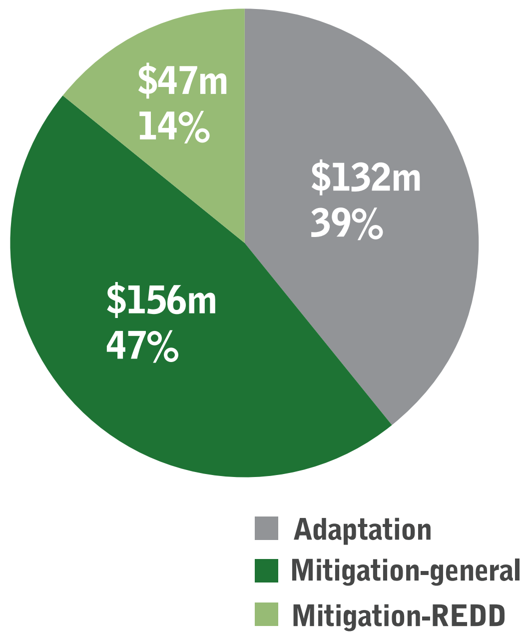


Chart: Funding for climate projects by theme for Sub-Saharan Africa



$14 million are under implementation. The CBFF supports relatively small-scale projects that range from promoting land tenure rights to community participation in the formulation of REDD activities. The **Forest Investment Program (FIP)** of the CIF has committed the largest amount of finance to REDD+ in Africa. A $32 million FIP program in Burkina Faso was approved in 2011, which will support the decentralization of sustainable forest management, protection of state forest reserves, and information sharing. The World Bank's **Forest Carbon Partnership Facility (FCPF)** is also actively engaged in the region, with 8 projects approved and 7 disbursed, but with a limited budget of less than $1 million per project. Finally, the **UN-REDD Programme** is actively working with Tanzania, the Democratic Republic of the Congo, and Zambia.

Active players in climate finance

The **World Bank** has long been an important actor in development finance across SSA, and has built on this ongoing engagement to play a central role in climate finance in the region. UN agencies have also been active, not just through the UN REDD program, but also through UNDP engagement at the country level and through UNIDO efforts to engage countries on access to energy for industrial purposes. The **African Development Bank (AfDB)**, also a major player in climate finance in SSA, is an implementing partner in the Climate Investment Funds (CIFs) together with the World Bank. In addition, the AfDB administers the aforementioned Congo Basin Forest Fund and has proposed to host an Africa Green Fund to administer scaled-up multilateral financing to the region from the future Green Climate Fund (GCF). **Bilateral donors** such as the UK, Norway, and Germany also play significant roles in the region. For example, through the International Climate Initiative (ICI), Germany has disbursed $56 million to 23 projects in SSA. The UK and Norway are the main funders of the CBFF.

Targeting the people and sectors most in need

A major barrier to private investment in climate finance is the transaction costs of small-scale projects that are often required in the poorest areas and to benefit those population groups most in need, and the difficulty of designing and implementing such programs in ways that are financially viable and easily replicable. The poor overarching investment climate in many African countries, including the weak capacity of government institutions to manage, finance and implement as discussed above, are also impediments. Political instability and governance problems in many African countries further compound these challenges. Non-state actors can play an important role in the management and implementation of climate finance. NGOs in particular may be well placed to focus on supporting vulnerable groups, women and Indigenous Peoples as direct beneficiaries. Nevertheless, strengthening institutional capacity within SSA governments to manage climate finance will be crucially important in order to build resilience to the impacts of climate change over the longer term, and the GCF is expected to support such programs. Even with increased private sector involvement on small-scale projects in SSA, a large and sustained contribution of public sector grant finance in the region will be essential. This is particularly true for climate action needs that will not provide a financial return on investment, but instead produce significant environmental, developmental and social, including gender, co-benefits.

References and useful links:

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