



East Africa Community Climate Change Technical Working Group



Scaling Up Climate Finance in East Africa: AfDB's approach

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Part I: Bank's New Climate Change and Growth Strategic Framework

New Climate Framework

African Development Bank Group



AfDB Climate Change and Green Growth Framework comprises:

1. Climate Change and Green Growth **Policy**
2. Climate Change and Green Growth **Strategy** (2021-2030)
3. Climate Change and Green Growth **Action Plan III** (2021-2025)

Climate Change and Green Growth Strategic Framework: Projecting Africa's Voice

Policy



Framing Africa's voice on CC & GG

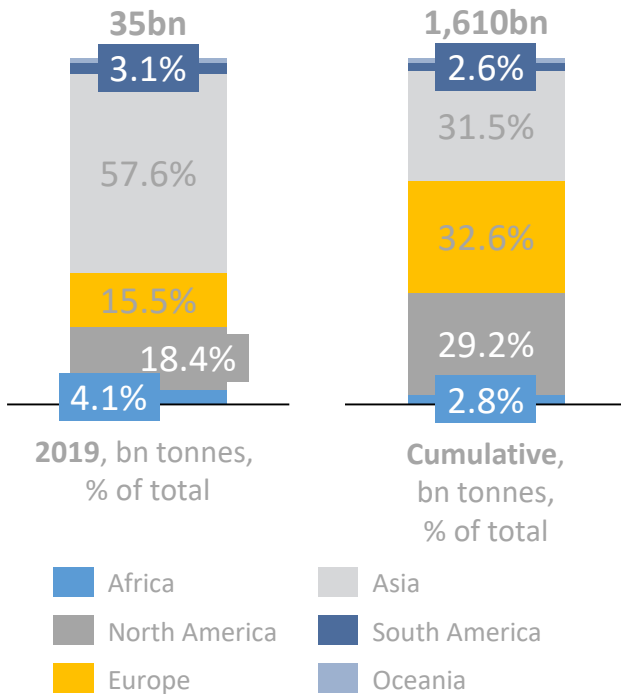
1. African nations have common but differentiated responsibilities for climate action. Achieving sustainable development pathways requires the re-targeting of efforts, financial flows and resources, taking into account national circumstances

Africa has contributed a negligible % of historical CO₂ emissions, and this remains true today¹

Yet, the continent is home to the world's largest share of populations vulnerable to climate change

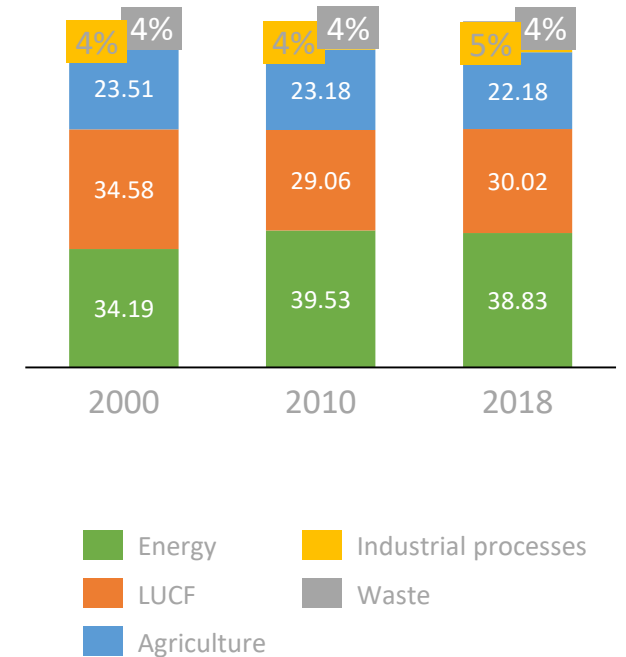
Efforts and resources must consider national circumstances

Historical CO₂ emissions per region



- Yet, today, Africa bears the brunt of Climate change impacts, a situation exacerbated by the Continent's **lower adaptive capacity**.
- While GHG emissions in high-income countries are largely driven by the energy sector, in Africa this is less than 40%; most Africa's emissions are from land use change, forestry and agriculture.
- Non-climate drivers/stressors combine with climate change to exacerbate Africa's vulnerability and further **threaten sustainable development**.
- E.g., increased **water and food insecurity** can result from changing weather patterns, while the growing prevalence of extreme weather can **damage infrastructure** and **increase human conflict and migration**.
- **Ensuring that development in Africa is sustainable is crucial** to limiting the continent's contribution to future emissions and environmental degradation. However, **doing so requires significant resources**.

Africa's GHG emissions per sector²



2. Climate finance flows remain far below Africa's investment needs, with climate adaptation and resilience largely underfunded

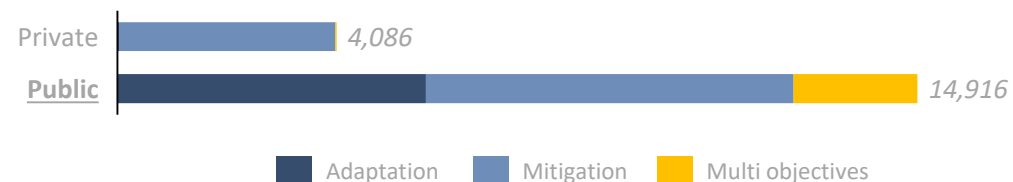
- **Adaptation investment needs for Africa** are estimated at ~US\$26-41bn per year on average **between 2020 and 2030**.¹
- **New average global mitigation investment** through to 2050 required to **achieve Paris' 1.5°C target** is estimated at ~US\$1.6-3.8tn annually for energy systems alone.² While the continent faces a lower mitigation burden than other regions, investment is required to prevent lock-in to harmful technologies.
- In recent years, sub-Saharan Africa received **only 3% of global climate finance**, i.e. **US\$19bn** in 2017/2018.
- Crucially, most global climate finance flows are directed to **mitigation (93% in 2017/2018)**, leaving climate adaptation underfunded and under-represented.
 - **Adaptation finance in Africa** represents a higher a proportion than any other region (**30% of total regional climate finance flows**). Yet, this volume is still insufficient to address needs.

The Bank has a critical role to play in: **channelling climate finance to RMCs** and **supporting them in articulating** their needs through their **NDCs/LTSs** and **mobilising resources**, especially for adaptation.

Destination of climate finance (US\$ billion)³

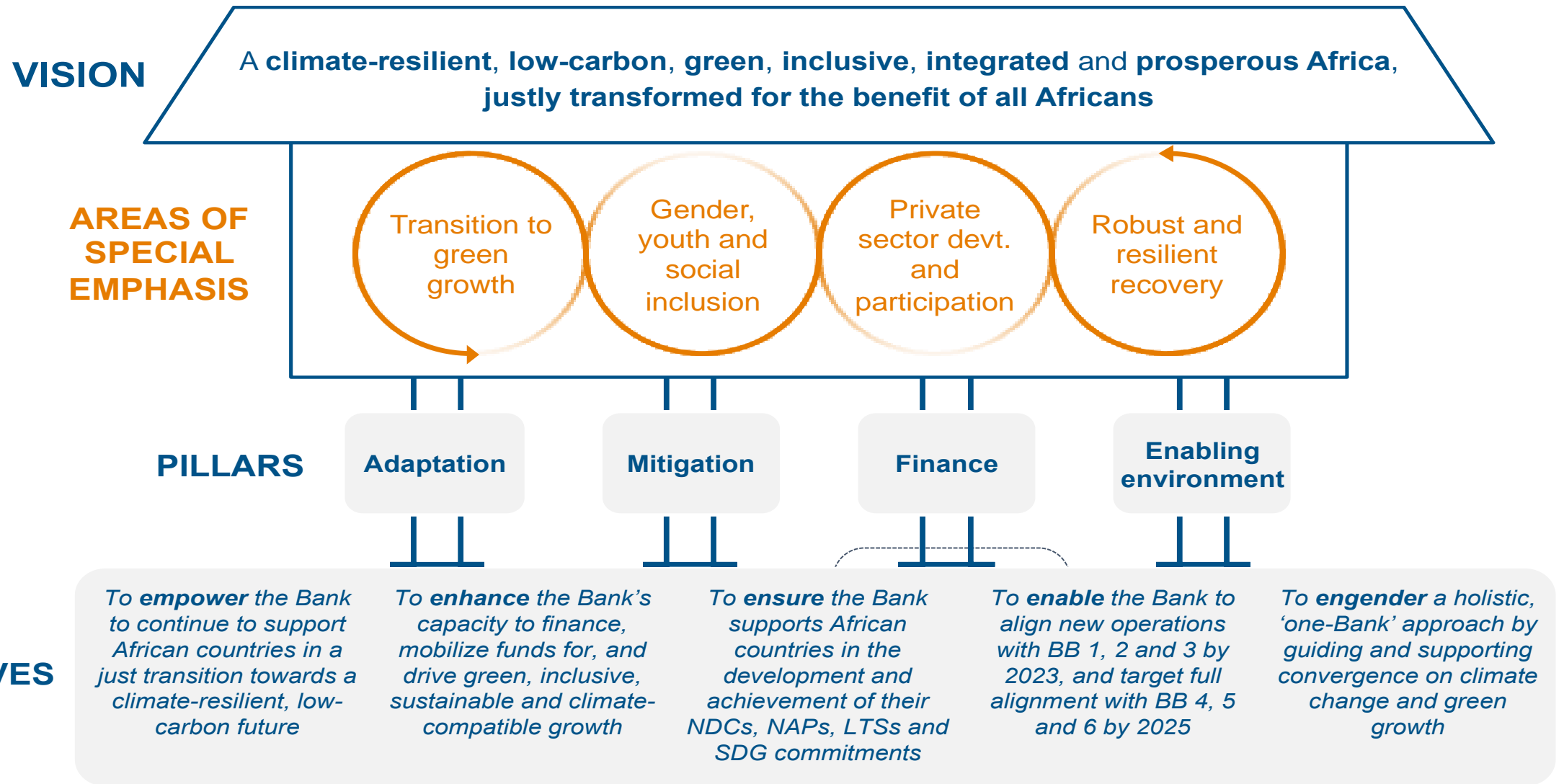


Distribution of climate finance to sub-Saharan Africa (US\$ billion)⁴



¹ Conservative estimates based on costed NDCs submitted by RMCs (40 out of 53). ^{2,3,4} Source: Climate Policy Initiative, 2017/2018 average.

1. Climate Change and Green Growth Policy | The Policy centres on four core 'pillars' of action and four 'areas of special emphasis', recognizing and building upon the Bank's comparative advantage and lessons learned



Structure of the Strategy: Strategic actions

1

RESOURCE MOBILIZATION, SPENDING AND TARGETS

With a focus on: Pursuing the **aggregate climate finance mobilization target of US\$25 billion between 2020 and 2025** within the AfDB's total allocations, and **mobilizing greater volumes from other sources**, leveraging innovative and evolving financial instruments and mechanisms



INVESTMENT PORTFOLIO AND PIPELINES

With a focus on: Giving effect to the Bank's commitment to progress **strong and visible alignment of new operations with the objectives of the Paris Agreement by 2023** and accelerating the **identification and development of bankable climate change and green growth investments**

3

CONVENING POWER, PARTNERSHIPS AND ACTIVATION OF KEY ACTORS

With a focus on: Creating **exponential impact** on CC & GG through **partnerships**, driving thought-leadership and knowledge-generation, and **making the benefits** of the AfDB's investments **more inclusive**

2

INSTITUTIONAL AND RMC CAPACITY ENHANCEMENT

With a focus on: **Augmenting** the AfDB's **staffing and technical capacity** to keep pace with the increased scope and needs, **strengthening** institutional capacity within **RMCs**, **improving** overall **MERL** and **reducing** the AfDB's **resource footprint**

4

1. Summary of key features | The Strategic Framework enables much-needed continuity

In some other key respects, the Strategic Framework enables much-needed continuity that will allow the Bank to strengthen existing momentum on already-ambitious goals:



**Formal \$25bn goal
(2020-2025)**

The Framework formally espouses the Bank's commitment to mobilise \$25 billion in climate finance between 2020 and 2025, despite COVID-related global disruptions.



**40% annual climate
finance allocation**

The Bank firmly reaffirms its intent to ensure that at least 40% of all its annual allocations can be identified and reported as climate finance using the MDBs' climate finance tracking methodologies.



+50% adaptation goal

The Framework underscores the centrality of climate change adaptation in Africa by requiring the Bank to spend at least half of its climate finance allocation on climate adaptation and resilience.



Shift away from coal

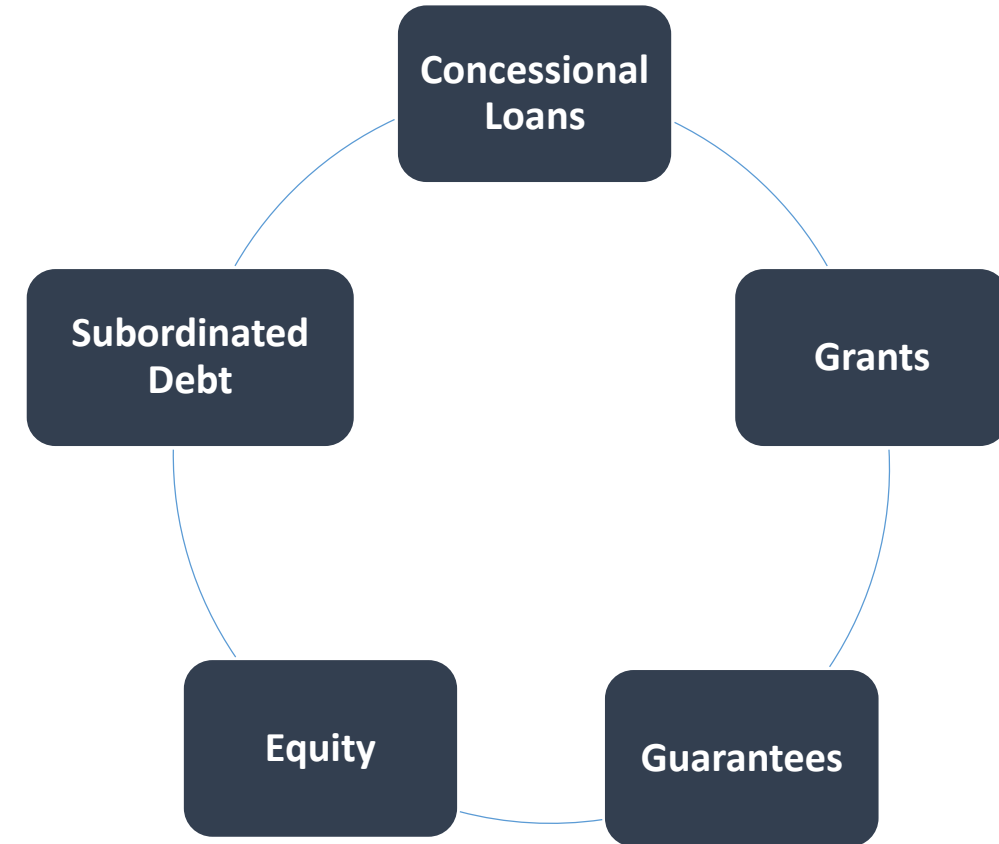
Whilst the Bank's leadership has already indicated that investments in coal will cease, the Framework establishes this as the Bank's formal position.

The formalization and re-commitment to these targets reflects extensive consultation on the level of ambition of these goals.

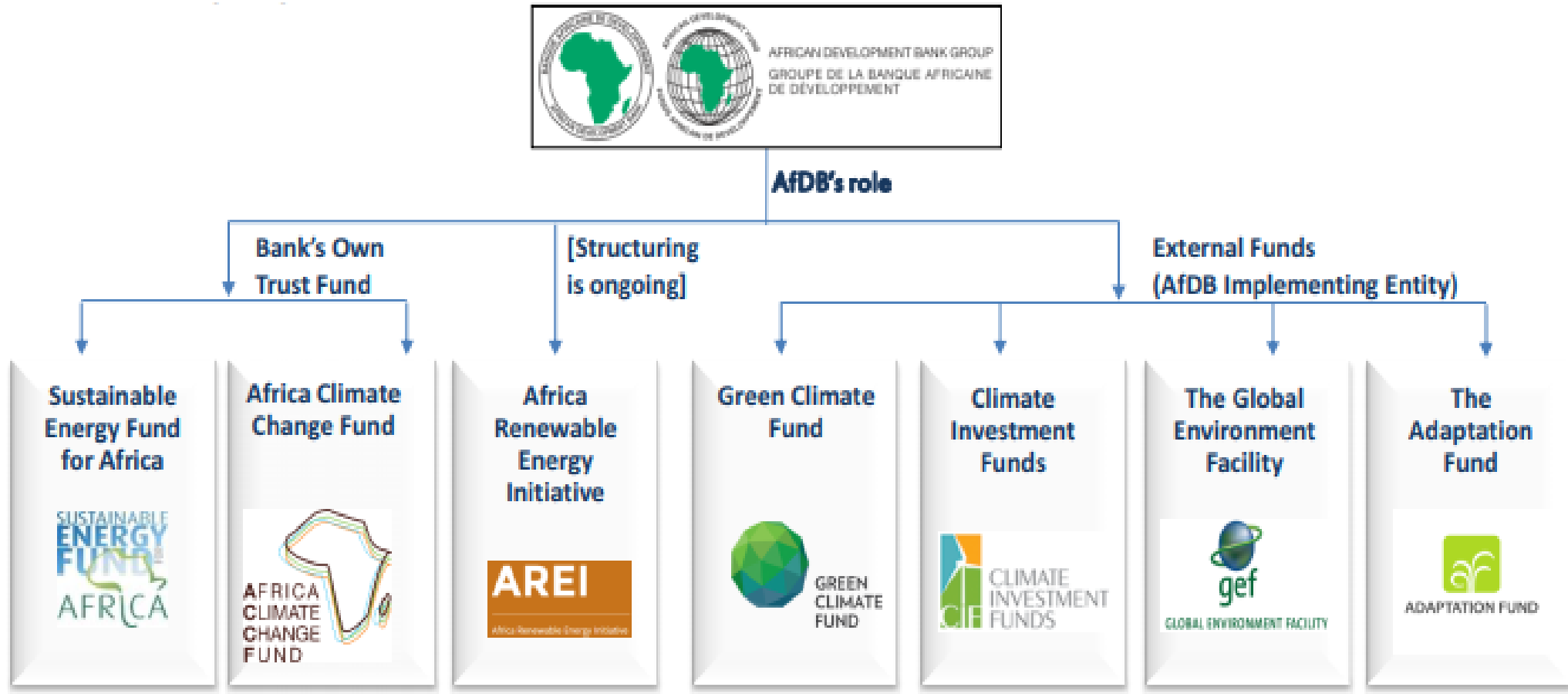
Part II: Financing climate-informed development in Africa

Climate Finance Instruments

- **Public sector finance:** mostly in form of:
 - equities, loans (concessional), and grants.
- **Private sector finance:** comes in form of:
 - investment funds, carbon finance markets, capital markets, debt, equity
- **Innovative financial and products:**
 - risk guarantees to manage or mitigate risks, results-based financing, co-financing schemes, loan guarantees, lines of credit, special purpose vehicles.
- Disaster risk insurance



Climate Funds in the Bank



Africa Adaptation Acceleration Program

Through the AAAP, AfDB and GCA will leverage an additional \$12.5 billion (\$12.5 billion already committed by AfDB) to accelerate climate change adaptation in Africa through its collaboration with the GCA

Climate Smart Digital Technologies for Agriculture and Food

That will **scale-up uptake of climate-smart digital technologies**, and associated data-driven agricultural and financial services, for **at least 30 million farmers** in Africa by 2025, leading to **increased food security** for at least 10 million people in **26 Least Developed Countries (LDCs)**. countries through policy reforms.

African Infrastructure Resilience Accelerator

That will **scale up investment** at national and city level for **climate-resilient infrastructure** in **key sectors** such as **water, transport, energy, and waste management**, to at least \$7 billion and **integrate resilience in up to 50%** (by value) of **new infrastructure projects**

Empowering Youth for Entrepreneurship and Job Creation in Climate Adaptation and Resilience

Unlock finance for 10,000 youth-led green enterprises (50% women) and promote **sustainable job creation for 1 million youth** directly through capacity development and innovation for action on climate adaptation and resilience in Africa.

Innovative Financial Initiatives for Africa

Coordinate with the other three Pillars and **together increase financial flows for adaptation and resilience to Africa** by \$12.5 billion by 2025 to complement the \$12.5 billion commitment of the African Development Bank.

Building upon the GCA's State and Trends in Adaptation 2021 Africa Report & its key priority areas:

- Mainstreaming adaptation into key sectors: Infrastructure, Agriculture, Cities
 - Dramatically increasing financial support for adaptation;
- Harnessing the power of the private sector, strengthening gender and youth participation;
 - Improving hydrological and meteorological (hydromet) services.

AAAP Financing Facilities



Upstream AAAP Facility at GCA

- Project Preparation
 - Climate Risk Assessment
 - Adaptation and Resilience Investment Options
- Technical Assistance
- Policy Dialogue

2025 goal:
Mobilize US\$ 12.5 billion to
accelerate and
scale climate
adaptation action
in Africa

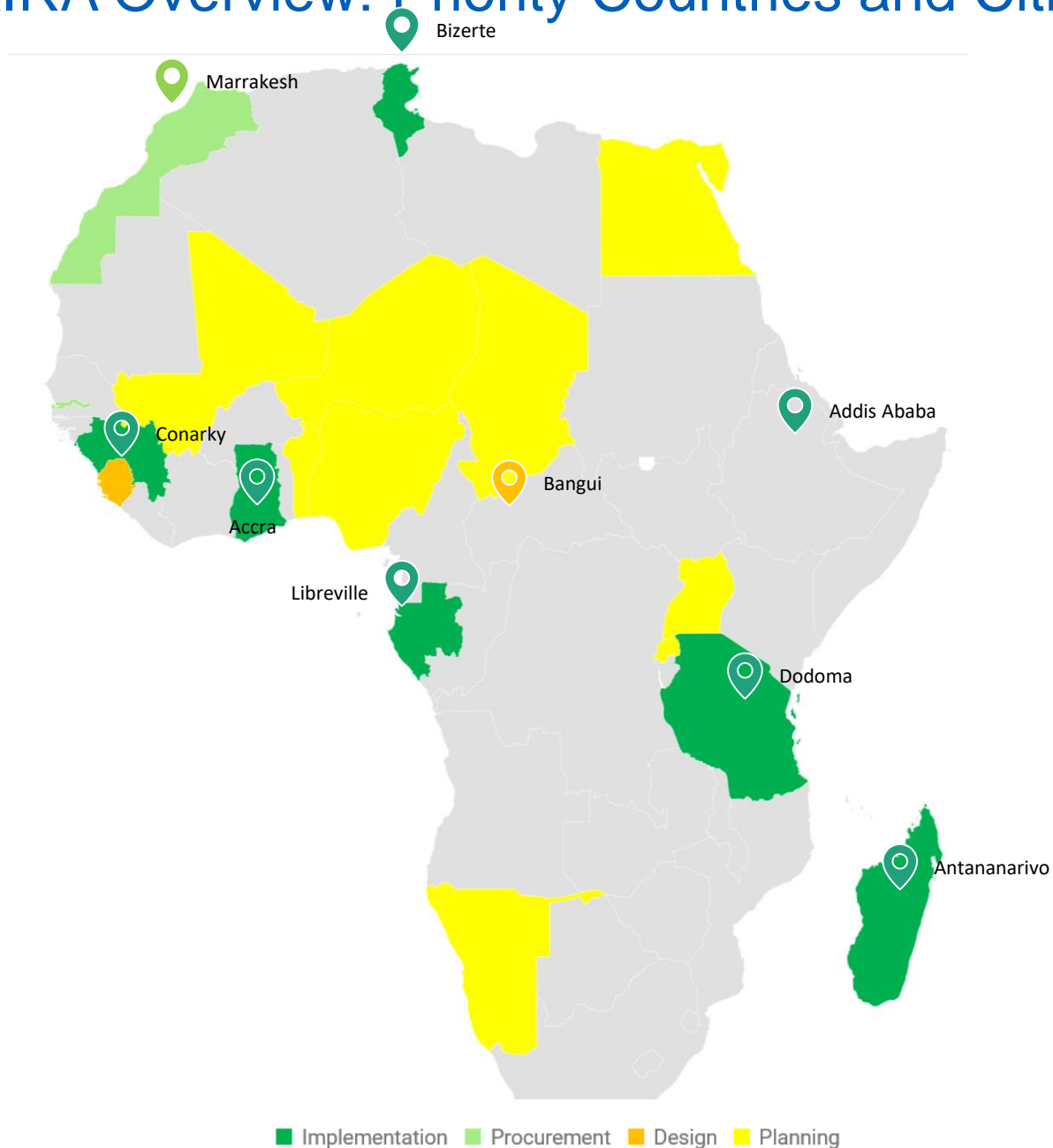
Downstream AAAP Facility at AfDB

- TA Grants & Policy Dialogue
- Debt financing
- Equity
- Guarantees and performance-based guarantees

AIRA Overview: Priority Countries and Cities 2021-2022



GLOBAL
CENTER ON
ADAPTATION



National level climate portfolio:

- Gabon 2021
- Cameroon 2021 *delivered*
- S Africa 2021
- Tunisia 2021
- Ghana 2021 *delivered*
- Morocco 2022
- Ethiopia 2022
- **Rwanda 2022**

AfDB/GCA collaboration

- Addis Ababa 2021
- Antananarivo 2021 *delivered*
- Bizerte 2021 *delivered*
- Conakry 2021 *delivered*
- Libreville 2021 *delivered*
- **Dodoma 2021 *delivered***
- Accra 2021 *delivered*
- Marrakesh 2022
- Bangui 2022

Going Forward



- Need for deliberate **approaches for accessing and scaling-up climate finance** flows for projects and programs
 - *A shift from “being helped” to “being a partner”*
 - *Developing a pipeline of bankable projects for climate finance*
- **Adaptation finance** remains a priority for African countries and for the Bank
 - Analysis of the Bank’s pipeline for adaptation-related activities, components or projects across different sectors
 - Early engagement with the Bank on resources for upstream analysis and climate finance proposals
 - Good knowledge of different climate funds and access/eligibility modalities is crucial for overall success.



THANK YOU

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