

“Needs-based Finance (NBF) Project”

ECOWAS Climate Finance Analysis of Strengths, Weaknesses, Opportunities, Threats

JULY 2021

For this analysis, findings from ECOWAS member states' plans and strategies, as assessed in the technical annex, were reviewed to summarize the strengths, weaknesses, and opportunities of, as well as threats to climate finance access and mobilization in the region. The below tables show the results of this assessment and present recommended actions to effectively address and enhance the status quo.

Table 1: Strengths and actions to enhance strengths

Strengths	Strength type
Existence of policies, programmes, projects, and strategies at the regional and national levels related to climate change both in mitigation and adaptation	Political, normative
Well established development finance institutions (DFIs) and non-DFIs	Institutional
Existence of specialized regional technical and financial institutions dedicated to climate change issues	Institutional
Existence of national funds designed for climate finance resource mobilization and disbursement	Political, institutional
Existence of national and regional institutions accredited to the AF, GCF, and GEF	Institutional
National experience in establishment of green bonds (Nigeria and Cabo Verde)	Legal, regulatory and institutional
Development of a maritime platform dedicated to financial instruments for a sustainable blue economy	Legal, institutional
Established the West African Alliance on Carbon Market and Climate Finance (WAA)	Legal, regulatory and institutional
Built capacity on the topic of carbon pricing	Legal, regulatory and institutional
Existence of initiatives to establish a carbon tax in several member states (Senegal, Côte-d'Ivoire, Mali, Burkina Faso, Togo)	Legal, regulatory and institutional
Experience with carbon pricing (Cote d'Ivoire, Senegal, and Mali) and broadening interest in carbon pricing (Ghana, Guinea, Guinea Bissau, Nigeria)	Legal, regulatory and institutional
Well-trained human resources in the field of climate finance	Technical
Actions to enhance strengths	
<ul style="list-style-type: none"> • Update policies, programmes, projects, and strategies at the regional and national levels related to climate finance regularly, where necessary; • Strengthen the capacities of development finance institutions and non-DFIs in climate finance mobilization; • Promote, strengthen and scale up beneficial regional climate finance initiatives, institutions and mechanisms; • Build the knowledge and preparation of well-trained human resources to foster the mobilization and leverage of climate finance; 	

- Facilitate peer-to-peer learning between countries on the topics of green bonds and carbon pricing;
- Build on CIACA initiative fostering cooperation and knowledge exchange on carbon tax;
- Promote blending of carbon tax and other market mechanisms/instruments, such as adaptation-based mechanism being developed by AfDB.

Table 2: Weaknesses and actions to mitigate weaknesses

Weaknesses	Type of weaknesses
Slow progress towards the adoption of a single currency among ECOWAS member states and limited institutional and financial management capabilities	Political
Insufficiency of knowledge or experience in climate project development	Human resources
Few financial institutions with expertise in climate finance	Institutional, technical
Few financial institutions accredited to the AF, GCF, and GEF	Institutional
Lack of knowledge on the various climate funds and capacity to access those funds	Institutional, technical
Insufficient technical capacity for accessing financial sources from multilateral organizations	Technical
Low intra-regional trade	Political
Weak articulation of diverse key actors in climate finance activities, particularly the private sector	Political, institutional
Lack of investment readiness among entrepreneurs and investees	Technical
Unpredictable policy environments	Political, legal
Difficulty of raising capital locally and mobilizing climate finance on a local level	Technical, institutional
Lack of understanding and trust in climate finance potential and goals, particularly among the private sector	Political, institutional
Lack of a climate finance strategy in most ECOWAS member states	Political
Few countries with completed or approved projects under the Capacity-building Initiative for Transparency (CBIT)	Institutional
Scarcity of data on domestic public climate finance and fragmentation of these data where they are available	Institutional
Lack of national mechanisms for track international public climate finance flows from bilateral and multilateral contributions	Institutional
Lack of data and mechanism to track private finance flows to climate-related investments	Technical, institutional

Lack of mechanism to track financial flows received by NGOs	Legal, institutional
Lack of data and tracking mechanism for CDM projects on a regional level	Technical, institutional
Lack of an MRV system to measure, report and verify climate finance, mitigation, and adaptation action	Institutional
Actions to mitigate weakness	
<ul style="list-style-type: none"> • Conduct trainings and the development of knowledge to promote the mobilization and leverage of climate finance, including: <ul style="list-style-type: none"> i. Technical training for governmental and non-governmental actors in the identification, preparation and management of climate projects, ii. Training for staff of banking and financial institutions in climate finance, iii. Training for decision makers in climate finance policies and economic opportunities of climate finance; • Increase significantly the number of the financial institutions accredited to the AF, GCF, and GEF; • Build capacity among project developers on the access requirements of climate funds (AF, GCF, GEF) • Promote greater understanding among and participation of private sector and other key actors in the provision of climate finance and development of climate finance projects in line with national and regional priorities; • Ensure involvement of micro-finance institutions on local level in project development and finance mobilization to build capacity and increase access to climate finance on the local level; • Enhance capacity and mechanisms at national and regional level for the coordination among public institutions regarding climate action and climate finance mobilization; • Promote investment readiness among entrepreneurs and investees; • Promote mechanisms to track financial flows received by NGOs ; • Review existing legislations, fiscal, investment, and regulatory policies to ensure they are facilitative to climate action and contribute to the mobilization of climate finance; • Apply effective legislation and regulation to enable investments in climate projects; • Set up tracking mechanisms for <ul style="list-style-type: none"> i. Domestic climate finance flows, ii. International public climate finance flows from bilateral and multilateral contributions, iii. Private climate finance flows, iv. Projects related to carbon market mechanisms; • Develop and implement national and regional MRV systems to effectively measure, report and verify climate finance, mitigation adaptation actions; 	

Table 3: Opportunities and actions to take advantage of opportunities

Opportunities	Type of opportunities
Existence of international financial mechanisms (GEF, GCF, AF, CIF, etc.)	Financial
Existence of international initiatives providing technical support, such as CBIT, Initiative for Climate Action Transparency (ICAT), West Africa MRV Programme, etc.	Capacity building
Existence of international climate change and forest governance initiatives (REDD+, FLEGT)	Political, technical
Advent of the African Continental Free Trade Area (AfCFTA) that entered into force on 1 January 2021	Legal
Existence of GCF readiness programme, designed to strengthen institutional capacity	Capacity building
Existence of initiatives facilitating the establishment of tracking mechanisms, such as the Climate Public Expenditure and Institutional Review (CPEIR)	Institutional
Establishment of the Central Banks and Supervisors Network for Greening the Financial System (NGFS)	Institutional
Actions to take advantage of opportunities	
<ul style="list-style-type: none"> • Build capacity on climate funds' eligibility criteria, access requirements, and application procedures among public and private financial institutions; • Promote climate change and forest governance initiatives; • Promote the participation of ECOWAS member states in the initiative of the Climate Public Expenditure and Institutional Review (CPEIR); • Promote the participation of ECOWAS member States in climate initiatives (Initiative for Climate Action Transparency (ICAT), West Africa MRV Programme, The West African South-South Network on MRV and Transparency, etc.) • Scale up the practice of the Central Banks and Supervisors Network for Greening the Financial System (NGFS), by encouraging central banks of the region to become part and fulfill requirements of the network. 	

Table 4: Threats and actions to face threats

Threats	Type of threats
Lack of access of finance for businesses, especially SMEs and high operating costs due to lack of awareness of financing options, high risks leading to high collateral requirements, inability to meet investor requirements, lack of professional operational and governance mechanisms	Technical
High taxation rates and administrative burdens related to paying taxes decreasing ease of doing business	Regulation, policy.
Actions to defend against threats	

- Promote transparency on the management of companies, including through the continuous improvement of governance and the systematic practice of the external audit of companies accounts
- Reinforce the practice of monitoring-evaluation and audit of companies
- Apply effective legislation and regulation to facilitate doing business and lower investor risk;
- Creation of a regional funding mechanism to support national banks in accessing climate finance.

From the analysis of the results produced by the SWOT analysis, and the actions that are proposed, five strategic areas were obtained to form the scheme of the Financial Strategy:

1. Enhanced enabling environment for mobilizing funding and catalyzing private investment;
2. Capacity-building for developing and implementing mitigation and adaptation projects;
3. Enhancing capacity and mechanisms at national and regional levels for the coordination of climate finance;
4. Identifying and mobilizing effective, innovative and appropriate financing for priority climate action;
5. Strengthening and developing measurement, reporting and verification systems for means of implementation.