

Southern African Development Community (SADC) Climate Finance Flows



SADC Climate Finance Flows

- I. Regional Perspective
- II. Data availability
- III. International Public Climate Finance
 - a) Total Climate Finance (principle and significant)
 - b) Funding Channels, Main Contributors
 - c) Financial Instruments
 - d) Themes (Mitigation, Adaptation, Cross-Cutting)
 - e) Sectors
- IV. Clean Energy Investment
 - a) Technologies
 - b) Lenders



Regional perspective

Regional Narrative

- Sustained economic growth over the past decade
- Access to clean water ~ 40%; Access to energy ~ 50%
- Fossil fuel share of electricity sources ~ 90%
- Expected population growth to over 500 million in 2050 (compared to 337 million in 2017)
- Climate vulnerability: particularly variability of rainfalls leading to droughts or flooding

Regional barriers

- Poverty and Inequality
- Unemployment
- Infrastructure backlogs
- Human capacity and skills
- Institutional capacity

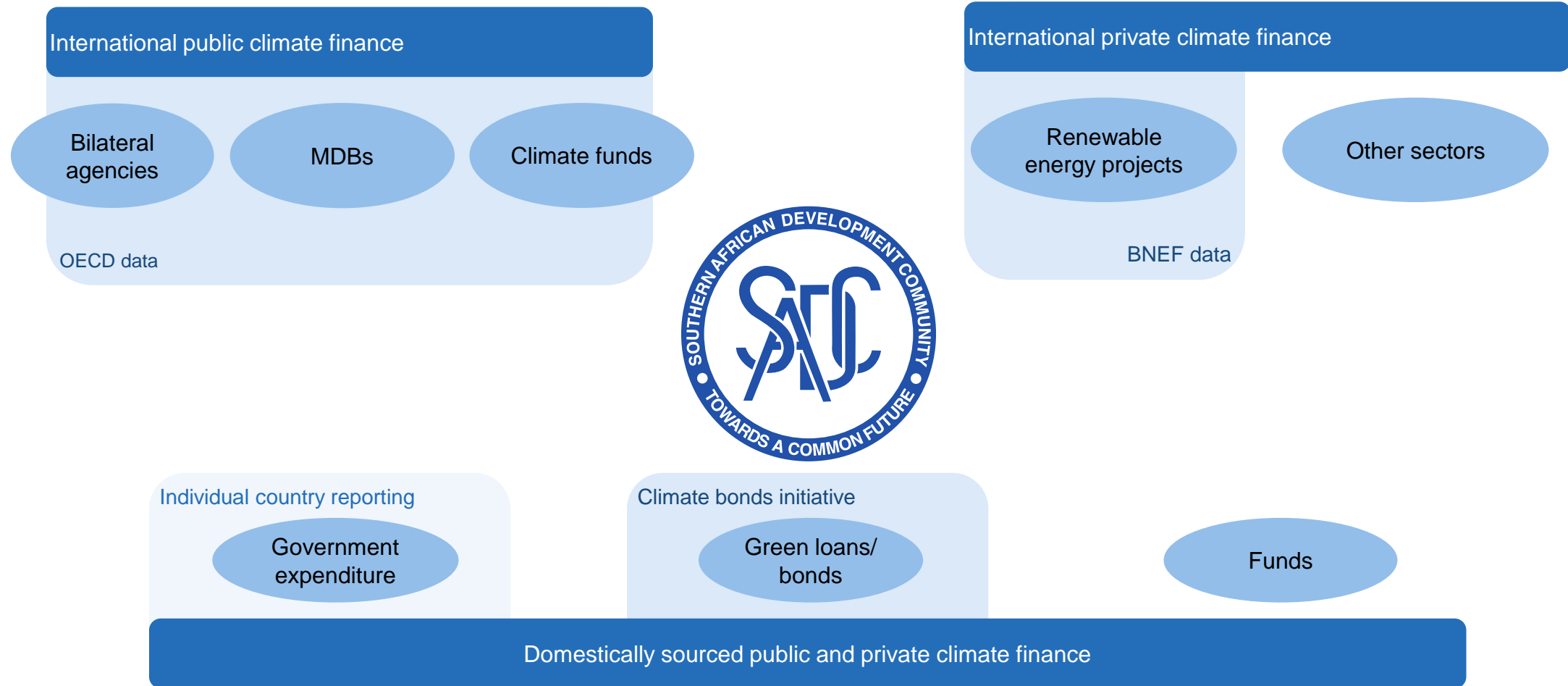


Member States

Angola,	Eswatini,	Mauritius,	South Africa,
Botswana,	Lesotho,	Mozambique,	Tanzania,
Comoros,	Madagascar,	Namibia,	Zambia,
Dem. Rep. of the Congo,	Malawi,	Seychelles,	and Zimbabwe



Data availability for existing climate finance flows

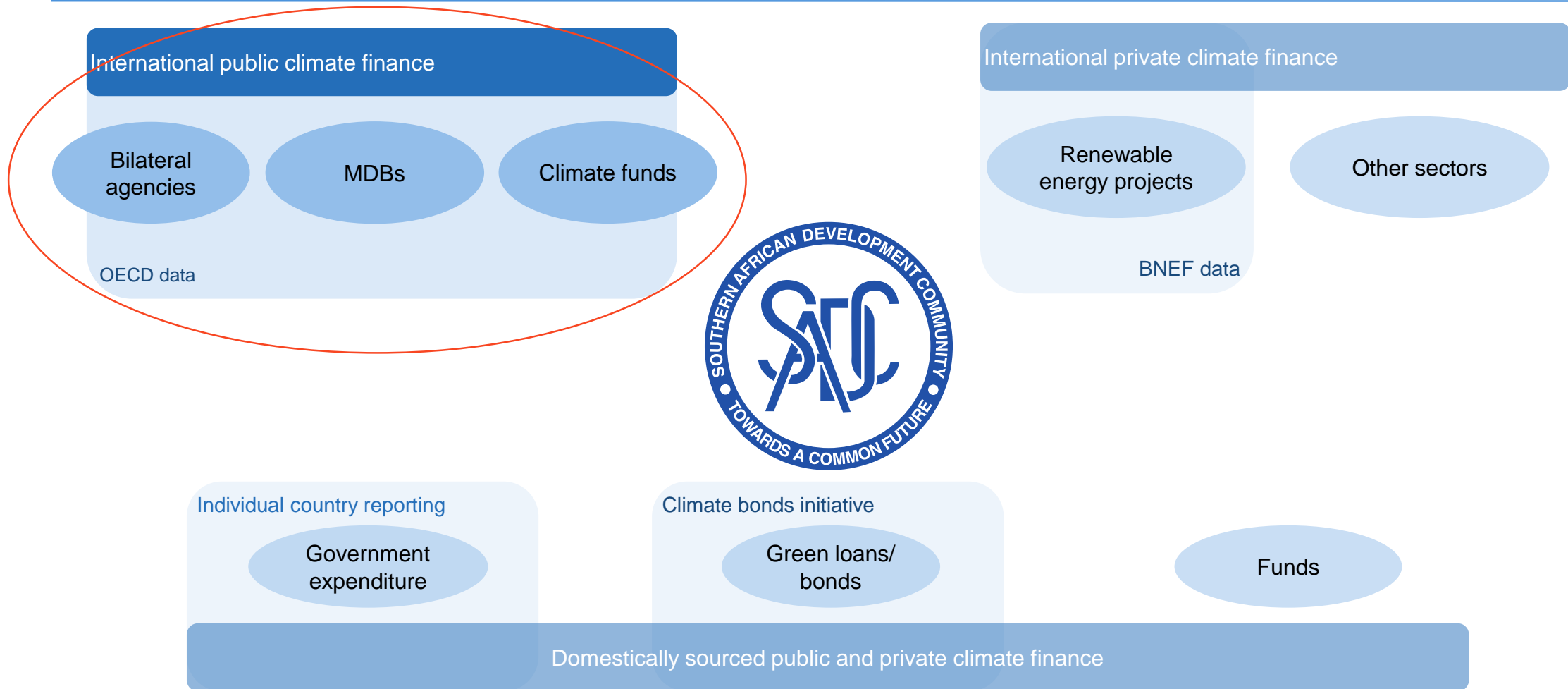


OECD: Climate-related development finance, reported by OECD DAC members

BNEF: Bloomberg New Energy Finance



Section I - International public climate finance

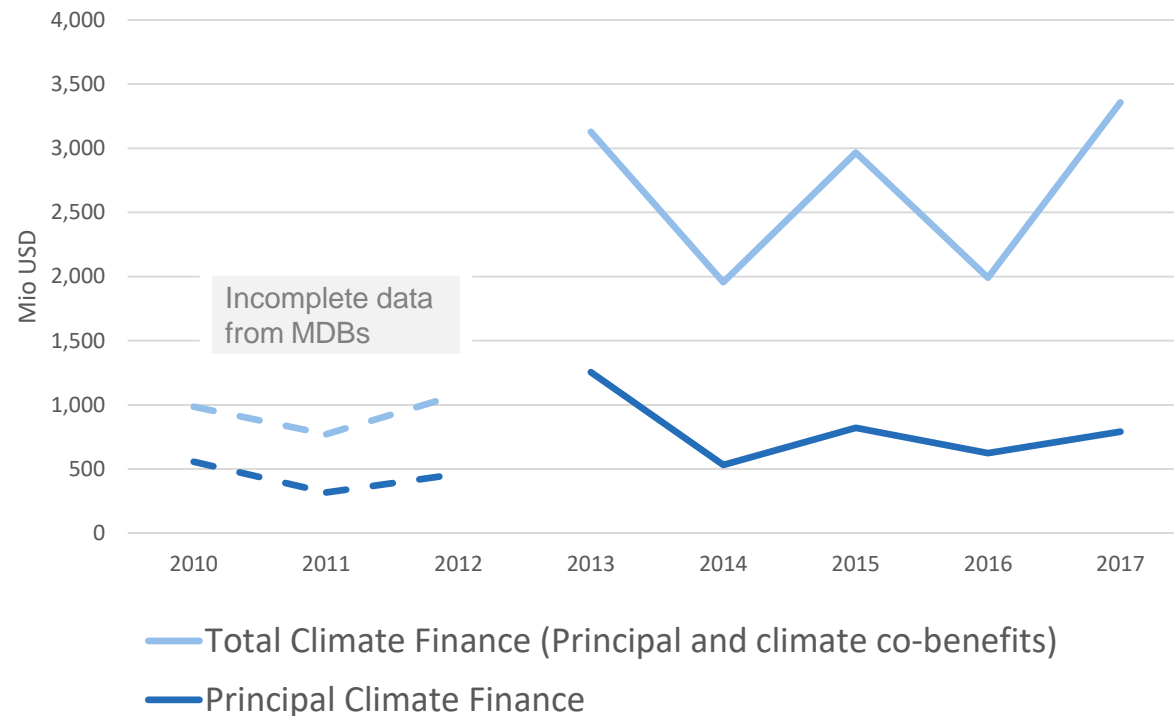


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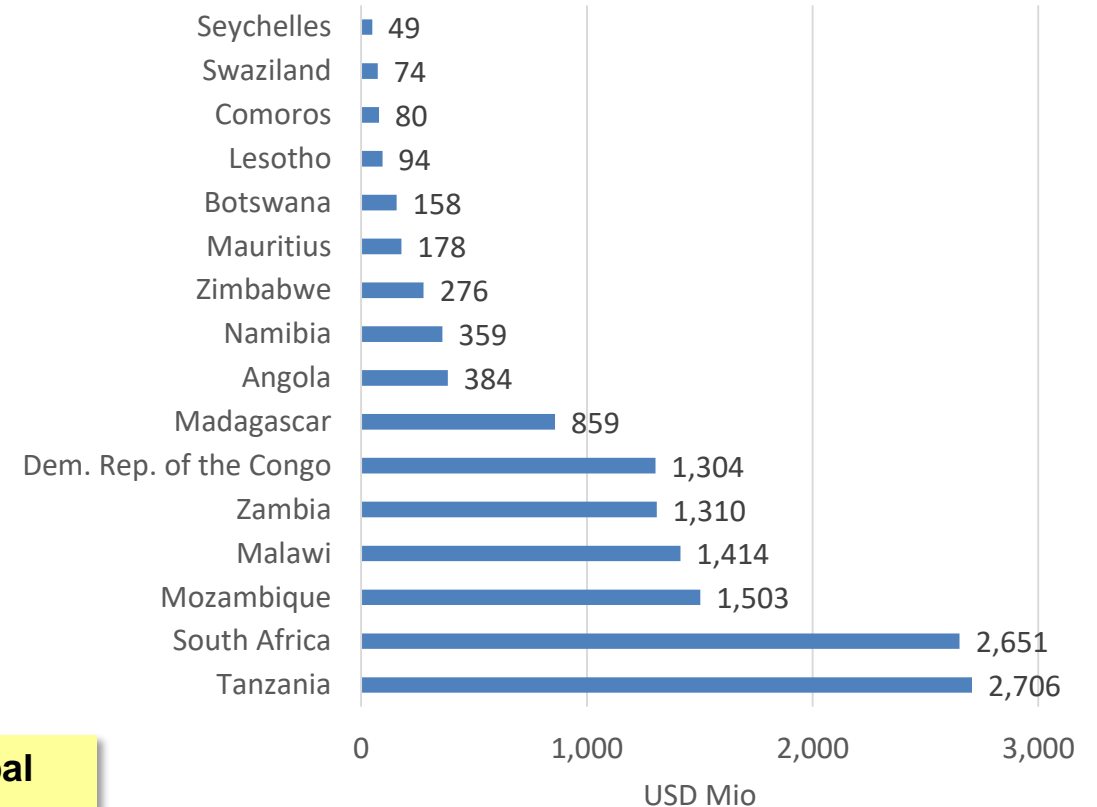


Total Climate Finance Inflows 2010 - 2017



- The average finance inflow to the SADC region with **climate as a principal objective** was **804 million USD/year** between 2013 and 2017
- Including development projects with **climate as a co-benefit**, the average was 2 billion USD/year
- Total CF inflow to the region, 2013-2017: **13.4 billion USD**

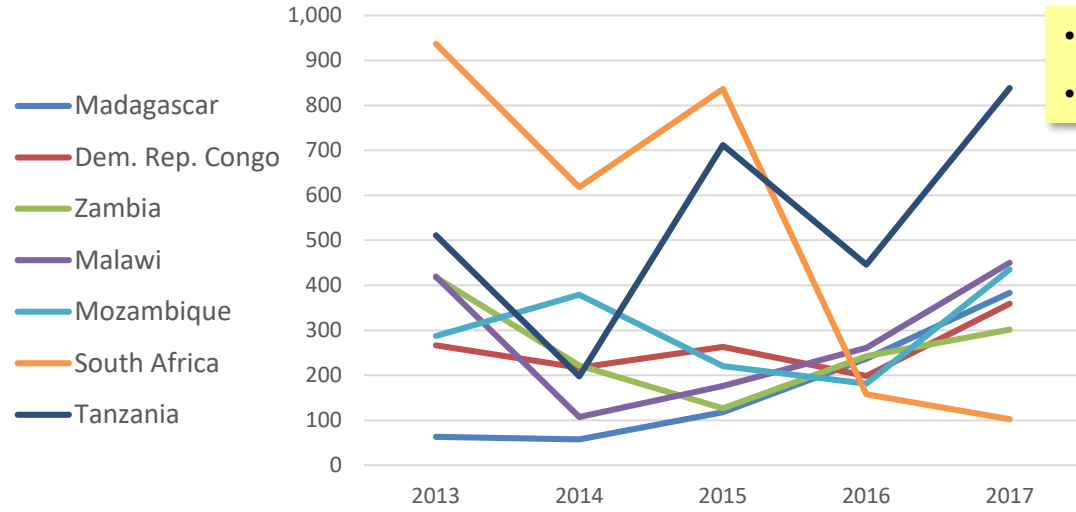
Total Climate Finance Inflows 2013-2017



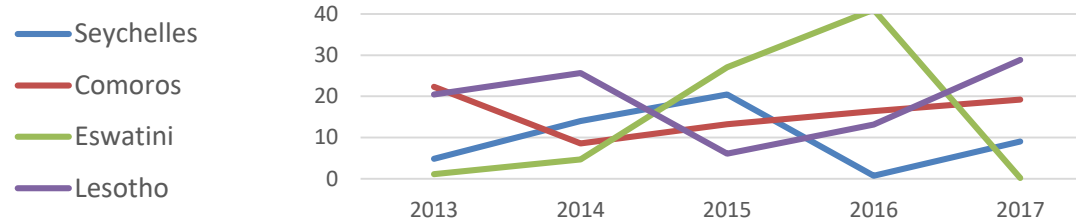
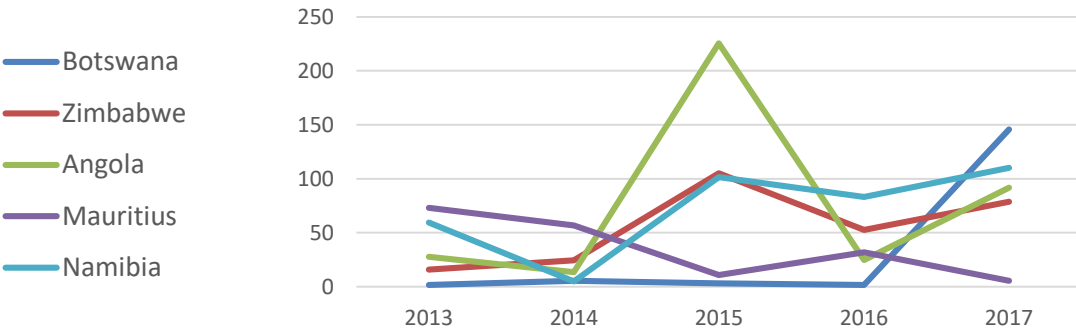
- The three main recipients of public CF in the region are Tanzania, South Africa, and Mozambique



Climate Finance Inflows by Country – 2010-2017

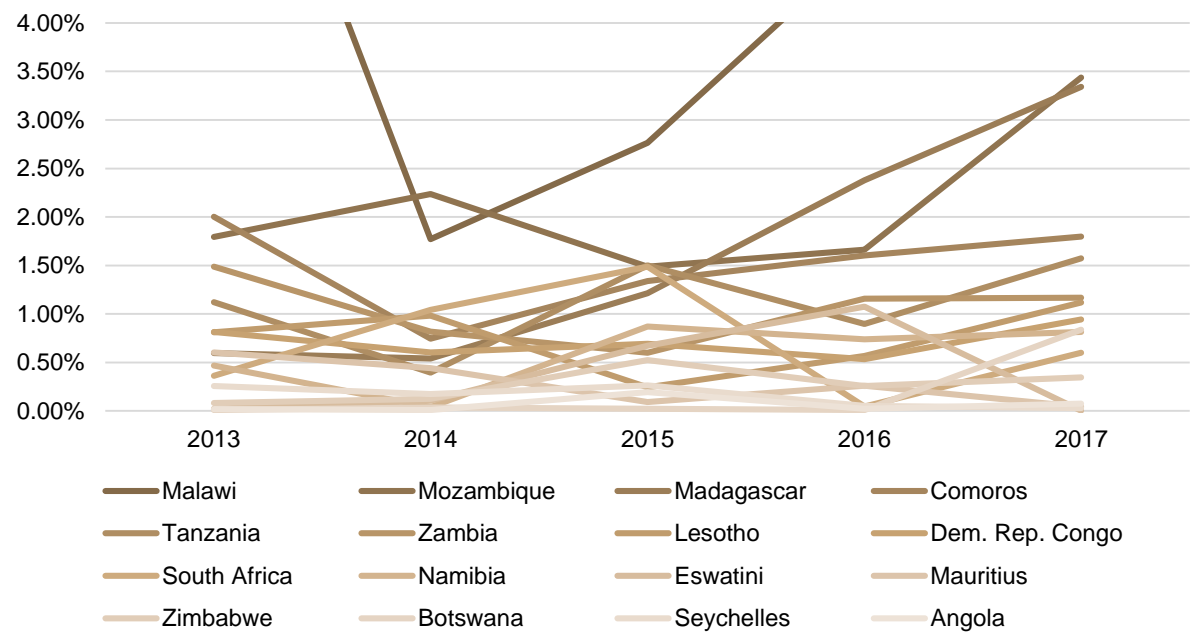


- Yearly fluctuations are high and heterogenous across countries
- Slightly increasing trend of principal CF inflow in most countries

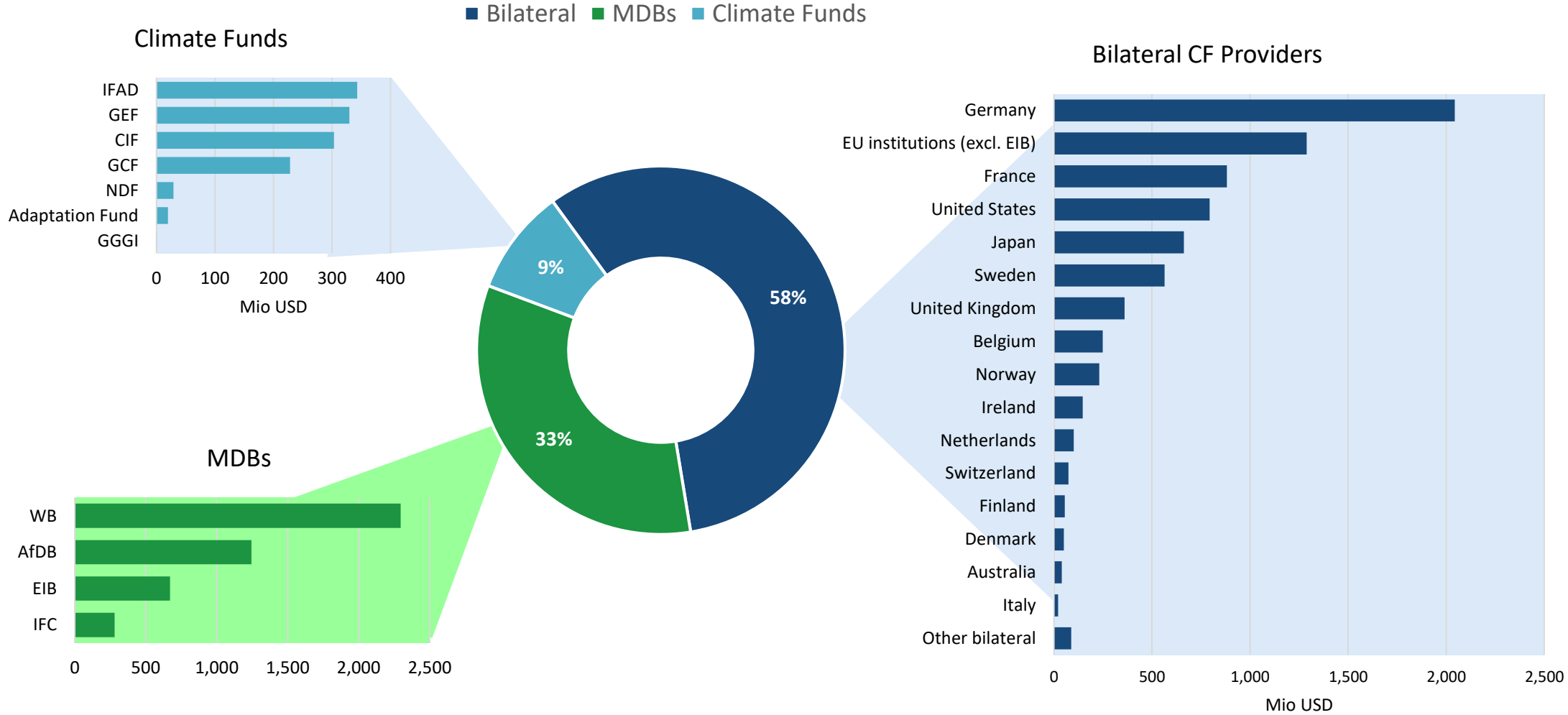


- Trend less clear when looking at CF as percentage of GDP
- The countries receiving the most CF relative to their GDP are Malawi (avg. 4.8% of GDP), Mozambique (2.12%), Madagascar (1.61%)

Total CF, Percentage of GDP

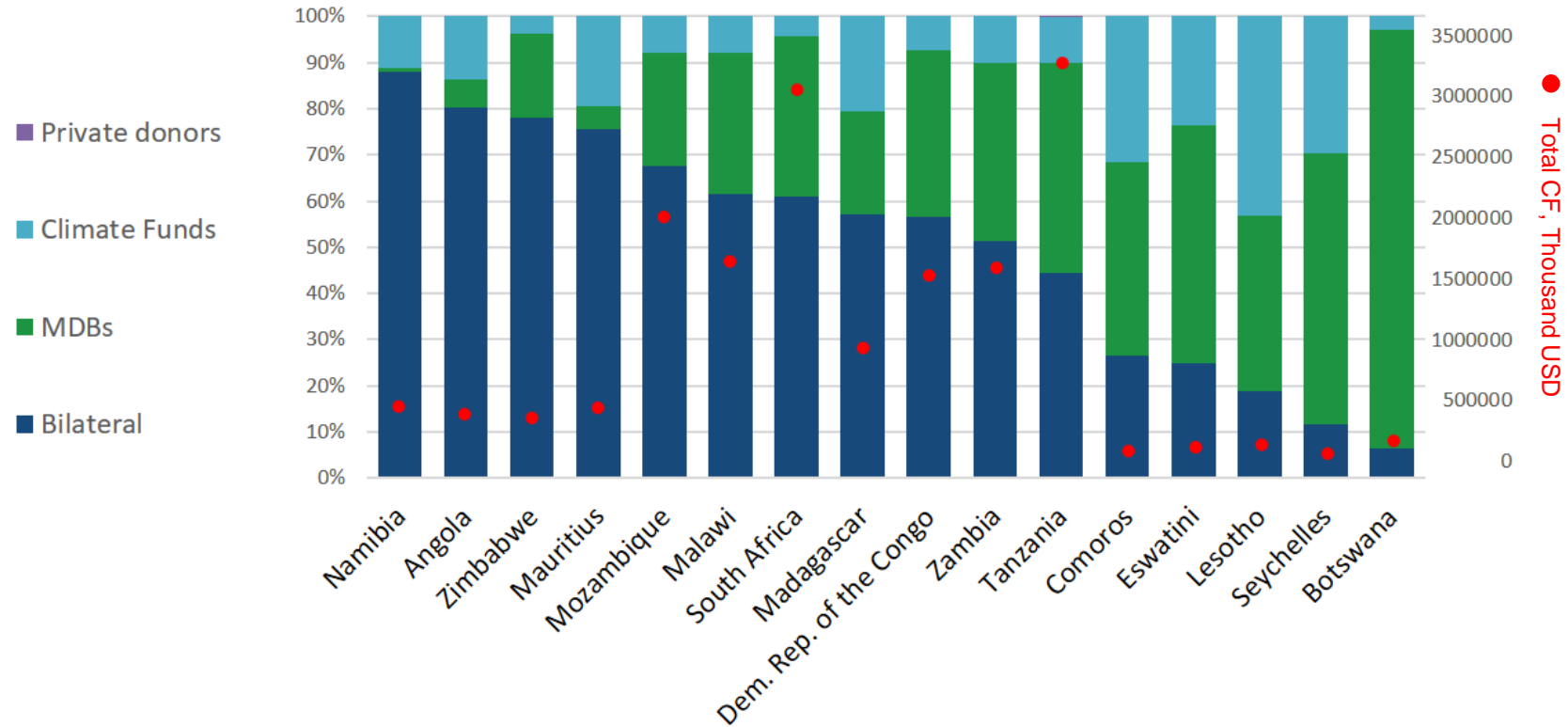


Funding Channels, Main Contributors – SADC Region



Source: OECD

Funding Channels by Country

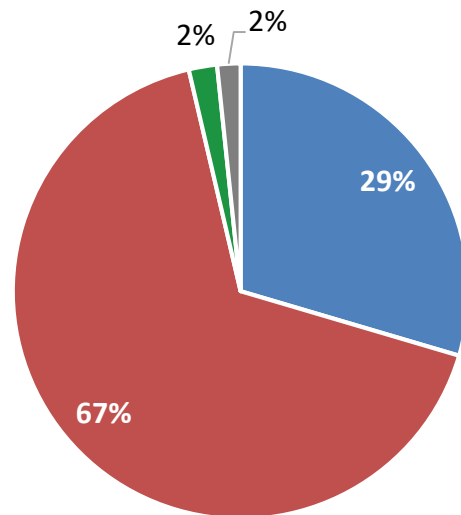


- Strong variance of main provider types between countries
- Countries receiving less overall CF rely more heavily on one provider-type

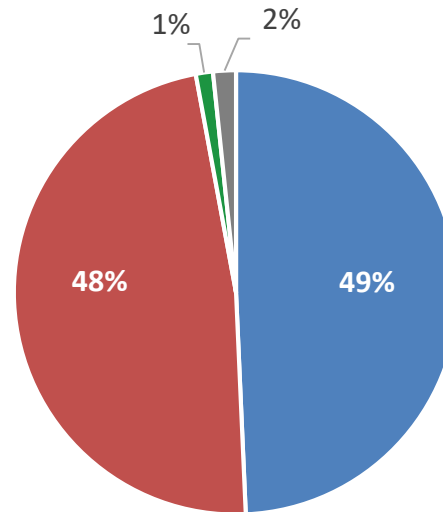


Global climate-related development finance by Financial Instruments

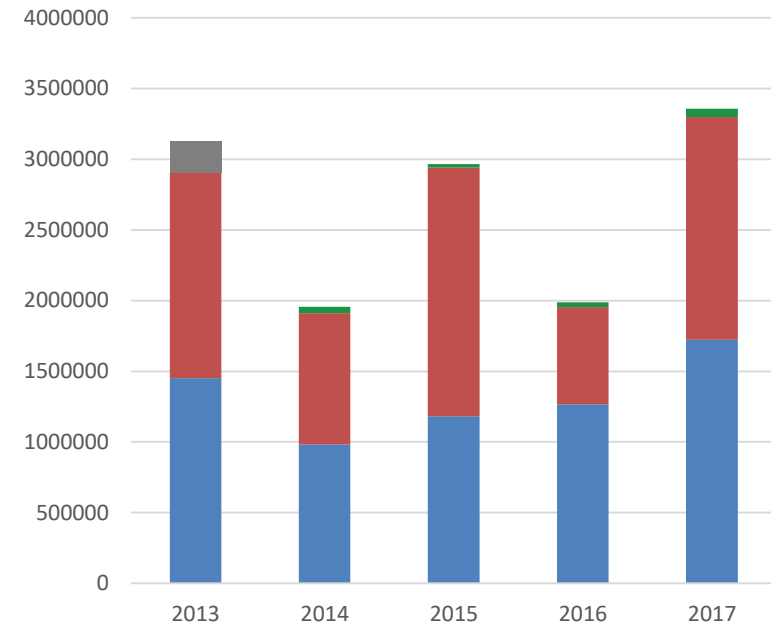
- Grants
- Debt Instruments
- Equity and Shares in Collective Investment Vehicles
- Unallocated / Unspecified



SADC Region



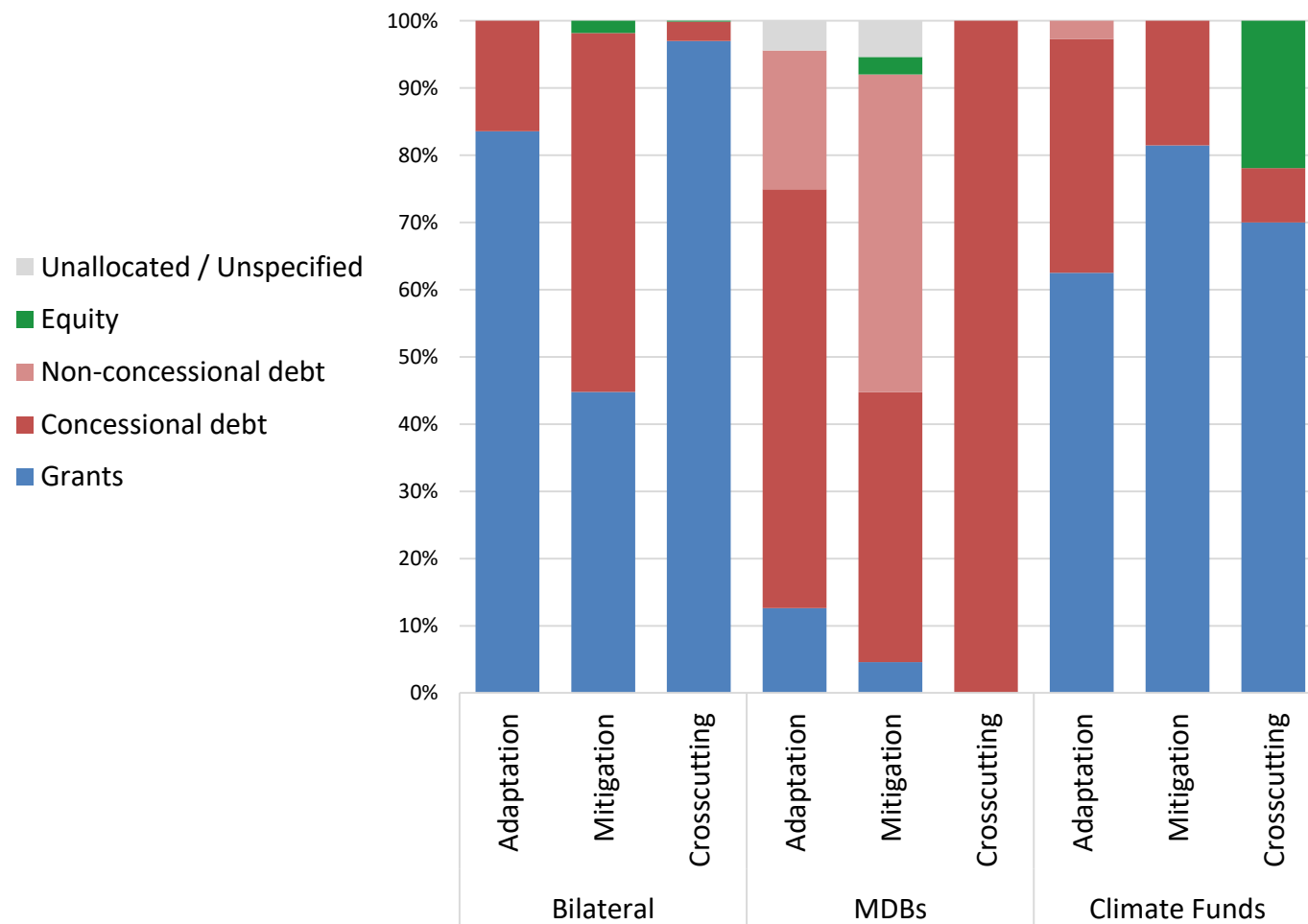
SADC Region: Yearly Climate Finance Inflows by Financial Instruments



- Compared to the global average, SADC's climate finance has a higher percentage of grants, lower percentage of debt instruments;
- Equal share of debt and grants;
- No clear time trend in finance instruments;



Financial Instruments by Provider Type and Theme – SADC Region

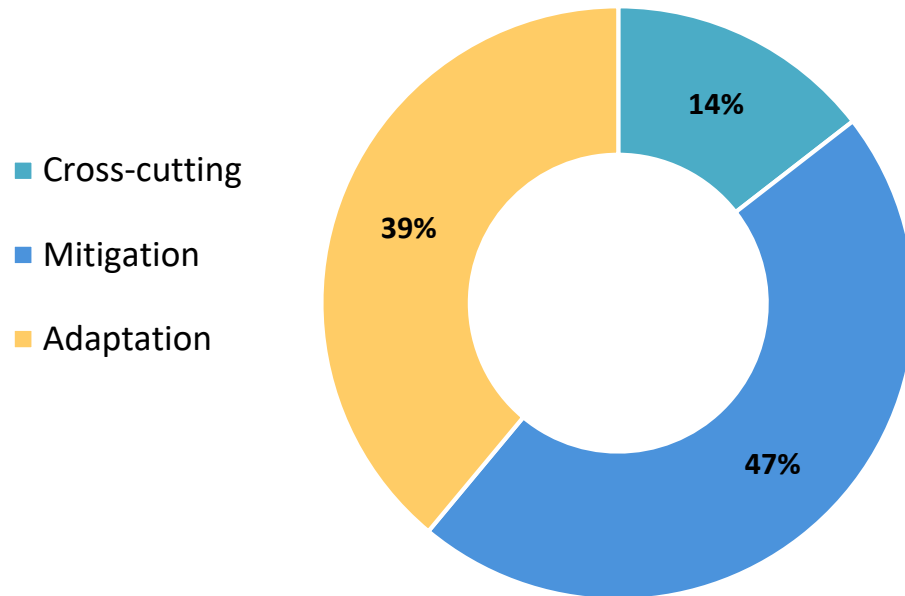


- In bilateral flows grants are the main instrument used, with mitigation project receiving equally as much concessional debt
- MDBs use mainly debt instruments
- Climate Funds mainly give grants

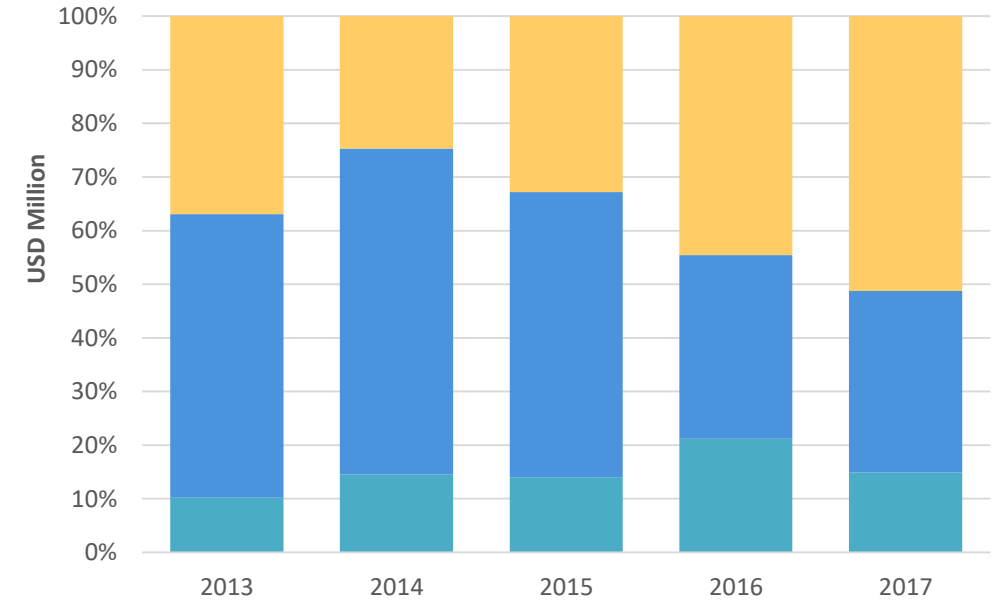


Themes of Funded Projects

SADC Region Climate Finance Inflows by Themes,
Percent of Total 2013 - 2017



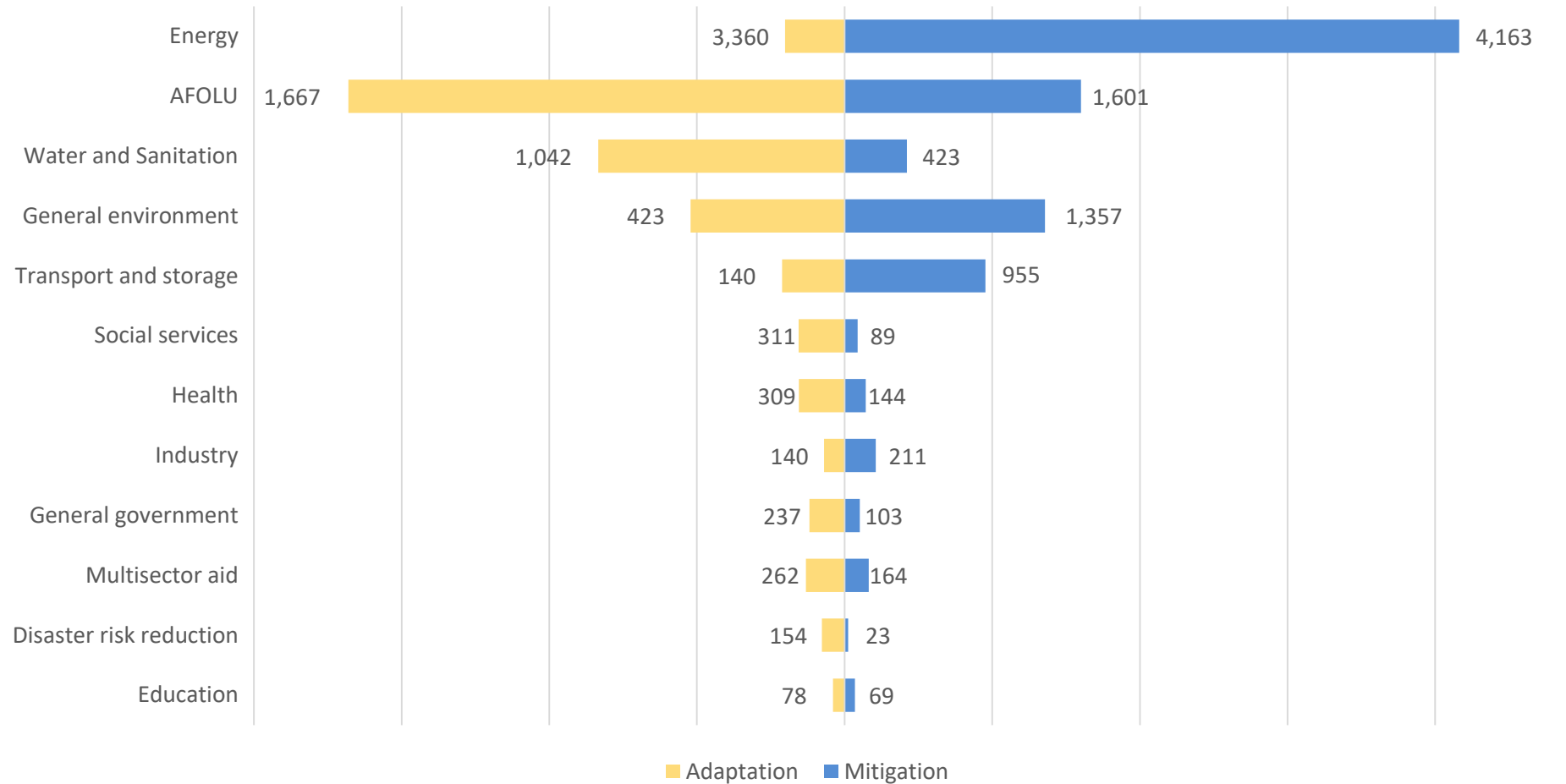
Total Yearly Climate Finance Inflows to the SADC
region by themes (mitigation, adaptation, cross-
cutting projects)



- Relatively well balanced distribution of finance between Adaptation and Mitigation projects
- Share of Adaptation finance increasing



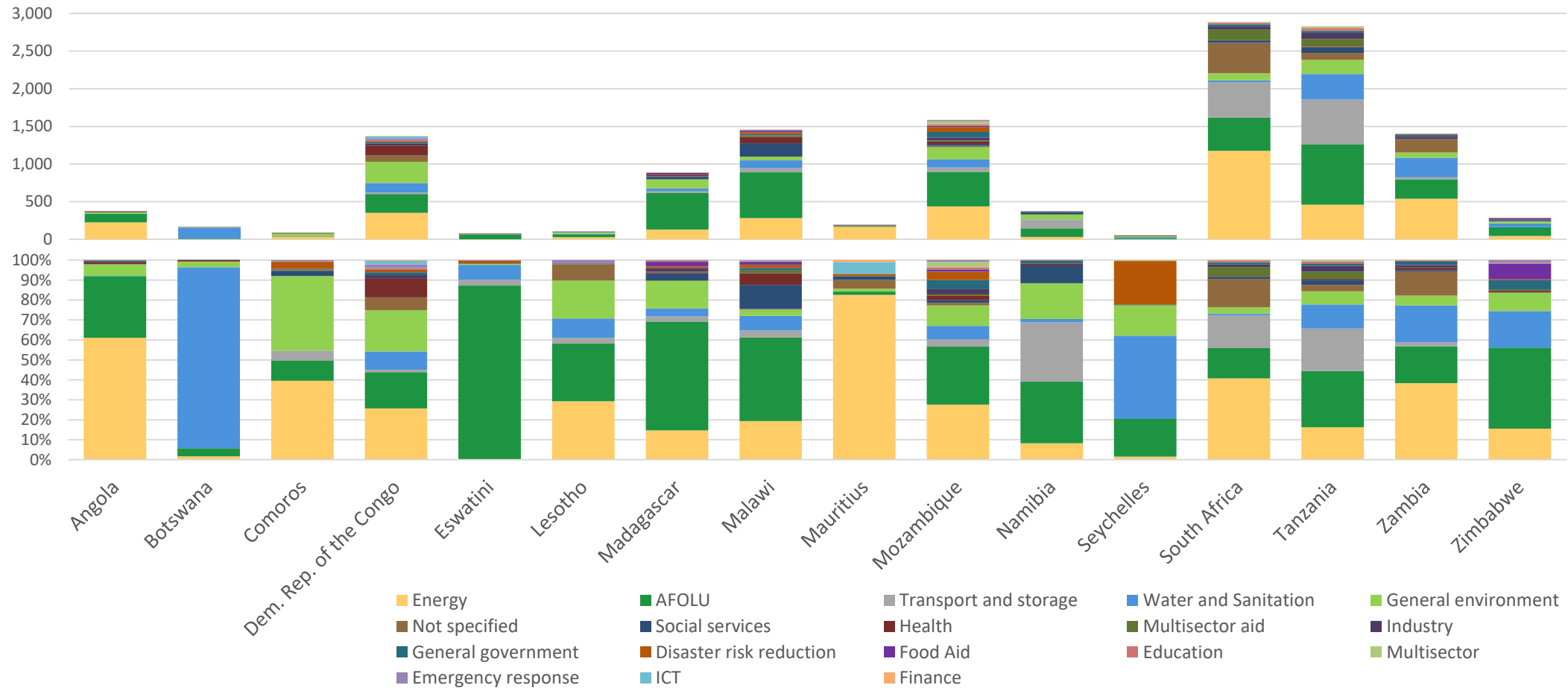
Sectors 1/2: Inflow to Main Receiving Sectors by Theme



- Main sectors receiving **adaptation** finance: **AFOLU, Water and Sanitation, General Environment, Transport & Storage**
- Main sectors receiving **mitigation** finance: **Energy, AFLOU, General Environment, Transport and Storage**



Country differences in main receiving sectors

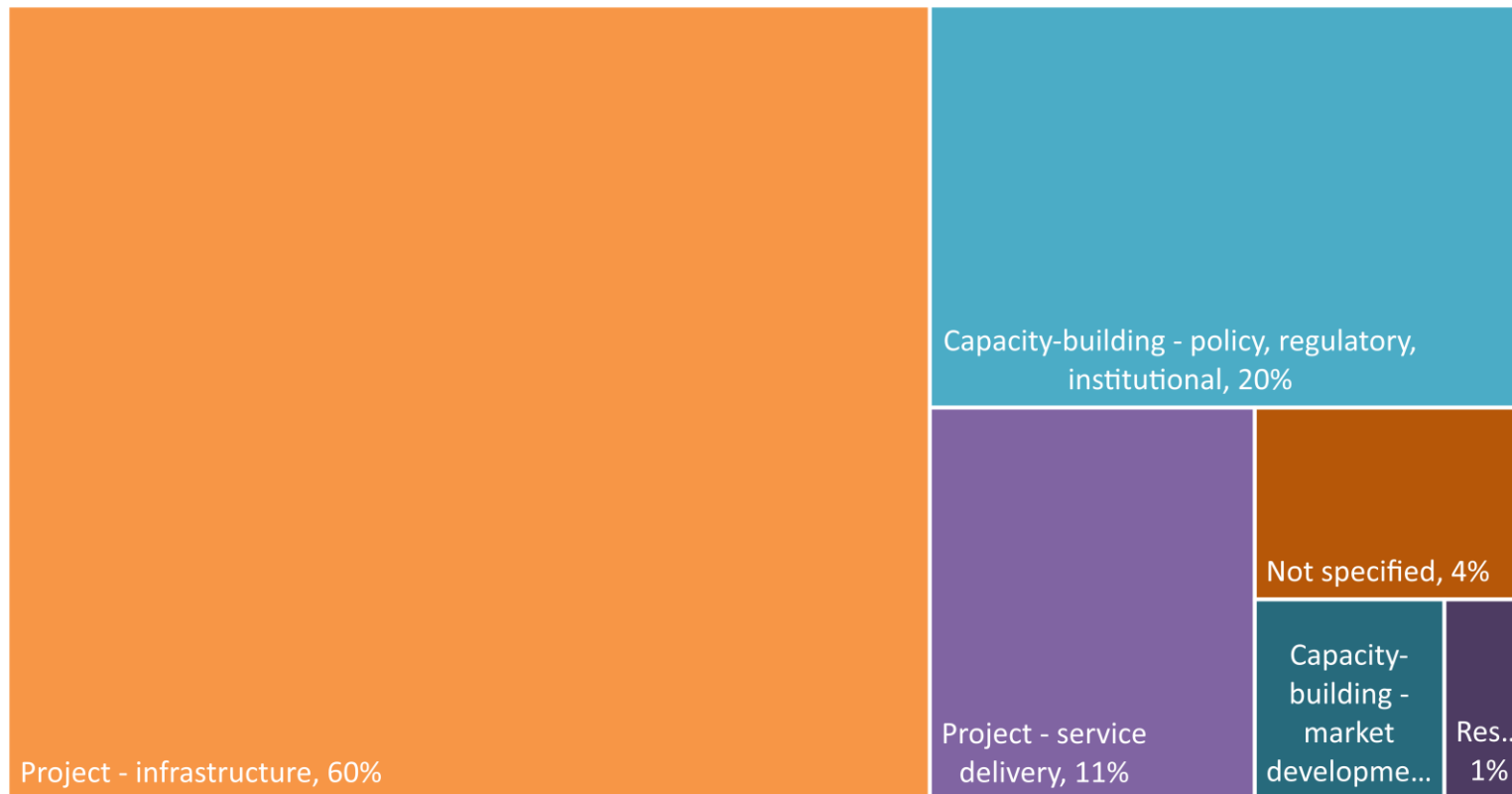


- Significant differences between countries.
- Energy, AFOLU and Water & Sanitation relevant CF sectors for most countries.



Project Activity Type

- 60% of the activities receiving climate finance are focused on projects on infrastructure or production
- 20% is focused on capacity building
- 11% is on delivering services such as in health, education and social sectors



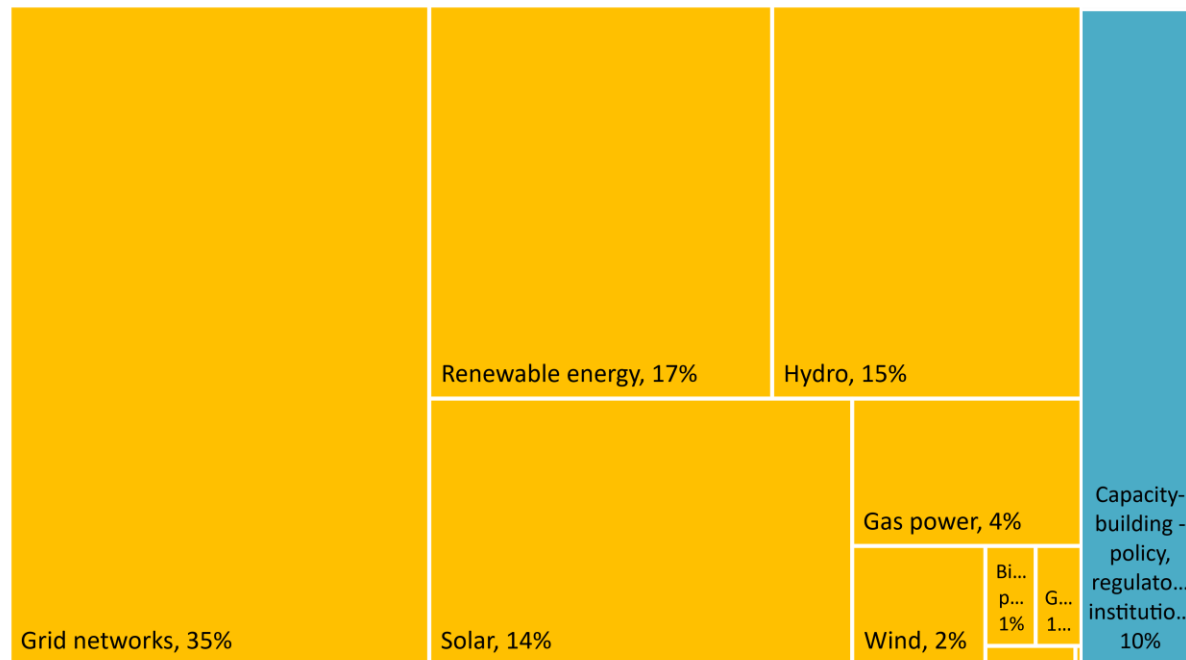
Mitigation Sectors - Project Activity Types

- In energy sector, 10% of flows went to capacity building activities.
- Grid networks received the most of infrastructure finance (35%).

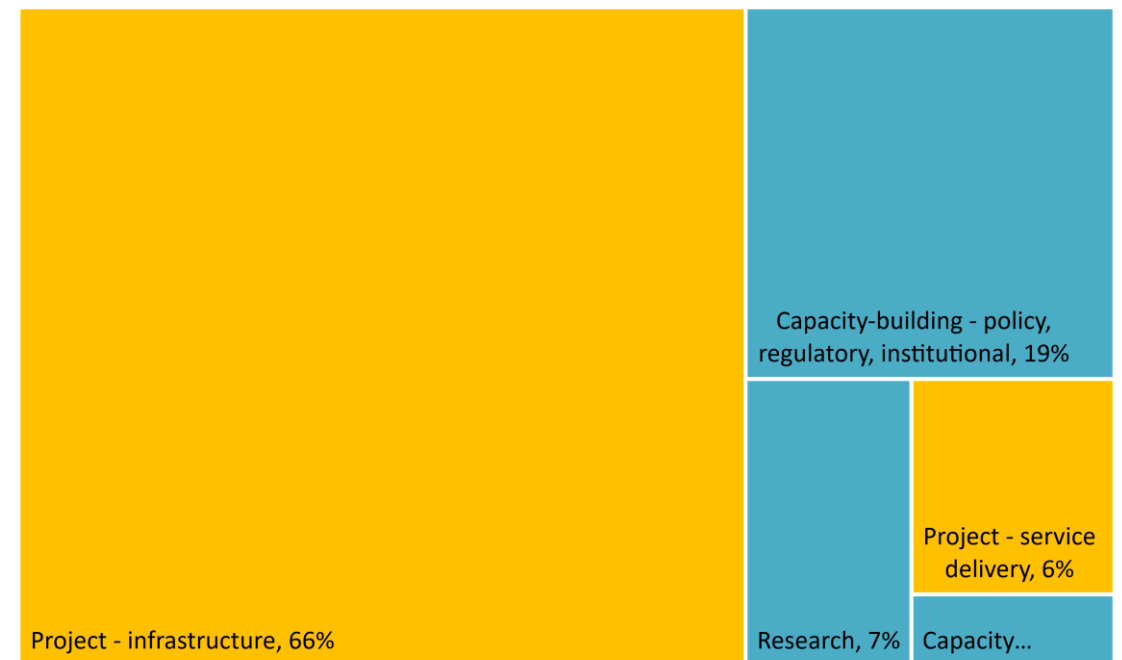
- In agriculture, forestry, and land use (including fishing), 28% of mitigation finance went to capacity building and research.
- Project implementation finance goes primarily to agriculture and land use projects.
- Research expenditures are almost exclusively going towards agriculture.

Energy - Mitigation Finance

■ Capacity-building - policy, regulatory, institutional ■ Project - infrastructure



AFOLU - Mitigation Finance

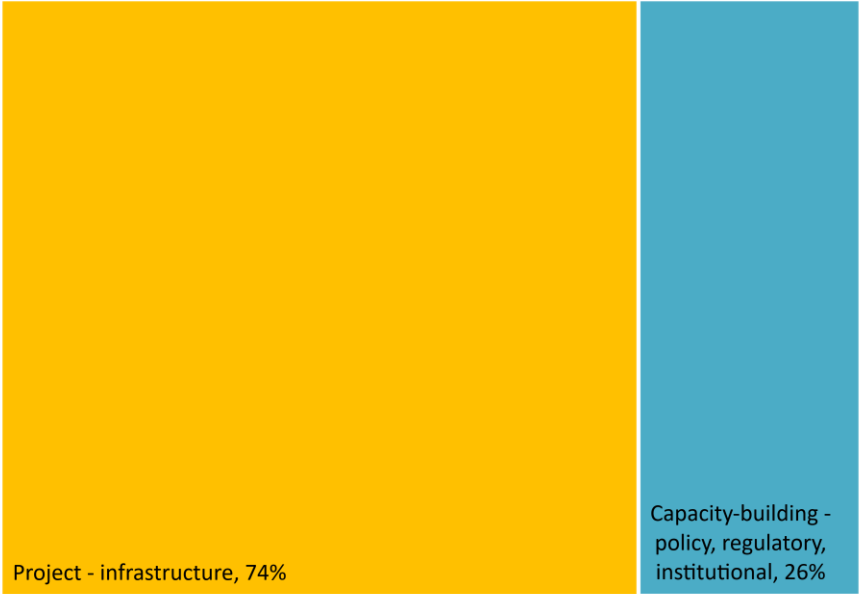


Adaptation Sectors – Project Type

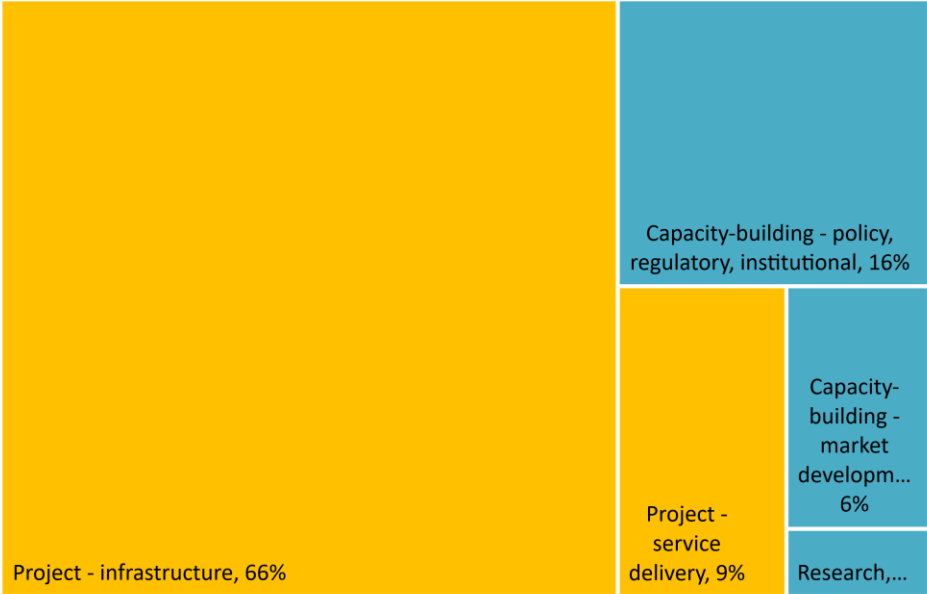
- In the water and sanitation sector, 26% of adaptation finance are going to capacity building.

- In agriculture, forestry, and land use, 24% of adaptation finance went to capacity building and research.
- 66% went to project implementation, mainly rural and agricultural development.

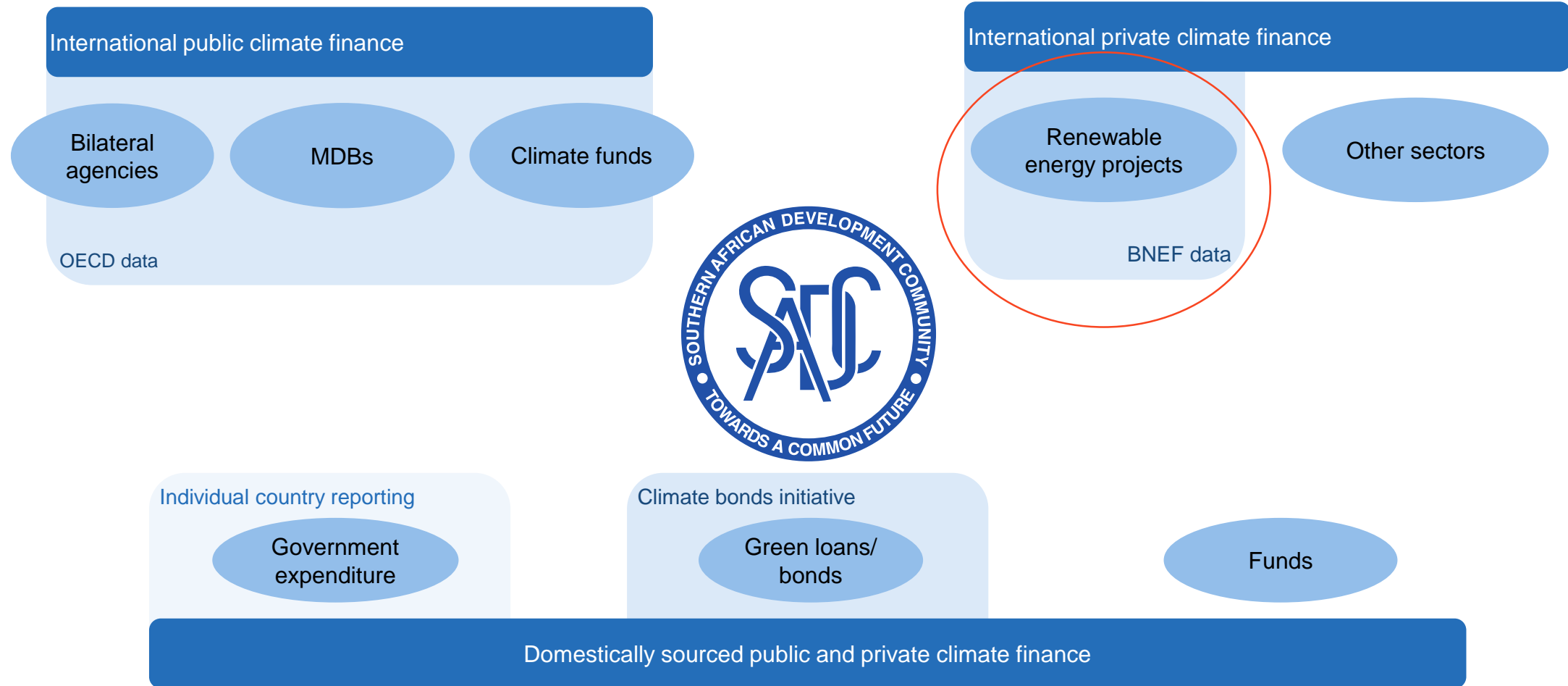
Water and Sanitation - Adaptation Finance



AFLOU - Adaptation Finance



Data availability for existing climate finance flows

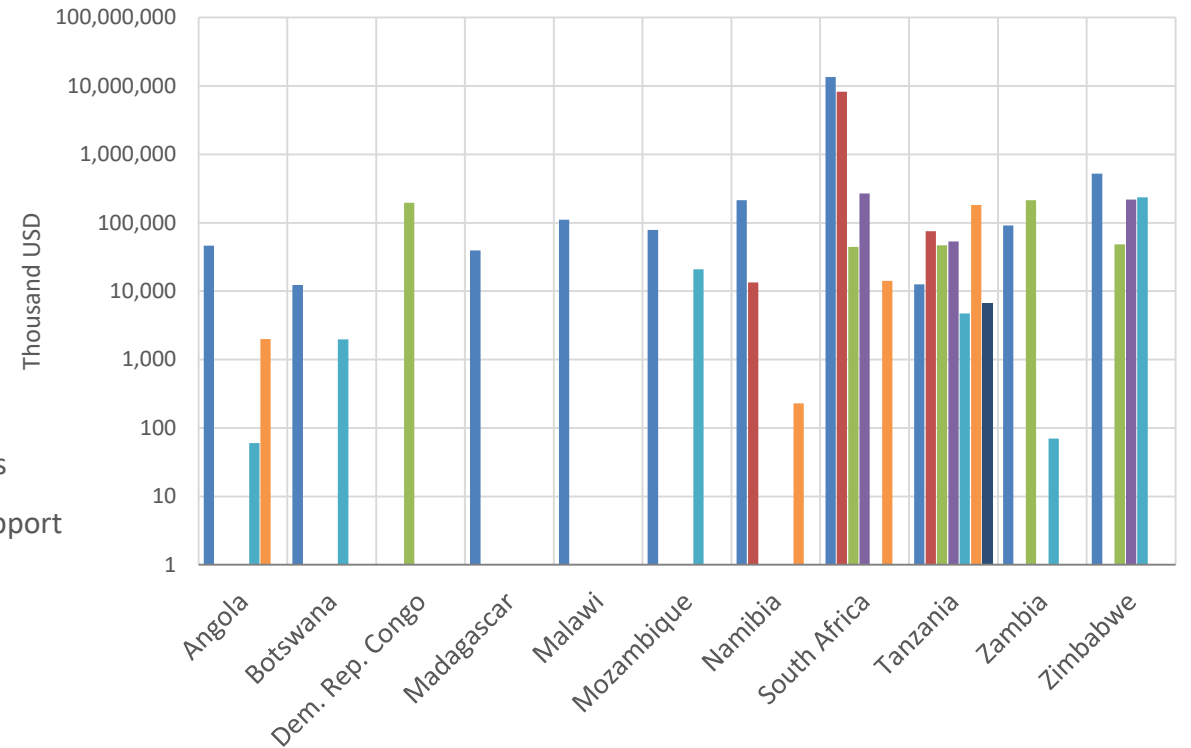
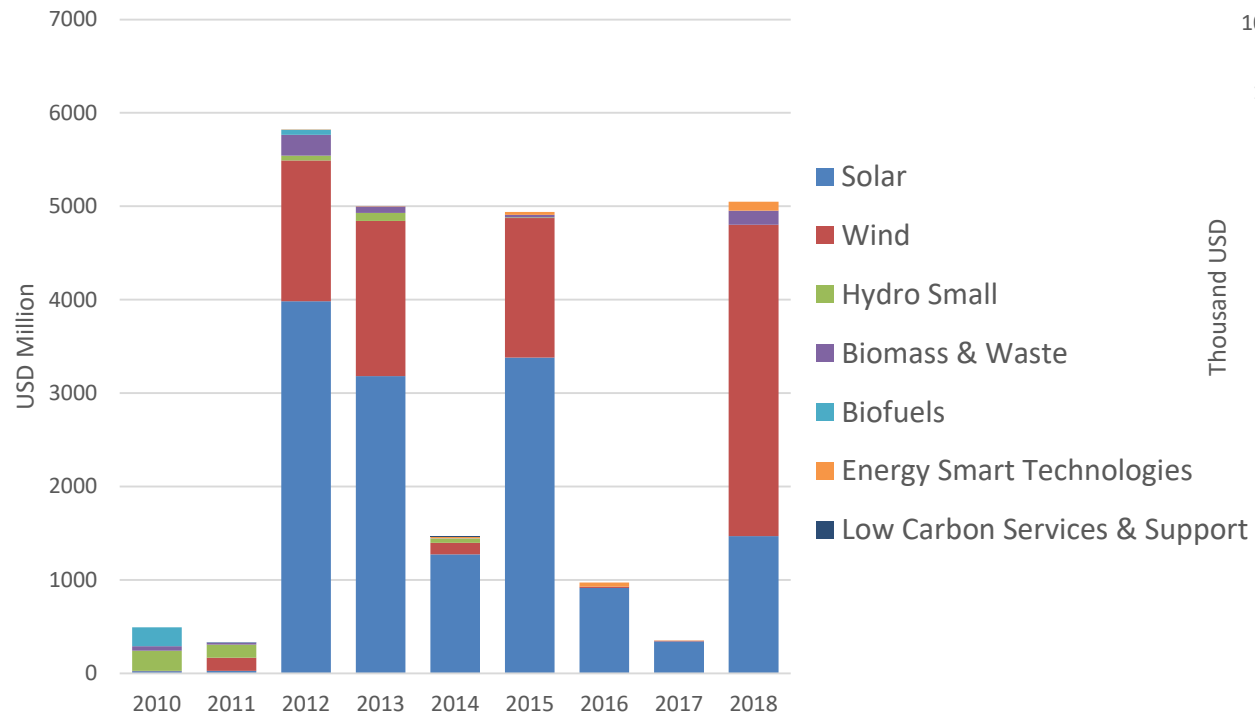


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Renewable Energy Investment in SADC Region by Technology 2010 - 2017



- High Fluctuation in RE investments, might be explained by RE IPP tenders;
- Total RE Investment 2010-2018: 24 bn
- Average: 2.7bn

- Obvious heterogeneity among countries

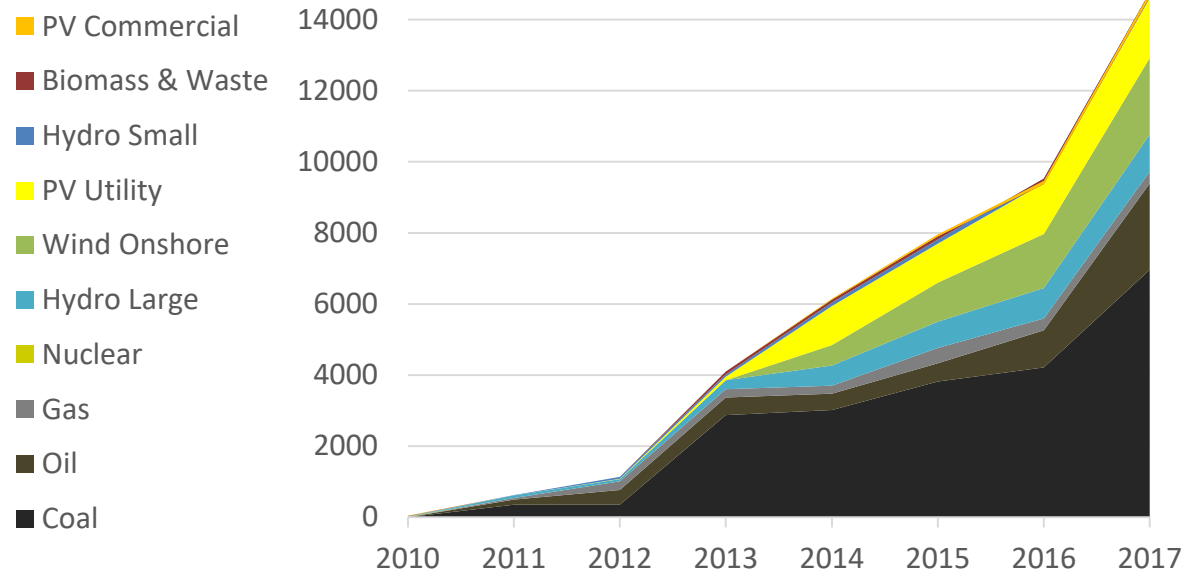


Data not available on Comoros, Eswatini, Mauritius, Seychelles

Source: Bloomberg NEF

Energy Capacity Installed

New Capacity installed since 2010 (cumulative)



- Fossil fuels still dominant.
- Share of RE increasing.

Lenders to the Region, according to BNEF research

Multilateral

Climate Investment Funds
WB Group
European Investment Bank

Bilateral - Public

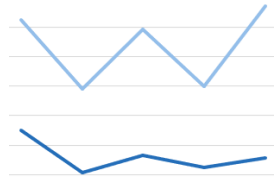
Export-Import Bank of India
Export-Import Bank of China
Agence Francaise de Developpement EPIC
Republic of South Africa Economic Development Department
Republic of Namibia
Development Bank of Southern Africa Ltd

Bilateral - Private

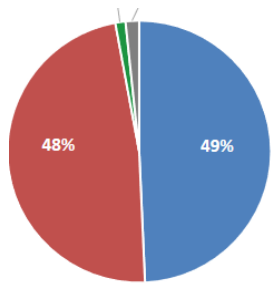
Standard Bank Group Ltd
Absa Group Ltd
Nedbank Group Ltd
FirstRand Ltd
Capricorn Investment Group Ltd
Consolidated Infrastructure
Group Ltd
Investec PLC
Investec Ltd
HSBC Holdings PLC
Overseas Private Investment Corp



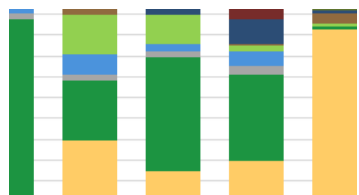
Summary



- Avg. CF to SADC region 2bn/year
- Slightly increasing trend

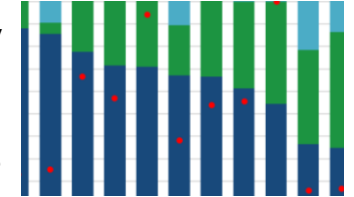


- Equal share of grants and debt instruments
- Bilateral and Climate Funds providing grants, MDBs using debt instruments

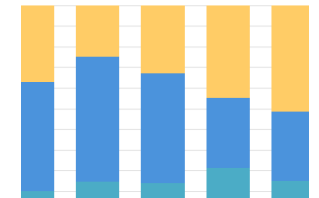


- Commonly important sectors in the region: Energy, AFOLU, Water & Sanitation

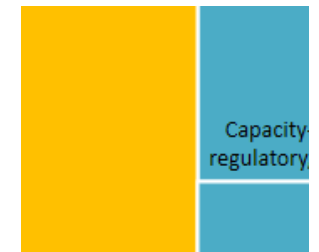
- Mainly provided bilaterally
- Correlation between total CF and balanced share of bilateral/multilateral sources



- Balanced adaptation / mitigation finance
- Share of adaptation increasing



- Finance for technical assistance makes up between 10% and 28%, depending on sector



Southern African Development Community (SADC)

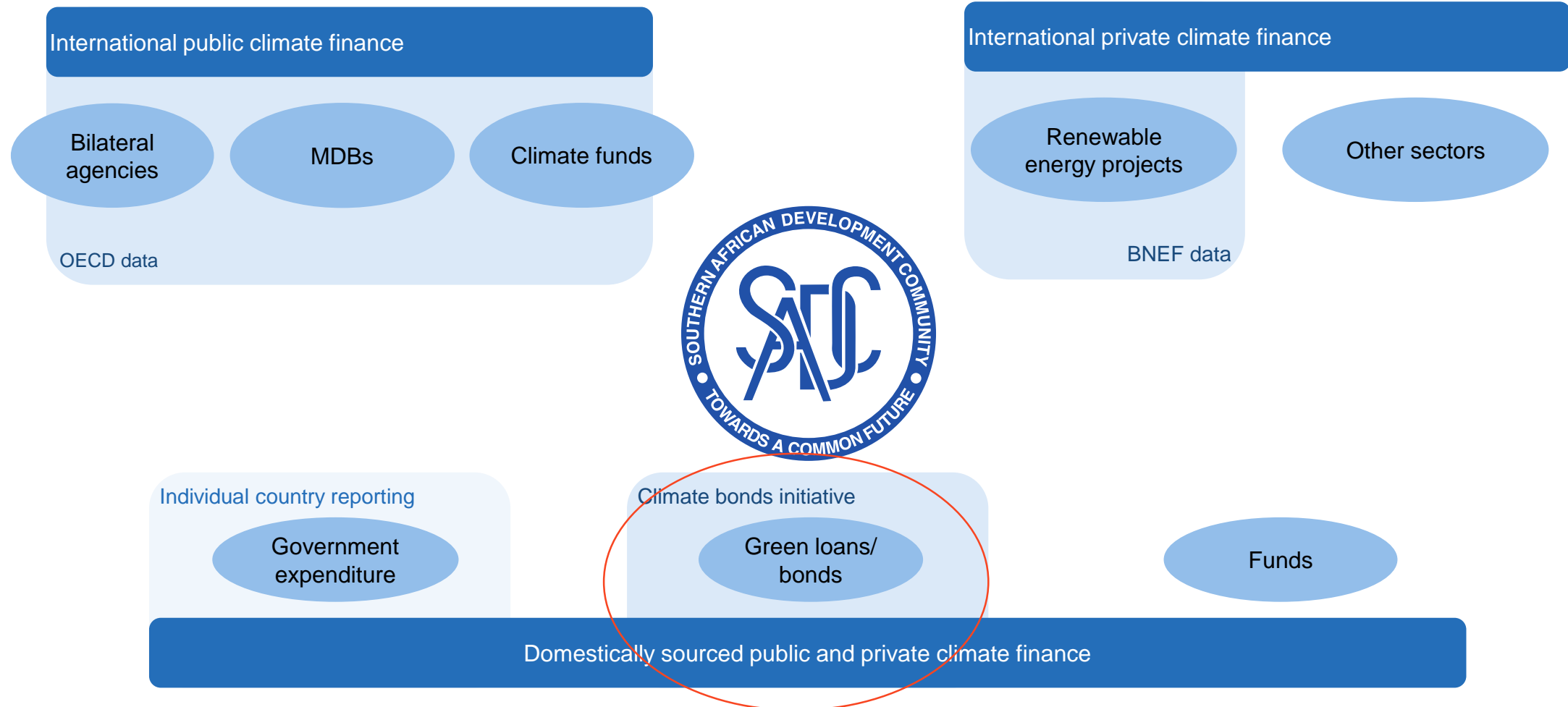
Climate Finance Flows

Thank you for you attention!





Data availability for existing climate finance flows



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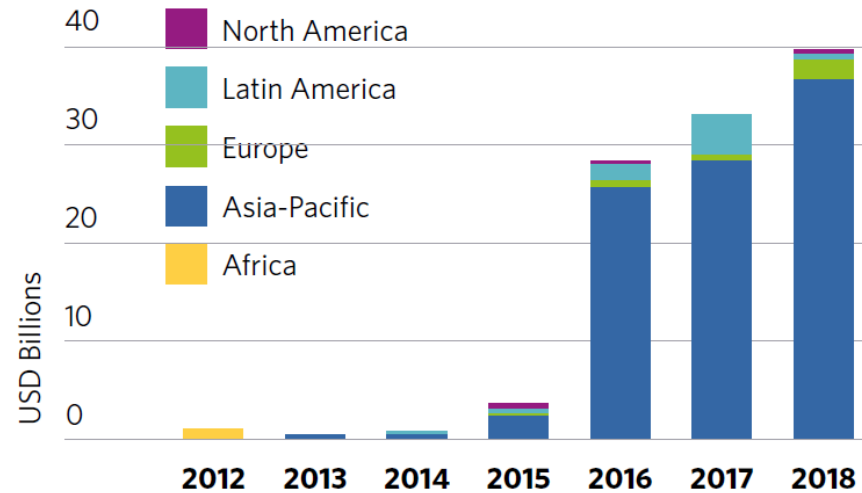


Cumulative regional green bond issuance since 2007

Region	Green bond markets	Issuers	Amount issued (USDbn)	Change 2017-18
Africa	4	11	2	↓
Asia-Pacific	18	222	120	↑
Europe	22	193	190	↑
Supranationals	-	11	66	↑
Latin America	7	24	7	↓
North America	3	167	137	↓

Note: Cumulative data as of 31 December 2018

Asia-Pacific dominates EM green bond issuance



Source: Climate Bonds Initiative

- First Emerging Market Bonds were issued 2012 in South Africa by the Industrial Development Corporation
- The Republic of Seychelles issued the first sovereign blue bond (USD15m) in 2018
- Nedbank among the top 5 commercial issuers of EM Green bonds



DBSA Green Finance Commitments in 2017	USD Mio
Green Energy and Mitigation of GHGs	136
Adaptation	33
Other	14
Total Green Commitments	183

Source: IDFC

DBSA is currently working with the government of South Africa to develop policy and capacity incentives for mainstreaming biodiversity and ecosystems values into national, regional and local development policy and finance.

