AFRICAN GROUP OF NEGOTIATORS (AGN)
STATEMENT
Roundtable 3 – Means of Implementation (Finance)
Technical Dialogue 1.3
9 June 2023

Global Stock Take - MoI: Emerging Messages
The African Group's reflection on the 31 March 2023 Summary Report of TD 1.1 and 1.2 on Section IIB: Means of Implementation cluster. Our Intervention addresses two parts, which are, a general reflection on the emerging messages, and some substantive comments.

General Reflections:
In terms of the structure of the emerging messages, we are disappointed in having only 1 message on finance. Despite the wealth of information available, the emerging messages do not reflect the state of current finance and gaps, needs and options for closing the gap. Such imbalanced treatment of finance is not consistent with the principles of the Paris Agreement and the Convention that link the level of climate action with the level of support provided to developing countries as per article 4.5. This is key for raising ambition.

The context in which climate action under the Convention and the PA are undertaken should also be reflected. If we are strengthening global response to the threat of climate change, then it should be in the context of sustainable development and the eradication of poverty particularly since the intrinsic link between vulnerability and development is well established.

In terms of process, we are cognisant of the technical dialogue outputs informing the political phase which is tasked with making recommendations for enhancing the two aspects of Article 14.3. The key messages should, therefore, speak directly to *enhancing commitments* across on finance and *international cooperation* to close the gap.

Substantive Inputs:
A. '*Scaling up and aligning global financial flows for climate action in line with the Paris Agreement goals entails unlocking trillions of dollars to support the global transition, critically through the strategic use of public international finance which remains a prime enabler for action in developing countries.*'

It is not clear how the first emerging message which is on finance reflects discussions and also how it takes us forward. This headline message should have included the finding that current flows are not consistent with the goals of the PA, especially since we have witnessed no substantial flows of investments to developing countries, African countries in particular. So, from an African point of view this is not a message we will support. We therefore propose messages along the lines outlined below:

Message 1: Finance instruments delivered and the gap – billions vs trillions
The emerging message should include the findings from the assessment of the finance that has been provided in relation to the needs of developing countries and the amounts that have flowed to mitigation and adaptation activities.

Of the US$83 billion dollars purportedly mobilized in partial fulfillment of the Cancun finance commitment, mitigation finance accounts for 58%, with adaptation and cross-cutting activities at 34% and

7% respectively, (OECD, 2022[1]). By contrast the needs attributed to mitigation by developing countries is estimated at US$8.3 trillion, whereas for adaptation it is at US$12.3 trillion, with the balance being for cross-cutting projects (SCF, 2021[2]);

Also, MDBs committed for low and middle-income countries US$33 billion for mitigation and US$17.6 billion for adaptation (MDB, 2022[3]), while the biggest quantum of communicated needs is from Asia-Pacific states where their stated needs in the SCF (2023) reports amounted to about US$3.2 trillion, followed by African states at about US$2.5 trillion, with Latin America and Caribbean states at US$168 billion;

Climate Policy Institute (CPI) has estimated that it will cost around US$2.8 trillion between 2020 and 2030 to implement Africa's NDCs. As a component of domestic budgetary contribution, African governments have committed US$264 billion of domestic resources, about 10% of the total cost leaving an estimated US$2.5 trillion coming from international public sources and international private sector investments. Given the high debt levels, amidst budget constraints, which have been worsened by the COVID-19 crisis, countries may not be able to provide as much domestic public finance as initially estimated. The financial entities under the Financial Mechanism such as the Green Climate Fund, Global Environment Facility and the Adaptation Fund remain small and underfunded to provide adequate, sustainable, predictable and accessible climate finance to developing countries to achieve the goals of the Paris Agreement. The Green Climate Fund has received US$12 billion in commitments and has only disbursed US$3.5 billion between 2015 and 2022. The Global Environment Facility Project portfolio currently stands at US$23 billion as at December 2022. The Adaptation Fund portfolio reached US$1.2 billion in amounts of resources mobilized and committed to the fund;

Also, the current instruments are mainly debt-related, which is leading to an increase in levels of indebtedness for African countries, which in turn is leading to increasing risks and cost of finance. The emerging messages must make it clear that finance delivery instruments have to be predominantly grant and maximum concessional funding. The Sharm El-Sheikh implementation Plan decision was clear in its call for IFIs and MDBs that climate finance should be delivered through concessional and grant-based instruments

A viable option for plugging the gap and directing financial flows to support climate action within the context of sustainable development and the eradication of poverty is in measures to curb the illicit flow of funds from the continent. The United Nations Commission on Trade and Development (UNCTAD), in its 2021 report entitled "*Counting the Cost: Defining, estimating and disseminating statistics on illicit financial flows in Africa*", concluded that US$88.6 billion, equivalent to 2.7% of Africa's GDP, leaves the continent every year in illicit financial flows. Between 2000 and 2015, the total illicit capital flights from Africa amounted to US$836 billion compared to Africa's external debt stock of US$770 billion in 2018 making Africa a net creditor to the world.

Message 2: Quantified and predictable finance required for climate action
Having established the gap in finance provided, the emerging message should set out the quantified finance required for climate action and the need for predictability.

[1] OECD, 2022. *Climate Finance Provided and Mobilised by Developed countries in 2016 - 2020*. https://tinyurl.com/msfm58x6
[2] UNFCCC Standing Committee on Finance, 2021. *First report on the determination of the needs of developing country Parties related to implementing the Convention and the Paris Agreement*. https://tinyurl.com/5n75d7wj
[3] *Joint Report of Multilateral Development Banks, 2022*. Climate Finance. https://tinyurl.com/2p8aaruc

Adequate financing for both climate adaptation and mitigation is critical for achieving the global climate goals. The IPCC estimates that to adequately finance climate change measures, between US$1.6 trillion to US$3.8 trillion is required annually, until 2030. This figure is far higher than the estimated US$634 billion available in 2019/2023 (1.5 Special Report).

The SCF Needs Report (2021) estimates the needs are in the order of US$28.2 trillion. Even then the figures in the report are potentially under-estimated because it did not cover all Parties and had methodological inconsistencies.

Also, the IPCC estimates that climate change could reduce gross domestic product (GDP) growth in Africa by 2-4% per year by 2040, and by 10-25% by 2100, compared to a no-climate-change scenarios. Additionally, annual adaptation costs in Africa have been estimated at $7-15 billion by 2020 (AfDB, 2019).

Predictability means having a clear understanding of responsibilities and burden sharing formulas between those who have the primary responsibility to provide financial resources as per Article 9.1, with a clear understanding of the delivery on progression as per Article 9.3. This is a clear gap that needs to be dealt with to allow for enhanced ambition.

Furthermore, a clear and agreed definition of climate finance and article 2.1.c are crucial for enhancing transparency and accountability. The emerging messages on finance must reflect this.

Message 3: Options to close the gap
The emerging messages must describe the opportunities and measures for closing the financing gap. These include:

- Creating a clear burden sharing mechanism between developed countries in relation to their provision of financial support;

- Clear linkages between our temperature goal, needs assessment and the scale of finance to be provided by developed countries so we can avoid low ambition finance that would lead to limited delivery from developing countries;

- Four concrete areas based on the needs-based approach needs to be taken and this entails addressing four areas critical for equity considerations covering the quantum of finance:
  i. the development context,
  ii. reforms to global finance systems;
  iii. indispensability of international cooperation; and
  iv. trust building for meaningful outcomes of the process.

  These four areas should, however, be addressed in accordance with some principles towards an equitable consideration of climate finance;

- Increased flows of finance from the MDB and DFI systems are to be multiplied by three within five years, from US$60 billion to US$180 billion, including through increased liquidity backed by Special Drawing Rights;

- Bilateral official development assistance (ODA) for climate should be doubled by 2025 from its 2019 level, from US$30 billion to US$60 billion, building on the G7 Carbis Bay commitments and the Bridgetown Initiative;

- In addressing areas that were deemed priority by developing countries, i.e. adaptation and loss & damage, target increasing adaptation finance to US$200-250bn by 2030 and loss & damage finance to US$200-400bn information;

- Curbing illicit flow of funds through promotion of transparency in the global financial system, automatic exchange of tax (AEI), double tax avoidance agreement (DTAA) and policies to curtail Illicit financial outflows from Africa;

- Addressing the impact of Response Measures on national revenue by unilateral measures like carbon border taxes, disinvesting from existing fossil fuels and not financing new operations in the global South without taking corresponding actions to end fossil fuels in the global North;

- MDB reform focusing on aligning MDB support with borrower priorities, more agile lending operations offering quick access to finance through short processing time, more responsive and targeted advice and expertise to provide technical assistance to facilitate implementation of specific projects and policy advice, and greater accountability towards borrowers and their citizens.

- Ensuring additionality and avoiding of double counting and rebranding of existing funding for development, humanitarian support and ODAs as climate finance. Having an agreed definition on climate finance and Article 2.1.c will prevent this kind of greenwashing.

Lastly, we must emphasize that the realisation of these opportunities and measures for closing the gap will help provide the policy space and the appropriate means of support for Africa and other developing countries recording the lowest progress towards achieving the SDGs to attain them and effectively pursue sustainable development consistent with pathways towards the goals of the Paris Agreement.

AFRICAN GROUP STATEMENT
Roundtable 3 – Means of Implementation (Technology & Capacity Building)
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Technology Transfer

A. *Achieving systemic transformations in pursuit of the 1.5 °C degree goal requires rapid deployment and adoption of cleaner technologies and accelerated innovation and development of new technologies, with growing access to these supported by appropriate enabling frameworks and international cooperation.*

The emerging message on technology could be strengthened by elaborating the gaps and developing country needs.

According to the IPCC AR6 (2022), adoption of low-emission and climate resilience enhancing technologies is slower in most developing countries, particularly the least developed ones majority of which are in Africa.

Implementing the ambitious NDCs that African countries have requires a sound and tailored technology development and transfer programme for key prioritised economic sectors. The African national technology systems still encounter a range of constraints including finance, technical capacities, weak collaboration and low support for promotion of in-country technology development processes.

Under the Poznan Strategic Programme many African countries have conducted and updated their Technology Needs Assessments (TNAs). However, they are still waiting for financial support to implement their Technology Action Plans (TAPs) and support the implementation of adaptation and mitigation actions in their NDCs.

But there are opportunities that can be exploited to address these barriers:
1. There is great development potential for endogenous technologies in Africa that are relevant and appropriate to the local environment, however, this is not being harness because of lack finance and technical support. The technology mechanism, particularly the Climate Technology Centre and Network (CTCN) is a great resource to developing countries under the Convention and the Paris Agreement, that should be urgently, adequately and sustainably supported financially and in other necessary ways.

2. Also, according to the AU climate change resilient development strategy and action plan (2022-2032), priority interventions on technology transfer should include:

- Supporting the design of an institutionalized national innovation system (NIS) including climate endogenous technologies.
- Developing and supporting the implementation of resource mobilization (national and international level) to implement the NIS, TAPs and support implementation of NDCs.
- Supporting the piloting and implementation of TNAs specially on common priority technologies.
- Supporting private actors' (including young entrepreneurs) access to climate finance to foster the deployment of mature technologies.

Capacity Building

B. *Capacity-building is foundational to achieve broad-reaching and sustained climate action, and requires country-led and needs-based effective cooperation to ensure capacities are enhanced and retained over time at all levels.*

Finally, on capacity building, capacity-building is country-driven and involves learning-by-doing. It also requires adequate financial, technical and technological support from international cooperation. It is essential that all African countries have the relevant technical, institutional and systemic capacities needed to deliver climate adaptation and low-emission, climate-resilient development, together with the ability to apply skills, knowledge and tools to deliver change.

I thank you, CF