Submission by the Republic of Zambia on behalf of the African Group of Negotiators: Views on the new collective mobilization goal on climate finance

Summary

1. The establishment of the new collective mobilization goal shall be based on the obligations of developed countries under the Convention and Paris Agreement related to financing, transfer of technology, and capacity building, in particular in meeting the costs of adaptation in developing countries.

2. These obligations underscore that developed country Parties are to provide scaled-up, adequate, sustainable, predictable, new and additional financial resources, mainly from public sources, to developing countries to allow their participation in the global effort to meet the goals of the Convention and its Paris Agreement. These obligations also provide for the progression of the level of support being provided and mobilised.

3. The technical process must give particular attention to the unique circumstances of Africa, noting Africa's slow progress rate in eradicating poverty and that Africa is one of the regions that contribute the least to climate change, yet is highly vulnerable and exposed to the adverse impacts of climate change.

4. Concerning the elements contained in the CMA Decision, paragraphs 15-16[i]The African Group underscores the following core elements:

    a. Establishing a new collective quantified annual mobilization goal for developed countries, taking into account the needs and priorities of developing countries, while taking into consideration Convention Article 4.7 and Paris Agreement Article 3 and 4.5;
    b. Consideration of the new goal needs to be output-based. Merely agreeing to a new goal based on what developed countries are prepared to provide will lead to limited returns and will make the multilateral climate change process redundant;
    c. The goal must recognise efforts to improve the form of climate finance, and that climate finance in the new goal shall primarily be grant-based, including through the adoption of the fundamental principles of national ownership, alignment, transparency, accountability, bearing in mind that there is no one-size-fits-all formula that will guarantee adequate climate finance;
    d. Resources needed and available to meet the goals of the Convention and Paris Agreement, in particular resources to support developing countries to implement mitigation and adaptation action to contribute to the global efforts to address climate change;
    e. Expectations of resources to be provided and mobilised by public interventions;
    f. Resources needed and available to financing the Just Transitions pathway towards low emission and climate-resilient development in developing countries, including for technology transfer, development and diffusion, capacity building and public education, awareness and training;
    g. Resources needed and available to support technology transfer, development, and diffusion;
    h. Agreement on an appropriate burden-sharing arrangement among developed country parties for the provision of financial support based on responsibility and respective capability; as well as for understanding the progression in terms of support provided and to track the fair share of each developed country Party;

i. The use of a commonly agreed operational definition of climate finance in line with the relevant provisions of the Convention, including the definition of mobilized private finance;
j. The form of the finance and instruments to be used to channel the new financial resources, including ways to avoid net incidence and increased debt on developing countries; and
k. Applying lessons learned from the USD 100b by 2020 goal, the scaling-up goal from the floor of USD 100b between 2020- 2025, and the doubling of adaptation finance goal from 2019 levels by 2025.

5. The technical assessment should identify and build on Africa's regional efforts to address climate change by emphasizing the need for international support for such efforts. These include:

   a. Africa's Climate Change and Resilient Development Strategy and Action Plan (2022-2032);
   b. Integrated African Strategy on Meteorology (2021-2030);
   c. African Green Stimulus Programme;
   d. The AU Green Recovery Action Plan;
   e. African Renewable Energy Initiative;
   f. African Adaptation Initiative;
   g. Climate Commission on the Sahel;
   h. Climate Commission on Congo Basin (CCBC);
   i. Africa Island States Climate Commission (AISCC);
   j. Africa Adaptation Acceleration Programme, and
   k. Adaptation of African Agriculture (AAA) Initiative.

Quantum of Finance Requires to meet the Convention and Paris Agreement

6. It will be crucial for the process to provide clarity on the level of support, particularly financial support, to be provided by developed country Parties to developing country Parties to allow for enhanced implementation of the Convention and Paris Agreement. In particular, concerning adaptation, as a crucial element to create the necessary conditions for enhanced participation of developing countries in the global effort to combat climate change and adapt to its adverse effects.

7. Consideration of the new goal needs to be output-based. Merely agreeing on a new goal based on what developed countries are prepared to provide over a time period will lead to limited returns and make the multilateral climate change process redundant.

8. African Ministers have stressed that the post-2025 mobilization goal must reflect the ambition, progression, and the collective agreement to stay well below 2c and aspire to stay within the 1.5c temperature goal, and therefore agrees that the deliberations on the quantum mobilization target should start from a range of a commitment by developed countries to mobilize jointly at least USD 1.3 trillion per year by 2030, of which 50% for mitigation and 50% for adaptation and a significant percentage on a grant basis from a floor of USD 100 billion, taking into account the needs and priorities of developing countries outlined in the Updated NDCs (AMCEN 2021).

9. The African Development Bank (AfDB) assessment of African NDCs (2021) identified that Africa's climate-related investments needs are estimated at USD 2 trillion over the next 30 years to reach a net-zero target by 2050. In the energy sector, the AfDB notes that a switch to renewable energy is estimated to lead to a drop in carbon emissions of 611 $MtCO_2e$ by 2050 and create 3.8

million net new jobs. It also reports that investments in adaptation are significant, as investment needs range from USD 259 to USD 407 billion between 2020 and 2030, representing an annual average need between USD 26 and USD 41 billion. Overall mitigation needs are also estimated to be approximately USD 715 billion over the same period, averaging about USD 71.5 annually. In addition, the projected loss and damage costs for Africa between 2020 and 2030 range from USD 289.2 to USD 440.5 billion in the low and high warming scenarios (less than 2 degrees and more than 4 degrees increases respectively in global temperature average). This represents an annual loss and damage need ranging from USD 28.9 to USD 44 billion.[1]

10. The AfDB also notes that climate finance flows into African countries have increased marginally since 2015. Africa's share of global climate finance flows has risen from 23% (between 2010 and 2015) to 26% (between 2016 and 2019), representing a mere 3% increase. Between 2016 and 2019, African countries received approximately USD 73 billion in climate-related development finance, with an annual average of about USD 18 billion.

Recognising Africa's Special Circumstances

11. Africa is one of the regions that contribute the least to climate change yet is highly vulnerable and exposed to the adverse impacts of climate change. The increasing challenges posed by the adverse effects of climate change, drought, land degradation, desertification, the loss of biodiversity and floods, and their negative consequences for the fight against poverty, famine, and hunger in Africa, poses serious additional challenges to the achievement of the goals outlined in the UNFCCC and its Paris Agreement, as well as the internationally agreed development goals, including the Sustainable Development Goals.

12. A 2021 Global Commission for Adaptation (GCA) report found that even if the Paris Climate Agreement goals are achieved, the economic costs of climate change in Africa are projected to be significant. The Commission suggests that Africa will experience higher relative impacts (as a % of GDP) than most other world regions, even though it is less responsible (whether historically or in the present day) for global greenhouse gas emissions than other regions. If the Paris Climate Agreement goals are missed, the economic costs will be very significant in Africa and potentially catastrophic in some sub-regions.

13. Without adaptation action, the GCA estimates that climate change will lead to an equivalent of 2% to 4% annual loss in GDP in the continent by 2040. Yet studies show that the benefits of adaptation measures are almost always more than twice the costs and often are more than five times higher. In addition, moving quickly to adapt is incredibly beneficial, with a benefit-cost ratio for early action of at least 12 to 1.

14. Agriculture generates the most jobs in Africa, accounting for nearly half of total employment, and remains a crucial source of jobs. According to Ngong 2021, agriculture is vital in Africa's economies and climate adaptation. He notes that over 50% of Africa's population is food insecure, and 280 million are malnourished. If no action is taken, climate impacts will lead to overall yield reductions of up to 30% by 2050, while extreme weather events will result in higher post-harvest quality and quantity losses, he suggests. The GCA also revealed that the cost of taking effective adaptation action in the agricultural sector (particularly in priority areas like research and extension, water management, infrastructure, land restoration, and climate

[1] It is important to note that these figures may not be exhaustive as they are based on the total cost of projects or financial requirements reported by African countries and the reported commitments by the African Development Bank (or other co-financing sources. Moreover, these figures may be underestimated due to accurate data availability challenges.

information services) is estimated at USD 15 billion per year, less than a tenth of the estimated USD 201 billion annual costs of inaction, which includes paying for disaster relief and recovery after floods. With agriculture dominating economic life in many African countries, accounting for between 30%-40% of GDP, the impact of climate change on agriculture has far-reaching consequences for African economies as a whole without accelerated adaptation action.

15. The IPCC has recognised that without scaled-up action on adaptation, it will not be possible to avoid and reduce all loss and damage from the impacts of climate change. By 2030 the economic costs of loss and damage in developing countries are expected to be between USD 290 billion and 580 billion (CAHOSSC 2021).

16. A third of African countries are at risk of a debt crisis. As of December 2020, six were already in debt distress, and 14 others were at high risk (AfDB, 2021a). In addition, the COVID-19 pandemic has had a severe impact on the health and the economy of Africa, affecting the already highly volatile markets, contracting the GDP of the continent by up to 3.4% with an estimated loss of between USD 173.1 billion and USD 236.7 billion for the years 2020–2021, thereby exacerbating the debt crisis and the adverse impacts of climate change and reducing the capacity of African countries to adapt to climate change (CAHOSSC 2021).

17. Despite its resource endowment, the African context also requires a focus on safeguarding the assets of the vulnerable and the resources the poor spend, particularly on energy. More than 600 million people do not have access to electricity, and around 900 million people lack access to clean cooking. The IEA 2019 reports that despite progress in several countries (e.g., Kenya, Ethiopia, Ghana, Senegal, Rwanda), current and planned efforts to provide access to modern energy services barely outpace population growth. It suggests that in 2030, 530 million people will still lack access to electricity, and nearly one billion people will lack access to clean cooking. As a result, they further suggest that the global population without access to energy becomes increasingly concentrated, with 90% without access to electricity and almost 50% without access to clean cooking in 2040 living on the African continent.

18. Africa possesses some of the globe's most significant potential for solar power generation. The continent receives annual average solar irradiation of 2 119 kilowatt hours per square metre (kWh/m2), with most countries across North, West, and Southern Africa receiving an average in excess of 2 100 kWh/m2 annually. IRENA estimates the continent's solar photovoltaic (PV) technical potential at 7 900 GW,3 indicating the vast potential for solar power generation. Despite the potential, utility-scale solar energy has been deployed in a few countries. IRENA estimates the technical potential of wind power generation at 461 GW4, with Algeria, Ethiopia, Namibia, and Mauritania possessing the most significant potential. At the end of 2020, wind generation capacity in Africa amounted to 6.5 GW, of which some 0.7 GW was added in 2020 (IRENA 2022).

Just Transitions

19. Africa holds significant energy resources, with estimates that fossil fuels represent around 40% of African exports. Along with other raw materials that constitute a substantial proportion of African countries' exports, fossil fuels provide revenue and reinforce commodity dependence. In the context of a low-carbon future, these and other fossil fuel-dependent countries will be increasingly vulnerable to the risks of stranded assets, in addition to the already severe effects of price volatility for internationally traded commodities (IRENA 2022).

20. The African Group believes that support for the just transition pathway is critical and that technical assessment of options to finance these transitions would be beneficial. We consider social justice an integral component to ensure the paths are just and equitable.

21. While the science calls for an urgent transition to net-zero economies, the case for African economies to sensibly do so is less clear. There are growing concerns that an abrupt devaluation of asset classes could constitute a systemic risk, create large amounts of stranded assets and set back progress made by African countries in achieving the sustainable development goals (SDGs). Recent reports from McKinsey (2021) suggested that to " decarbonize, lower-income countries and fossil fuel resource producers would spend more on physical assets as a share of their GDP than other countries—for 10.8% of GDP in sub-Saharan Africa."

22. During COP26, all Parties recognised the multiple forms and stages of Just Transitions in the Glasgow Climate Pact. Significantly, Parties stressed that Just Transitions would entail the realisation of pathways to promote sustainable development, poverty eradication, and provision of climate finance, especially in a post-COVID-19 scenario. The COP/CMA also called on Parties to ensure that just transition financing is incorporated into approaches to align climate action with the goals of the Paris Agreement.

23. Developing countries need access to scaled-up levels of new and additional and predictable grant and concessional finance, which undoubtedly could be deployed effectively to create enabling environments by beginning to buy down risks and create new asset classes for clean investments that would allow for more significant mobilization and leveraging of public and private finance and hence access the elusive and unseen trillions.

24. An uncoordinated approach to realigning financial flows incognizant of Africa-specific economic is likely to strain African financial markets further, suppress development, and restrict the practical transition to climate-resilient economies. The need to realign financial flows away from carbon-intensive to renewable energy sources is widely acknowledged as a critical step towards realising the Paris Agreement goals. Such realignments must consider the Just Transition, particularly the high transition costs resulting in unsustainable debt-to-GDP ratios and stunted economic growth. We must avoid approaches that encourage abrupt disinvestments from fossil fuels. This approach poses a threat to Africa because of the unintended impact on jobs, the economy, energy, food security, and the ability to mobilise finance. Developing countries need the development space to transition, and it should be acknowledged, respected, and supported. A transition to an environmentally sustainable, climate change resilient, low carbon economy and just society does not happen overnight. Such rash actions only tend to diminish efforts to mobilise finance.

25. Establishing just transition pathways and making financial flows consistent with these pathways will benefit Africa by increasing access to investment flows tied to the global low-carbon shift. However, given that many African economies are resource-dependent, transition risks need to be mitigated by ensuring that the realignment of financial flows follows a coordinated approach that is conscious of Africa-specific economic conditions. This would avoid straining African financial markets and suppress development, and support the practical transition to climate-resilient economies. More specifically, there is a need for a regional approach and Africa-specific guiding framework that supports the alignment of financial flows consistent with the pathway towards low emissions and climate-resilient development.

26. Managing all the different just transition flows within one unique or centralised Fund will be neither realistic nor possible nor efficient. However, there is a need to consider a leading central

role of all the different existing and operating climate change financing mechanisms. The new goal should examine a just transition finance facility or pooled mechanism. This central entity could play the role of a facilitator between the various funding sources and separate funds to address coherence in just transition financing.

Form of Finance

27. The new goal process will need to address the form of the finance available to developing countries and, in particular, address concerns that climate finance does not lead to the increased debt burden of African and other developing countries.

28. The deliberations on the new goal should make a clear distinction between 'provided finance,' i.e., finance from developed countries' public budgets to directly assist developing countries, and 'mobilised finance', such as mobilised private investments, as these two types of finance serve very different purposes.

29. Concessional finance is critical at the early stages of innovation for low emissions investments and demonstrating at scale the viability of emerging technologies that can help accelerate the just transition pathway. The form of finance is essential, mainly to avoid excessive indebtedness and ensure long-term sustainability, but also to maximise the level of concessionality and avoid crowding out the private sector/commercial finance. The current suite of financial instruments provided by climate funds and the MDBs do not sufficiently address the investments and costs required to support technological innovation that is not yet commercially viable in many developing countries.

30. The new goal assessment should recommend deploying new financial instruments, particularly non-debt instruments, policy-based guarantees, and options that do not require sovereign guarantees. These instruments should focus on the economic costs of transition risk by taking first loss risks on investments in technologies that are not yet commercially available. In addition, facilitate scaling-up through interventions that help bridge the gap to commercial project viability, mitigate risks, finance first-of-its-kind projects and support technical assistance work. These instruments need to be deployed with greater urgency under the GCF with a significant second replenishment period in 2023, but also the MDBs as part of a new round of capital contributions reflecting urgency, ambition, and increased risk appetites.

31. There is an urgent requirement to scale up the mobilization of local private capital for clean technology projects through the provision of risk mitigation guarantees (e.g., partial credit guarantee, first loss, second loss, contingent finance, and local currency lending)

32. Increasing the use of sector-specific direct-budget support as one of the range of financial instruments to support the development of national just transition pathways. Direct budget support is a vital financing modality that has, in particular, the advantage of building on national sector strategies and decentralised level development plans (municipalities, cities) and places developing countries in the driving seat of implementing the transition pathway.

33. Given the social, gender, and equity dimensions of just transition pathways, mechanisms for enhancing the distributional and social inclusion dimensions of transition processes associated with infrastructure investments are urgently required. In particular, this requires grant-based resources, technical support, advisory services, reimbursable grants to support the economic development component of the transition, particularly for SMME's. In particular, the inclusion of non-financial criteria such as local ownership, socio-economic development, and enterprise

development that are responsive to local contexts and distributional justice considerations should also be considered.

Definition of climate finance

34. The literature on the definition of "Climate Finance" is mostly in unanimity, pointing out the lack of such important needed definition for an efficient and practical common understanding, interpretation, and use of climate finance under the UNFCCC process. This lack of definition has significant impacts on tracking and assessing the fulfillment of obligations and the effective functioning of the financial mechanism of the UNFCCC. It constitutes a gap in reporting and transparency requirements. More importantly, it cannot secure that developing countries are receiving financial resources that allow them to unlock their potential and play an effective role in the global fight against climate change through emissions reduction and adaptation actions and resilience capacities and capabilities.

35. The African Group is of the view one of the main goals is to allow for tracking the fulfillment of obligations under the Convention, and its Paris Agreement and any other legal document that falls within the term obligations relates to legal obligations to provide climate finance by Annex II countries under the Convention and the same obligation on developed countries under the Paris Agreement, both constitute a cornerstone for the functioning of the climate regime, it is worth noting that the Paris Agreement has introduced the element of progression.

36. The new goal process needs to adopt a clear definition that is simple and fulfills the aim and goal of having such an operational definition within the UNFCCC process. In this regard, the Africa Group proposes the following operational definition:

    " *Climate finance is the financial resources provided by developed countries, and any other countries referred to Annex II of the UNFCCC, from public sources, in line with fulfilling their relevant obligations under the UNFCCC and its Paris Agreement, such resources are new and additional, predictable, in line with needs identified by developing countries, reflects progression, provided directly or through intermediaries, including bilateral, multilateral channels and the operating entities of the financial mechanism, or other climate-related funds, on a grant and or concessional basis, and disbursed in developing countries, with the aim of providing full support to developing countries to complement their national efforts to implement climate-related actions, including projects and programs as identified by the countries themselves, and fulfill their reporting obligations under UNFCCC and its Paris Agreement. Mobilized climate finance is the grant equivalent financial resources of other sources, including private sources and investments, using a range of financial instruments provided directly or through intermediaries, and disbursed in developing countries for mitigation, adaptation, and cross-cutting climate-related activities, projects, and programmes*."

The need for a climate and economic justice

37. Developing countries, Africa in particular, have borne the brunt of the adverse effects of climate change and have not received the required multilateral support to face the climate challenge (including for loss and damage). The global economy does not serve all people equally, and achieving sustainable development, income convergence, and development requires addressing underlying structural challenges.

38. In 2019, the OECD countries provided USD 152.8 billion in grants or low-interest loans. While such funds are vital, they pale significantly against the overall balance sheet. Low- and middle-

income countries pay USD 756 billion annually in principal repayments and USD 213 billion in interest on an overall external debt of USD 7.8 trillion. Developing countries continue to be net providers of resources to the rest of the world; illicit financial flows drain more than USD 88 billion annually from Africa alone. South-North financial flows show that G20 emerging economies transfer approximately 2.7% (USD 570 billion) of their GDP annually to developed countries.

39. As the UN Secretary-General put it, "*Let's tell it like it is: the global financial system is morally bankrupt. It favours the rich and punishes the poor.*" A fair, equitable, and just global economy is necessary for addressing climate change and the long-term goals under the Convention and the Paris Agreement. The need for global economic reform cannot be taken for granted. While outside of the UNFCCC process, it must be considered part and parcel of the overall measures related to the quantum of finance needed to support developing countries.

References

African Development Bank, 2021: Africa's NDC journey and the imperative for climate finance innovation (November); https://africandchub.org/sites/default/files/2021-11/211103_ANDC%20Hub_Africa%E2%80%99s%20NDC%20journey%20and%20climate%20finance_.pdf

African Development Bank, 2021: Africa Adaptation Acceleration Program Pillars; https://www.afdb.org/en/topics-and-sectors/initiatives-partnerships/africa-adaptation-acceleration-program/africa-adaptation-acceleration-program-pillars

African Ministerial Conference on Environment, 2021: Report of the Report of the ministerial segment of the eighteenth session of the African Ministerial Conference on the Environment; https://wedocs.unep.org/bitstream/handle/20.500.11822/37587/K2102596_EN.pdf

Akyüz, Yılmaz 2017: Playing with Fire: Deepened Financial Integration and Changing Vulnerabilities of the Global South, Oxford University Press.

Global Center on Adaptation, 2021: State and Trends in Adaptation in Africa Report 2021- How adaptation can make Africa Safer, Greener and more Prosperous in a Warming World (October); https://gca.org/wp-content/uploads/2021/10/GCA_State-and-Trends-in-Adaptation-2021-Africa_full-report_low-res.pdf

Gabon, 2021: Submission by the Republic of Gabon on behalf of the Africa Group of Negotiators (AGN) on Operational Definition of Climate Finance; https://unfccc.int/sites/default/files/resource/AGN%20Submission%20on%20Operational%20definition%20of%20climate%20finance.pdf

Global Center on Adaptation, 2021: Global Center on Adaptation releases new research on the benefits of climate adaptation for Africa (October) https://www.globenewswire.com/news-release/2021/10/26/2320549/0/en/Global-Center-on-Adaptation-releases-new-research-on-the-benefits-of-climate-adaptation-for-Africa.html

Global Financial Integrity 2015; Financial Flows and Tax Havens: Combining to Limit the Lives of Billions of People

International Energy Agency, 2019: Africa Energy Outlook 2019, World Energy Outlook Special Report, https://www.iea.org/reports/africa-energy-outlook-2019#energy-access

IRENA and AfDB (2022), Renewable Energy Market Analysis: Africa and Its Regions – A Summary for Policy Makers, International Renewable Energy Agency and African Development Bank, https://www.irena.org/-/media/Files/IRENA/Agency/Publication/2022/Jan/IRENA_Market_Africa_2022_Summary.pdf?la=en&hash=BA5F72AAA3D5995E42D9B6C10203594E679CD7A6

Mckinsey, 2022: The net-zero transition: What it would cost, what it could bring? https://www.mckinsey.com/business-functions/sustainability/our-insights/the-net-zero-transition-what-it-would-cost-what-it-could-bring

Nyong, Anthony 2021: The key to effective climate adaptation in Africa, ECDPM Great Insights magazine, Volume 10, Issue 2; https://ecdpm.org/great-insights/cop26-beyond-choice-not-chance/key-effective-climate-adaptation-africa/

O*rganisation for Economic Cooperation and Development, 2020:* "Aid by DAC members increases in 2019 with more aid to the poorest countries"; https://www.oecd.org/dac/financing-sustainable-development/development-finance-data/ODA-2019-detailed-summary.pdf

United Nations Human Rights Council, 2020: The parlous state of poverty eradication, Report of the Special Rapporteur on extreme poverty and human rights (A/HRC/44/40); https://www.ohchr.org/EN/Issues/Poverty/Pages/parlous.aspx

United Nations Secretary-General 2022: Briefing to the General Assembly, 21 January; https://www.un.org/sg/en/node/261520

World Bank, 2020; International Debt Statistics 2020; https://openknowledge.worldbank.org/handle/10986/32382

---

[i] Decides that the new collective quantified goal aims at contributing to accelerating the achievement of Article 2 of the Paris Agreement of holding the increase in the global average temperature to well below 2 °C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5 °C above pre-industrial levels, recognizing that this would significantly reduce the risks and impacts of climate change; increasing the ability to adapt to the adverse effects of climate change and foster climate resilience and low greenhouse gas emissions development, in a manner that does not threaten food production; and making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development;
Also decides that the consideration of the new collective quantified goal will be in line with decision 14/CMA.1 and take into account the needs and priorities of developing countries and include, inter alia, quantity, quality, scope and access features, as well as sources of funding, of the goal and transparency arrangements to track progress towards achievement of the goal, without prejudice to other elements that will also be considered as the deliberations evolve and taking into consideration the submissions referred to in paragraphs 17–18 below.