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 2023 and now in its second replenishment period (GCF-2), 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 8.5 billion has been approved for 1,022 projects and programmes throughout SSA since 2003. Just over a third, or 38% 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, 2022a).

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; IPCC, 2022a). 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), with some estimates that an additional 40 million people in SSA could face chronic hunger in 2050 due to climate change (UNEP, 2023). 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), and could require up to 4.9% of the region's GDP with adaptation finance needs potentially as high as USD 96 billion a year (UNEP, 2023). A bottom-up analysis of the 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, 2022b).

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 2015, with USD 3.1 billion approved to date for 71 projects plus USD 106 million for 145 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 857 million in grant funding for 183 projects. The GEF remains the third largest contributor in the region and has now approved USD 767 million for 215 projects. The CTF has meanwhile approved a total of USD 658 million for 15 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.

Table 1: Climate funds supporting sub-Saharan Africa (2003–2023, USD millions)

Fund	Amount approved	Projects approved
Green Climate Fund (GCF-IRM, GCF-1)	3,130.2	71
Least Developed Countries Fund (LDCF)	857.0	183
Global Environment Facility (GEF-4, 5, 6, 7, 8)	766.7	215
Clean Technology Fund (CTF)	657.6	15
Central African Forest Initiative (CAFI)	517.1	30
Forest Carbon Partnership Facility (FCPF)	433.2	24
Global Climate Change Alliance (GCCA)	358.8	46
Adaptation Fund (AF)	357.6	122
Scaling up Renewable Energy Program in Low Income Countries (SREP)	303.7	25
Pilot Program for Climate Resilience (PPCR)	298.9	29
Forest Investment Program (FIP)	288.2	25
Adaptation for Smallholder Agriculture Programme (ASAP)	157.1	22
Congo Basin Forest Fund (CBFF)[3]	83.1	37
BioCarbon Fund	41.0	3
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
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 (2003-2023)

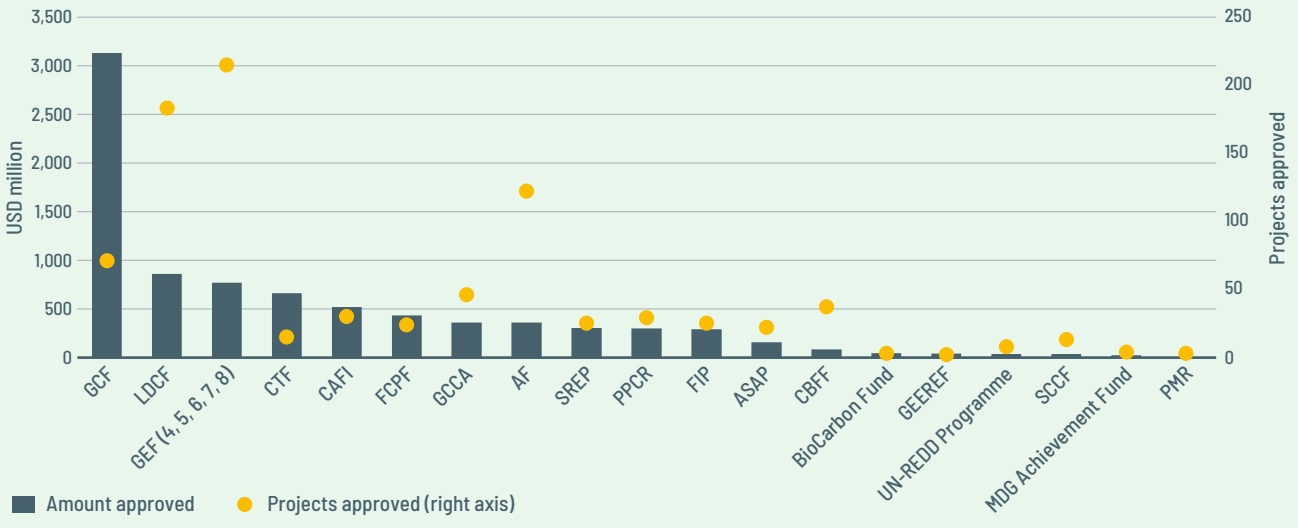
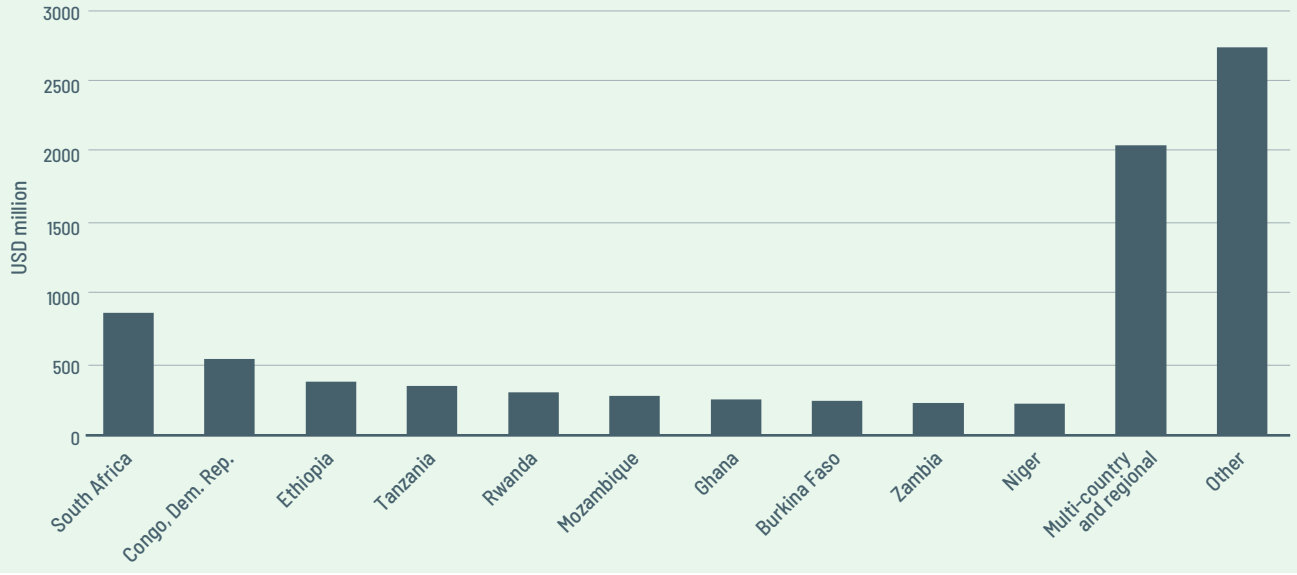


Figure 2: Top ten recipient countries by amount approved (2003-2023)



More recently, France, Germany, the Netherlands, Denmark, 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 and implementation plan finalised, implementation has begun in 2023, with first loan tranches released (South Africa Presidency, 2022 and 2023; United Kingdom, 2023). The vast majority of this funding is expected to be provided as loans.

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, 2022a and 2022b; DFFE, 2022). Although 42 countries in SSA have received some funding, approximately half (46%) 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 2023 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 969.1 million approved for 35 new GCF

Figure 3: Approved funding across themes (2003-2023)

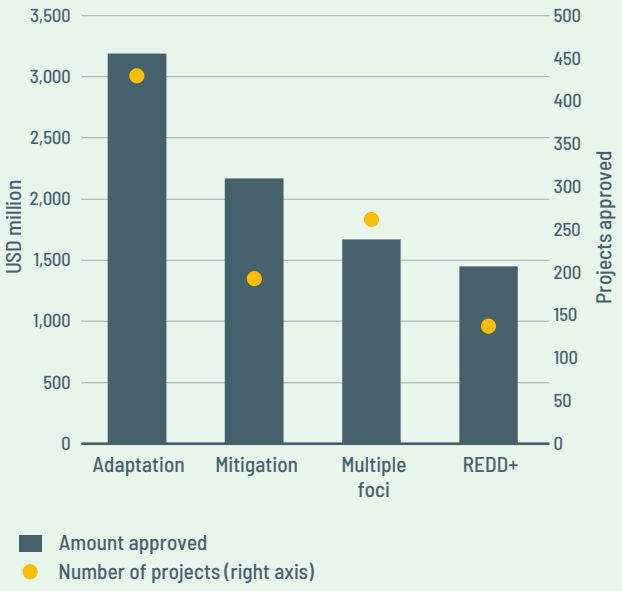


Table 2: Approved funding across themes (2003-2023)

Theme	Amount approved (USD millions)	Projects approved
Adaptation	3,189.2	430
Mitigation	2,168.9	193
Multiple foci	1,671.8	262
REDD+ (reducing emissions from deforestation and forest degradation, forest conservation, sustainable forest management and the enhancement of forest carbon stocks)	1,447.9	137

projects and programmes including 22 readiness projects (USD 21.7 million). The two largest projects in SSA approved in 2023 were also via the GCF. One is a regional programme, which provides USD 254 million to 19 countries to catalyse investments from private investors and pension funds to finance climate-resilient infrastructure (with USD 240 million in equity). The second programme aims to address the water scarcity issues in South Africa by providing USD 235 million to establish and operationalise a national water reuse programme (with USD 200 million on concessional loan terms).

The Climate Investment Funds (CIFs) also saw project development in 2023. The Forest Investment Program (FIP) approved two new projects totalling USD 1.3 million to stimulate investments in the energy transition and green growth in Benin and the Cote d'Ivoire. The Pilot Program for Climate Resilience (PPCR) supported two multi-country projects and two projects in Mozambique and Uganda totalling USD 3.2 million while the Scaling Up Renewable Energy Program (SREP) approved USD 27 million for two national projects in Lesotho and Mali. The Clean Technology Fund (CTF) approved two new regional projects in SSA in 2023, totaling USD 27 million.

With respect to the other multilateral climate change funds: five new grant finance projects were approved by the GEF (USD 13 million in total), and the two largest programmes focused on the conservation of the forest ecosystem in Angola (USD 4.2 million) and the shift to electric mobility in Senegal (USD 3.6 million); seven new projects were approved by the LDCF (USD 26 million in total); the Adaptation Fund (AF) approved five new projects in SSA in 2023 totalling USD 28 million, including two project formulation grants, one multi-country project to strengthen the resilience of coastal communities to climate change in Western Africa (USD 14 million), and two projects in the Central African Republic and the Cote d'Ivoire to support the adaptation capacities of rural communities (USD 14 million); and three projects were approved in support of REDD+. The Central African Forest Initiative (CAFI) approved two projects, one in Cameroon and one in the Republic of Congo (totalling USD 16.8 million) while the BioCarbon Fund signed its first Emission Reductions Purchase Agreement with Ethiopia, with the potential to unlock up to USD 15 million in results-based payments.

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 4.7 billion, representing 55% of overall approved finance for the region. The Democratic Republic of Congo, Ethiopia, Tanzania, Rwanda, Mozambique, Burkina Faso, Zambia, Niger and Mali 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 2023, the GCF accounted for 30% of cumulative project approvals for SSA LDCs. The LDCF, which before 2020 led in support for SSA LDCs, now accounts for 18% 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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