Climate Funds Update

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CLIMATE FINANCE REGIONAL BRIEFING: SUB-SAHARAN AFRICA

CLIMATE FINANCE FUNDAMENTALS 7

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Sub-Saharan Africa (SSA) is the region least responsible for global climate change and most vulnerable to its impacts. A multitude of actors are involved in directing climate finance to the region, both to support low-carbon development and to help countries adapt to the severe impacts that are already being felt. The Green Climate Fund (GCF), in 2022 and now nearing the end of its first replenishment period (GCF-1), continues as the largest multilateral climate fund contributing to the region, followed by the Least Developed Countries Fund (LDCF), the Global Environment Facility (GEF) Trust Fund and the World Bank-administered Clean Technology Fund (CTF). For the funds tracked, Climate Funds Update (CFU) data indicates that USD 6.9 billion has been approved for 963 projects and programmes throughout SSA since 2003. Just over a third, or 36% of the approved funding from these multilateral climate funds has been provided for adaptation measures. Grant financing continues to play a crucial role, in ensuring that climate actions secure multiple, people-centred and gender-responsive benefits for the most vulnerable countries and population groups. Recent IPCC findings suggest that public grants for mitigation and adaptation funding in SSA are cost-effective and have high social returns, including for access to basic energy (IPCC, 2022).

Introduction

Although SSA[1] is responsible for less than 4% of annual global greenhouse gas (GHG) emissions, it is the region most susceptible to the dangerous impacts of climate change, many of which are already being experienced: surface temperatures on and sea levels around the continent increase faster than the global average, for example (IPCC, 2021). In climate change planning, and with respect to increasing the ambition of their nationally determined contributions (NDCs), many countries in SSA are therefore focusing on long-term adaptation needs (UNDP, 2021). Of particular concern is the relationship between climate change, food production, food prices and extreme weather conditions, which collectively threaten food security. In SSA, crop yields are projected to decline by 5 to 17% by 2050 due to climate change, especially in key staples. Indeed, the largest projected increases of people living in poverty because of climate change are expected in Africa, mainly due to the continent's heavily agriculture-dependent economy (FAO, 2016). The majority of SSA's population lives in rural areas and continues to depend on weather-sensitive activities such as rain-fed agriculture, herding, and fishing for their livelihoods (IMF, 2022).

Current levels of climate finance directed to SSA are insufficient to meet the region's demonstrated need for adaptation finance, which already several years ago were estimated to reach USD 50 billion per year by 2050 under an optimistic 2°C warming scenario (UNEP, 2015). A bottom-up analysis of the Nationally Determined Contributions (NDCs) of 51 African countries cumulatively shows an even higher need for an estimated USD 579 billion in investment for adaptation through 2030 (CPI, 2022; GCA, 2022). The most disenfranchised, and therefore the most vulnerable population groups in the region, have received limited support so far. A significant barrier to investment is the transaction costs of the small-scale projects that are often required in the poorest areas. Public sector grant finance will continue to play a crucial role in allowing for significant environmental, developmental, social and gender equality co-benefits of climate actions in the region to be realised, not only for adaptation measures but also for access to basic energy and to address energy poverty (IPCC, 2022).

Where does climate finance come from?

Table 1 and Figure 1 present the multilateral climate funds tracked by CFU in the region. The GCF by a vast margin is the major source of climate finance for SSA since its first project approvals in late-2015, with USD 2.1 billion approved to date for 57 projects plus USD 86 million for 124 readiness programmes. The LDCF, which implements urgent adaptation activities prioritised by least developed countries

(LDCs) under National Adaptation Programmes of Actions (NAPAs) and National Adaptation Plans (NAPs), is the second largest provider in the region with USD 846 million in grant funding for 181 projects. The GEF remains the third largest contributor in the region and has now approved USD 747 million for 209 projects. The CTF has meanwhile approved a total of USD 701 million for 16 renewable energy and energy efficiency projects in Burkina Faso, Ethiopia, Kenya, Nigeria, South Africa, Tanzania and Uganda, demonstrating a clear difference in fund remits and investment strategies.

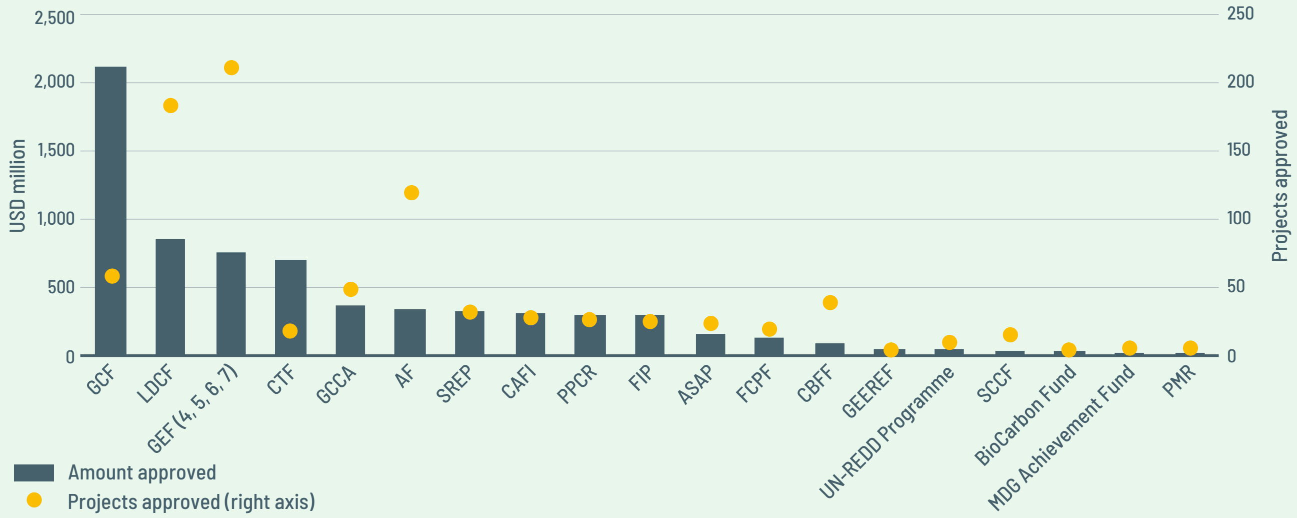
Bilateral climate finance also flows to SSA. Such climate finance complements the multilateral climate fund flows. This also includes the bilateral climate funds of Germany, the United Kingdom and Norway, who are active in the region.[2] Bilateral funds, however, are not tracked by CFU given their relative lack of transparently available detailed information of current activities and spending.

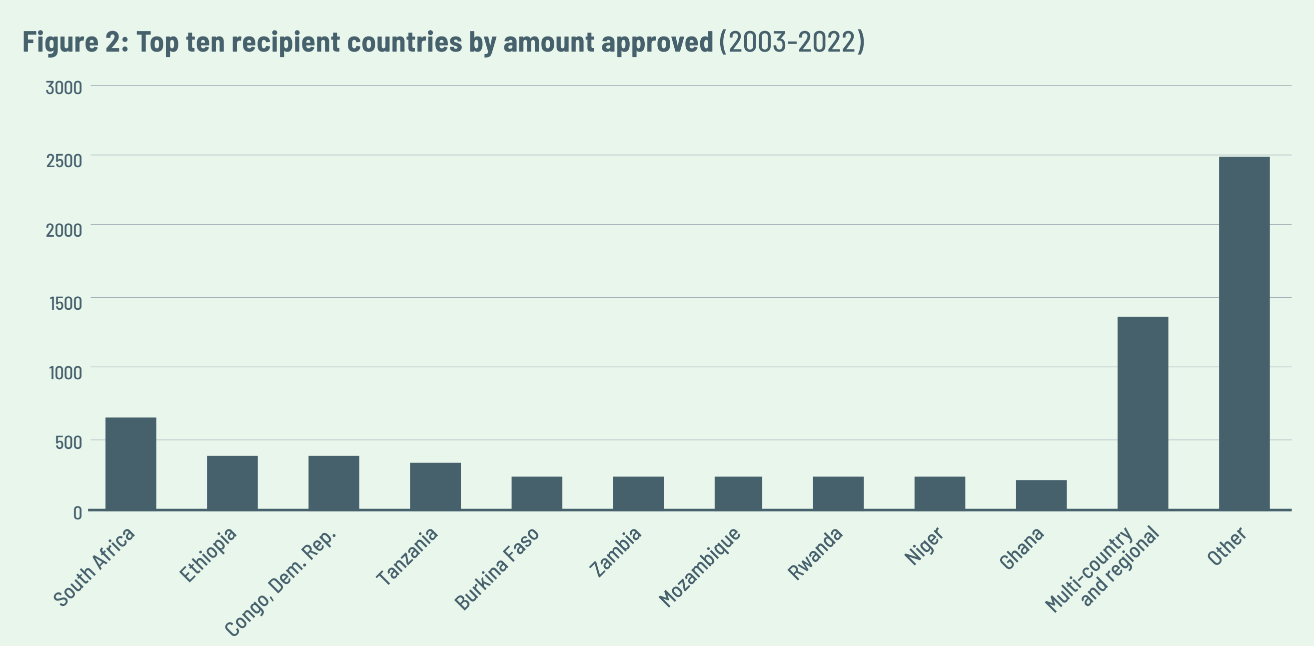
Most recently, France, Germany, the United Kingdom, the United States and the European Union have committed to fund a USD 8.5 billion concessional funding package for South Africa over five years under the new Just Energy Transition Partnership (JETP) initiative announced at COP26 for decarbonisation projects as well as for coal worker and community support programmes. With South Africa's investment plan finalised, implementation is expected to begin in 2023 (South Africa Presidency, 2022). The vast majority of this funding is expected to be provided as loans.

Table 1: Climate funds supporting sub-Saharan Africa (2003–2022, USD millions)

Fund	Amount approved	Projects approved
Green Climate Fund (GCF-IRM, GCF-1)	2,108.1	57
Least Developed Countries Fund (LDCF)	846.3	181
Global Environment Facility (GEF-4, 5, 6, 7)	747.3	209
Clean Technology Fund (CTF)	700.7	16
Global Climate Change Alliance (GCCA)	358.8	46
Adaptation Fund (AF)	329.9	117
Scaling up Renewable Energy Program in Low Income Countries (SREP)	315.3	30
Central African Forest Initiative (CAFI)	308.4	26
Pilot Program for Climate Resilience (PPCR)	298.0	25
Forest Investment Program (FIP)	287.6	23
Adaptation for Smallholder Agriculture Programme (ASAP)	155.6	22
Forest Carbon Partnership Facility (FCPF)	121.4	18
Congo Basin Forest Fund (CBFF)[3]	83.1	37
Global Energy Efficiency and Renewable Energy Fund (GEEREF)	40.5	2
UN-REDD Programme	36.4	8
Special Climate Change Fund (SCCF)	33.5	13
BioCarbon Fund	26.0	2
Millennium Development Goals Achievement Fund (MDG-F)[4]	20.0	4
Partnership for Market Readiness (PMR)	5.9	3

Figure 1: Funds supporting sub-Saharan Africa (2003-2022)





Who receives the money?

A large share of climate finance for SSA has been directed to South Africa, which has received close to 10% of funding approved by the multilateral climate funds since 2003 (Figure 2). Much of the finance South Africa received is CTF supported, including the Eskom renewable energy programme; under the CTF's new Accelerating Coal Transition (ACT) programme, as announced in 2021, South Africa will receive an additional USD 500 million in CTF support as part of a promised multi-year USD 8.5 billion international investment package to help the country shift away from coal power generation (CIF, 2021 and 2022; DFFE, 2022). Although 42 countries in SSA have received some funding, approximately half (44%) of the region's approved funding has gone to the top ten recipient countries. However, climate funds are also reaching fragile or conflict affected states such as Liberia, Chad, Burundi and Somalia.

What is being funded?

Figure 3 and Table 2 illustrate that the largest percentage (and number) of projects support adaptation objectives, reflecting the extreme vulnerability of many SSA countries to the impacts of climate change.

Positive developments were seen in 2022 in international climate finance going to SSA. The GCF was once again the largest international funding source of climate finance for the region, with USD 143.6 million approved for three new GCF projects with multiple foci under its third year of the first replenishment phase. Two of these projects aim to enhance access to agriculture climate adaptation technologies in Benin (USD 18.5 million) and Gambia (USD 17.2 million). The largest GCF project in SSA approved in 2022 provides USD 108 million to 13 countries in the Sahel region to facilitate access to credit and technical assistance for farmers and small size enterprises (with USD 76.5 million on concessional loan terms).

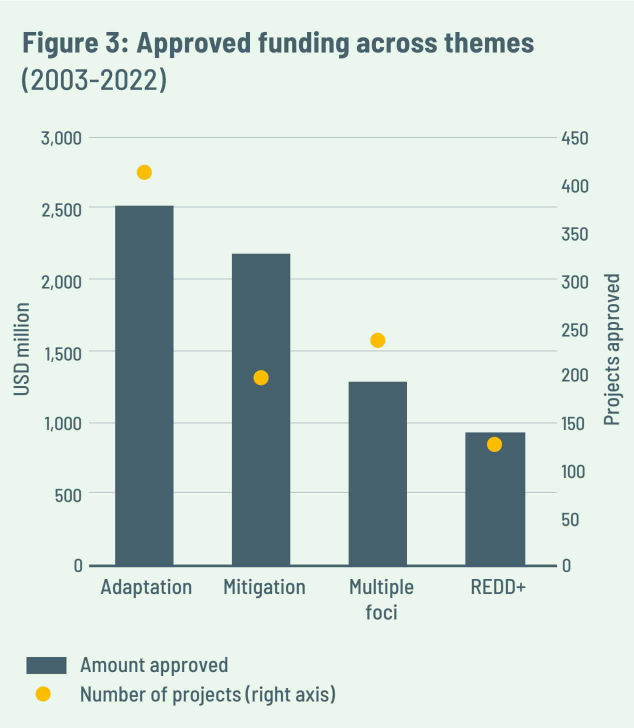


Table 2: Approved funding across themes (2003-2022)

Theme	Amount approved (USD millions)	Projects approved
Adaptation	2,518.7	411
Mitigation	2,176.7	194
Multiple foci	1,286.2	234
REDD+ (reducing emissions from deforestation and forest degradation, forest conservation, sustainable forest management and the enhancement of forest carbon stocks)	926.7	124

The Climate Investment Funds (CIFs) also saw project development in 2022. The Forest Investment Programme (FIP) approved two new projects totalling USD 23 million for community agroforestry in the Cote d'Ivoire and Rwanda. The Pilot Program for Climate Resilience (PPCR) supported three new projects totalling USD 2.8 million in Madagascar, Rwanda and Uganda while the Scaling Up Renewable Energy Program (SREP) approved USD 1.4 million for one regional project and three national projects in the Central African Republic, Nigeria and Sudan. The Clean Technology Fund (CTF) while not approving new projects in SSA in 2022, did endorse a USD 500 million ACT investment plan for South Africa, with individual projects under this plan to be approved at a later point (CIF, 2022).

Thirteen new grant finance projects were approved by the GEF (USD 20 million in total). The two largest programmes focused on supporting access to clean energy by promoting investment in low carbon mini grids in Somalia (USD 3.3 million) and Sudan (USD 2.6 million). Eight new projects were approved by the LDCF (USD 38 million in total). The Adaptation Fund (AF) approved 12 new projects in SSA in 2022 totalling USD 36 million, including a number of project formulation grants, one multi-country project to strengthen the regional agro-ecology and sanitation resilience to COVID-19 and climate change in Chad and Sudan (USD 14 million), and one project in Uganda to support adaptation in communities particularly vulnerable to floods and landslides (USD 10 million). Finally, in 2022 the Central African Forest Initiative (CAFI) approved 11 projects in support of REDD+, six in Gabon, three with a regional coverage, one in the Congo Republic and one in the Democratic Republic of Congo (totalling USD 40.7 million).

International climate finance is thus improving its flow into the region, although the challenge of project implementation – with the speedy disbursement of funds – remains.

Box 1: Climate finance in SSA in LDCs

LDCs are some of the countries most vulnerable to the impacts of climate change. A number of LDCs in SSA are also fragile and conflict affected states that make spending more complex and can often require context-specific solutions. The multilateral climate funds have tended to focus finance in the LDCs within the SSA region. Since 2003, 29 LDCs have been supported with USD 4.1 billion, representing 59% of overall approved finance for the region. Ethiopia, the Democratic Republic of Congo, Tanzania, Burkina Faso, Zambia, Mozambique, Rwanda and Niger are all LDCs due to receive more than USD 200 million for approved project activities.

The GCF target of dedicating 50% of approved finance to adaptation projects, and half of this amount to LDCs, SIDS and African States, means that the fund has become an increasingly important source of climate finance to African LDCs. In 2022, the GCF accounted for 27% of cumulative project approvals for SSA LDCs. The LDCF, which before 2020 led in support for SSA LDCs, now accounts for 20% of cumulative project approvals.

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Endnotes

1. Financing for five SSA countries (Cabo Verde, Comoros, Guinea-Bissau, Mauritius and the Seychelles) is captured in CFF12 on Small Island Developing States (SIDS).
2. In 2014, the last year when CFU was able to track bilateral climate funds, cumulative bilateral flows to SSA included USD 98 million from Germany's Internationale Klimaschutzinitiative (IKI, international climate initiative), USD 36 million from Norway's International Climate and Forest Initiative (NICFI) and USD 169 million from the UK's International Climate Finance (ICF).
3. The Congo Basin Forest Fund (CBFF) operated for a ten year period from 2008-2018 and was formally closed in 2018; it has been succeeded in the region by the Central African Forest Initiative (CAFI).
4. The Millennium Development Goal Achievement Fund (MDG-F) was operational from 2007-2013. As of May 2019, all of its projects had been financially closed.

The Climate Finance Fundamentals are based on Climate Funds Update data and up to 2021 also available in French and Spanish at **www.climatefundsupdate.org**

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